

Executive Summary

The domestic oilseeds and oilmeal prices witnessed gains on supportive buying during the week under review. Persistent wedding led demand in edible oils improved the oilseeds buying. The solvent extractors were keen on buying the seeds even at higher quotes to meet the improved oil demand during the period.

The RM seed prices showed substantial gains in recent days compared to soybean prices, despite new RM seed crop arrivals.

The oilmeal, primarily soy meal, prices remained strong due to the good domestic demand from poultry feed industry. The normal export sales in soy meal featured during the period.

In view of further rise in RM seed arrivals and absence of auspicious wedding dates in the month of March will eventually lead to price pressure in RM seed and soybean.

Besides, gradual rise in new crop soybean from Brazil to subdue the international bean market which will subsequently pressure domestic bean too.

Further, Indian soy meal exports are expected low ease with attractive South American meal prices as their new soybean crop crushing will improve in days ahead making meal prices attractive in the international soy market.

International

World: In view of fall in the output in major producing countries, the world soybean production in 2011/12 is likely to decline to 246.5 Mln T, down 8 per cent from last year. Strong demand from Asia, primarily from China, will further boost the world trade in 2011/12 to 91.7 Mln T from 91.3 Mln last year. The World soy meal trade is estimated at a record 58.4 Mln T, 3 per cent higher than a year ago followed by increased buying support by Far East Asian countries - (IGC).

Latin America: The Buenos Aires Cereals Exchange has kept Argentine soybean output forecast unchanged in its weekly crop report despite recent rains in much of the soybean growing belt. The exchange maintained its 2011-12 forecasts for the soybean production at 46.2 Mln T.

The Brazil's 2011/12 soybean which is under harvesting is estimated at 68 Mln T, Agrural, down sharply from its January estimate of 70.2 Mln T.

Brazil's soybean crop has been badly hit due to drought in the south of the country.

Oilseed Prices at Key Spot Markets:

| Commodity | Centre | Prices (Rs/Qtl) | | Change |
|-------------------------|--|-------------------|-------------------|-------------|
| Soybean | | 25/02/2012 | 18/02/2012 | |
| | Indore –Plant | 2570-2615 | 2510-2555 | +60 |
| | Indore –Mandi | 2475-2560 | 2400-2490 | +70 |
| | Nagpur-Plant | - | 2450-2475 | - |
| | Nagpur – Mandi | - | 2300-2400 | - |
| | Kota-Plant | 2600 | 2480-2490 | +110 |
| | Kota – Mandi | 2520 | 2400-2425 | +95 |
| | Bundi-Plant | 2600 | 2500-2540 | +60 |
| | Bundi-Mandi | 2450-2480 | 2390-2425 | +55 |
| | Baran-Plant | 2600 | 2500 | +100 |
| | Baran-Mandi | 2570 | 2400-2425 | +145 |
| | BhawaniMandiJhalawar– Kota Plant Delivery | 2650 | 2525-2550 | +100 |
| | Jhalwar-Mandi | 2550 | 2460-2480 | +70 |
| | | | | |
| Rapeseed/Mustard | Jaipur – C | 3670-3675 | 3420-3425 | +250 |
| | Alwar – C | 3700 | 3450 | +250 |
| | SriGanganagar(NC) | 3150 | 3000 | +150 |
| | Kota | 3000-3350 | 2800-3200 | +150 |
| | Neewai | 3650 | 3480 | +170 |
| | Delhi– C | 3650 | 3500-3550 | +100 |
| | Hapur (UP) | 3525 | 3375 | +150 |
| Groundnut Seed | Rajkot | 880 | 875 | +5 |
| | Junagarh | - | - | - |
| Sunflower Seed | Latur | 31500-32500 | 31000-32000 | +500 |
| | Gulbarga | 28000-30000 | 28000-30000 | Unch |
| | Solapur | 31500-32500 | 31000-32000 | +500 |

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 |
|---------------------------------------|----------------|-------------------------------|-------------------------------|----------------|
| Soybean | | Week End. (25/02/2012) | Week End. (18/02/2012) | |
| | Madhya Pradesh | 490000 | 635000 | -145000 |
| | Maharashtra | 210000 | 290000 | -80000 |
| | Rajasthan | 110000 | 112000 | -2000 |
| | Bundi (Raj) | 4700 | 3600 | +1100 |
| | Baran (Raj) | 9200 | 9700 | -500 |
| | Jhalawar (Raj) | 2000 | 4300 | -2300 |
| | | | | |
| Rapeseed/Mustard | Rajasthan | 576000 | 105000 | +471000 |
| *Sum Arrivals during the week. | | | | |

Crop Progress, India

Aslight improvement in the sown area has been witnessed according to the latest official rabi oilseeds planting report. The overall oilseeds planting stands 7.3 per cent lower at 87.0 lakh hectares compared to 93.9lha during the corresponding period last year.

| Area in lakh hectares | | | |
|-----------------------|-----------------------|-----------------------|--------------|
| Crop | As on 23February 2012 | As on 23February 2011 | % Change |
| Rapeseed & Mustard | 65.9 | 70.9 | -7.0 |
| Groundnut | 8.32 | 8.34 | -0.2 |
| Sunflower | 4.6 | 5.4 | -15.2 |
| Total Oilseeds | 87.0 | 93.9 | -7.3 |

Source: GOI

The sown area under RM seed stands steady at 65.9 lha compared to 70.9 lha during the corresponding period last year.

