

Executive Summary

The soybean and meal prices featured gains followed by good buying support from solvent extractors to meet the festive, *Holi*, edible oil demand during the week under review. The crushers were keen in buying the beans at higher quotes with falling supply in the same.

However, the average arrivals improved as sellers were keen in offloading the seeds at higher quotes. RM seed prices declined primarily due to the rising new crop supply from the major producing region. But the fall was limited due to better buying in the seed from the millers to meet the oil demand.

The oilseeds will continue to face price pressure with mounting new RM seed arrival pressure (mid March). However, lower RM seed outturn this season will limit the losses.

Besides, the domestic soy meal will face stiff price competition with the South American meal prices during in near-term. This is due to demand shift of international soy meal buyers to Latin America for forward booking. The new South American soybean crop supply is expected to improve with the increasing harvesting pace in days ahead.

International

World: In an another revision in February Oil World has lowered South American soybean crop production by around 1 Mln T to 123 Mln T, down 14 Mln T from last year. The revision has primarily occurred in Brazil and Paraguay. However, the Argentine soybean crop is estimated at 47.0 Mln T against 49.2 Mln T last year. The Late planted soybeans in Uruguay have benefited from recent rainfall.

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.

China: China has reportedly signed a deal to buy record 13.4 Mln T of US soybean valued US \$6.7 billion. The purchase agreements were signed in Iowa (8.6 Mln T), Los Angeles (4.8 Mln T). This will support the increasing Chinese demand in oils and fats due to rising poultry, fisheries and piggyeries industry.

USDA – WASDE, March 2012: The international soybean demand is expected slightly shift towards US due to the recent disruption of soy shipments from the ports of Argentina, lead by port strike called by the workers. In the last USDA's WASDE report the projected soybean stock was kept 215 million bushel. We feel stocks to reduce to 150-180 million bushels in the upcoming WASDE report due on Friday.

Oilseed Prices at Key Spot Markets:

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		03/03/2012	25/02/2012	
	Indore –Plant	2625-2690	2570-2615	+75
	Indore –Mandi	2500-2580	2475-2560	+20
	Nagpur-Plant	2550	-	-
	Nagpur – Mandi	2400-2500	-	-
	Kota-Plant	2675	2600	+75
	Kota – Mandi	2550-2650	2520	+130
	Bundi-Plant	2680	2600	+80
	Bundi-Mandi	2500-2550	2450-2480	+70
	Baran-Plant	2650	2600	+50
	Baran-Mandi	2615	2570	+45
	BhawaniMandiJhalawar– Kota Plant Delivery	2675	2650	+25
	Jhalwar-Mandi	2600-2625	2550	+75
Rapeseed/Mustard	Jaipur – C	3480-3485	3670-3675	-190
	Alwar – C	3350	3700	-350
	SriGanganagar(NC)	3340	3150	+190
	Kota	3000-3200	3000-3350	-150
	Neewai	3150	3650	-500
	Delhi– C	3400	3650	-250
	Hapur (UP)	-	3525	-
Groundnut Seed	Rajkot	950	880	+70
	Junagarh	-	-	-
Sunflower Seed	Latur	28000-30000	31500-32500	+2500
	Gulbarga	31500-32500	28000-30000	+2500
	Solapur	31500-32500	31500-32500	Unch

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. (03/03/2012)	Week End. (25/02/2012)	
Soybean	Madhya Pradesh	490000	490000	Unch
	Maharashtra	380000	210000	170000
	Rajasthan	110000	110000	Unch
	Bundi (Raj)	3000	4700	-1700
	Baran (Raj)	12300	9200	3100
	Jhalawar (Raj)	2400	2000	400
Rapeseed/Mustard	Rajasthan	1135000	576000	559000
*Sum Arrivals during the week.				

Crop Progress, India

A very insignificant improvement in the planting area has been witnessed according to the latest government rabi oilseeds planting report.

The overall oilseeds planting is reportedly lower by 7.3 per cent at 87.0 lakh hectares compared to 93.9lha during the same period last year.

Area in lakh hectares

Crop	As on 23 February 2012	As on 23 February 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 at 65.9 lha (-7%) compared to 70.9 lha during the corresponding period a year ago.

Soybean

Soybean prices extended gains during the week under review on good buying support from solvent extractors to meet the improved edible oil demand owing to the festive demand.

Expected fall in the usage of edible oils after *Holi*, mounting new domestic RM seed and Brazilian soybean supply pressure in near-term will eventually pressure the soybean prices in a couple of weeks ahead.

As expected slow farmer's selling in soybean is evident now with declining supply in the bean. This is due to the traders who were active in soybean are diverting towards Chana and RM seed. The soybean farmers and stockists off-load their bean when prices get stronger.

Soy meal- FAS Kandla Vs FOB Argentina (Spread)

The soy meal prices improved primarily due to the rise in domestic usage during the period under review. However, India's soy meal exports fell 32 per cent during February 2012 at 3,70,524 MT compared to 5,45,039 MT in February 2011(as per SOPA figure). Besides, the meal shipments declined over 10 per cent during oil year (Oct-Sep).

India's meal exports have already hit China's has still not resumed its oilmeal imports from India and there were no soy meal shipments in February 2012. India is expected to export soy meal lesser than it exported in March 2011. India's meal exports in Mar 2011 stood at 4,10,537 MT, India is expected to export between (2.5-3.0 lakh tonnes) in March 2012. Japan could be seen as potential buyer in view of good buying in previous month to meet its growing demand.

Indian soy meal is likely to face stiff price competition during March and further with the South American meal prices with the commencement of Brazilian soy meal followed by Argentine crop.

Quotes in US \$			
Week	FAS, Soy meal Kandla	FOB, Soy meal Argentina	Avg.*Spread
27 Feb-03 Mar	395	390	5
20-25 Feb	386	376	10

*FAS Kandla less FOB Argentina

The Argentine soy meal prices continue to remain attractive compared to Indian meal. Despite competitive South American soy meal prices India is able to export Far and South East Asian countries owing to proximity, logistic and freight advantage. Japan was the biggest soy meal buyer from India (724543.03 MT) in February.

The average weekly soy meal price spread between FAS Kandla and FOB Argentina stood at US \$5/MT in February (* Spread - FAS Kandla less FOB Argentina)

.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 **18600-18800** 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
-757	-857	-804

The soybean crush margin continues to be in negative territory; however the big crushers are able to crush the beans to meet their exports commitment. The average soybean crush margin has slightly narrowed in the week under review. The disparity in crushing will be a discouraging factor for the solvent extractors to some extent.

Technical Analysis:

NCDEX Soybean Futures (Apr)



Soybean Spot, Indore



*In Rs/MT

Supports & Resistances NCDEX Apr Soybean				
S2	S1	PCP	R1	R2
2600	2688	2890	2950	3000

- The weekly candlestick chart pattern indicates strong buying support in the market.
- Prices closed above 9-day and 18-day EMA supporting bullish momentum.
- RSI and stochastic are heading upwards in overbought zone. Warranting correction. Prices are expected to gain towards 2920-2945 levels.
- **Trade Recommendation (NCDEX Soybean - Apr) – 1 Week:** Buy between 2870 – 2880 levels. T1 – 2920; T2 - 2945; SL - 2852.

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 2790 – 2800 levels (Indore, Plant basis).