Soybean

Persistent buying interest in bean from crushers to meet the improved edible oil need led by auspicious Hindu wedding dates kept the soybean prices higher during the period under review. Further, lower arrivals lent additional support in higher beans bean prices by the crushers.

The soybean supply is expected to gradually ease with the dwindling stocks in bean and active soybean traders switching to new RM seed and Chana trade.

Overall, the soybean prices are expected to feature range-bound movement with firm-bias ahead of Holi buying. However, rising RM seed supply will limit the gains.

Soy meal- FAS Kandla Vs FOB Argentina (Spread)

The soy meal prices extended gains on good buying support domestically in the week under review. However, the export sales are estimated lower in February compared to January 2012. It is a common phenomenon for the major international soy meal buyers to divert towards Latin America for their forward booking in meal due to their competitive prices compared to meal of Indian origin.

The new soybean crop of Brazil and Argentina commences in March and April respectively, which eventually makes their meal prices attractive with improved crushing in peak season.

India exported 5,40,360 MT of soy meal in February 2012 and it is expected to export slightly lower than the last year's volume in February (between 4.8-5.0 lt) due to Chinese suspension of meal imports from India.

| Quotes in US \$ | | | |
|------------------|----------------------|-------------------------|-------------|
| Week | FAS, Soy meal Kandla | FOB, Soy meal Argentina | Avg.*Spread |
| 20-25 Feb | 386 | 376 | 10 |
| 13-18 Feb | 374 | 378 | -4 |

*FAS Kandla less FOB Argentina

The soy meal prices of Argentina are attractive compared to the meal of Indian origin. Argentina has improved its crushing to ease its stock ahead of new crop supplies leading to higher availability of soy meal and oil. This consequently lead Argentine meal price to be very competitive compared to Indian.

Recommendation:Any dip in FOR, Kandla towards **18500-18600 level** is a viable level to go for buying. The Indian soy meal exporters are advised to continue to aggressively market their meal to South and Far East Asian countries taking freight and logistic advantage. 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 |
|---------------------------------|---------------------------------|---|
| -857 | -969 | -780 |

The soybean crush margin continues to stay in negative territory which is a discouraging factor for the solvent extractors. However, disparity in soybean crushing has slightly recovered towards positive zone. Gradual fall in overseas shipments in meal is eventually attributed to the disparity in crushing.

Technical Analysis:

NCDEX Soybean Futures(Apr)

Soybean Spot, Indore



*In Rs/MT

| Supports & Resistances NCDEX AprSoybean | | | | |
|---|------|------|------|------|
| S2 | S1 | PCP | R1 | R2 |
| 2549 | 2991 | 2692 | 2750 | 2780 |

- The weekly candlestick chart pattern indicates the prices sustained at higher levels.
- Prices closed above 9-day and 18-day EMA supporting bullish momentum.
- RSI is rising in oversold territory while stochastic is heading upwards in neutral zone. Prices are expected to gain towards 2550-2525 levels.
- **Trade Recommendation (NCDEX Soybean - Apr) – 1 Week:** Buy between 2695 - 2700 levels. T1 – 2720; T2 - 2745; SL - 2687.

Trade Recommendation Soybean Spot: We recommend slow down buying at the current levels as prices are expected to ease in near-term. The prices are expected to face stiff resistance towards 2660 – 2670 levels (Indore, Plant basis).

Review of Previous Call: In our previous call we had recommended **SELL** between 2600– 2615 levels. T1 – 2550; T2 - 2525; SL - 2637. The call triggered but unable to achieve any target, as the fall was limited.

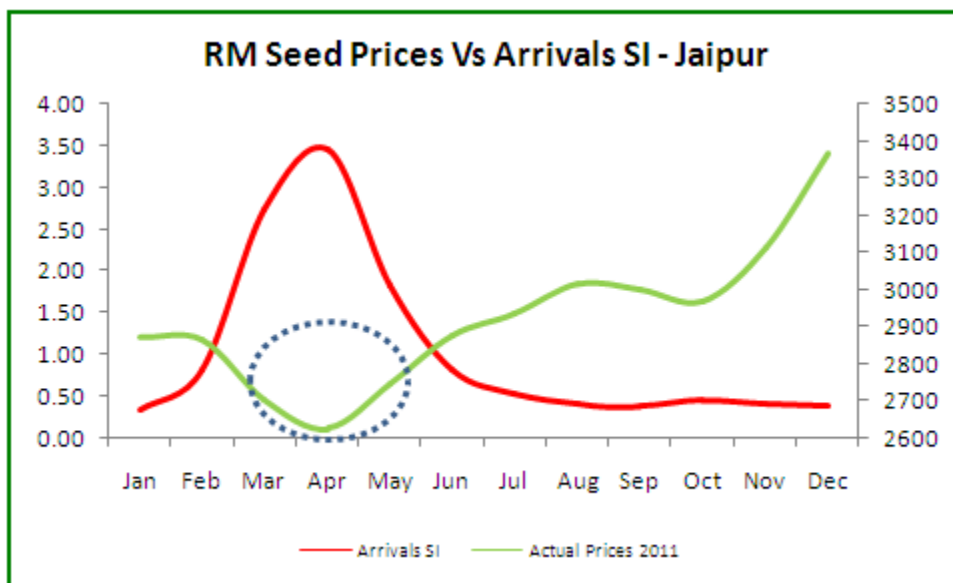
Rapeseed - Mustard Seed

The RM seed prices featured gains despite rise in arrivals during the period under review. Surge in edible oil demand owing to auspicious Hindu wedding dates lent support to the seed prices during the week.

Except for the Ganganagar division of Rajasthan, the harvesting of the seed is in full swing in the major producing states of Rajasthan, Uttar Pradesh, Madhya Pradesh and Haryana.

The Solvent Extractors Association of India, in its latest report, has estimated India's RM seed 2011/12 crop at 62.65 lakh tones compared to 68.5 lt previous season, a fall of about 8.5 per cent due to lower sown area this season. However, they have estimated yield slightly higher at 952 kg/ha compared to 945 kg/ha last year.

RM Seed Prices Vs Arrivals –Jaipur (Rajasthan)



In near to medium-term RM seed prices will face price pressure on mounting arrivals with pick-up in the pace of harvesting.

RM Seed Supply, Rajasthan

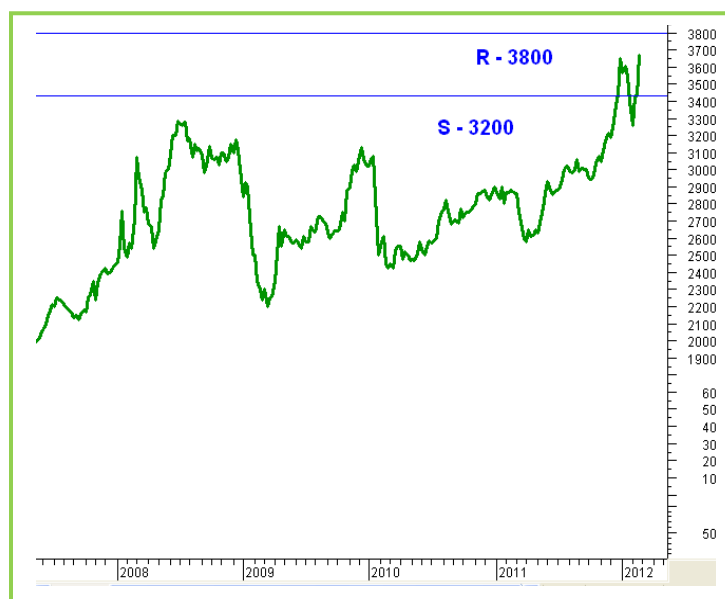
| RM Seed Arrivals in Rajasthan in Bags (85 kg each). | | |
|---|----------|------------------------------|
| Weekly Arrivals | Week Ago | Corresponding Week Last Year |
| 5,45,000 | 2,96,000 | 3,65,000 |

Technical Analysis:

NCDEX RM Seed Futures (Apr)



RM SeedSpot, Jaipur



Supports & Resistances NCDEX AprRM Seed

| S2 | S1 | PCP | R1 | R2 |
|------|------|------|------|------|
| 3448 | 3500 | 3588 | 3750 | 3800 |

- The weekly RM seed candlestick chart pattern reflects selling pressure in the market.
- Prices closed above 9-day and 18-day EMA indicating firmness in the near and medium-term.
- Overall, the price indicators and oscillators reflect prices to gain during the week. The RM seed prices are expected to gain and move towards 2630 – 3650 levels.
- **Trade Recommendation (NCDEX RM SEED - Apr) – 1 Week:BUY**towards 3590– 3595 levels.T1 – 3650; T2 - 3680; SL - 3664.

Trade Recommendation RM Seed Spot (Jaipur basis):In spot the RM seed prices are expected to gain on Holi buying. The prices are expected to gain towards 3700 -3720 level. We recommend stockists sell the seed at the said levels in physical.

Review of Previous Call:In our previous call we had recommended BUY towards 3580 – 3585 levels.T1 – 3660; T2 - 3675; SL - 3545.The call got entry and both the targets were achieved.

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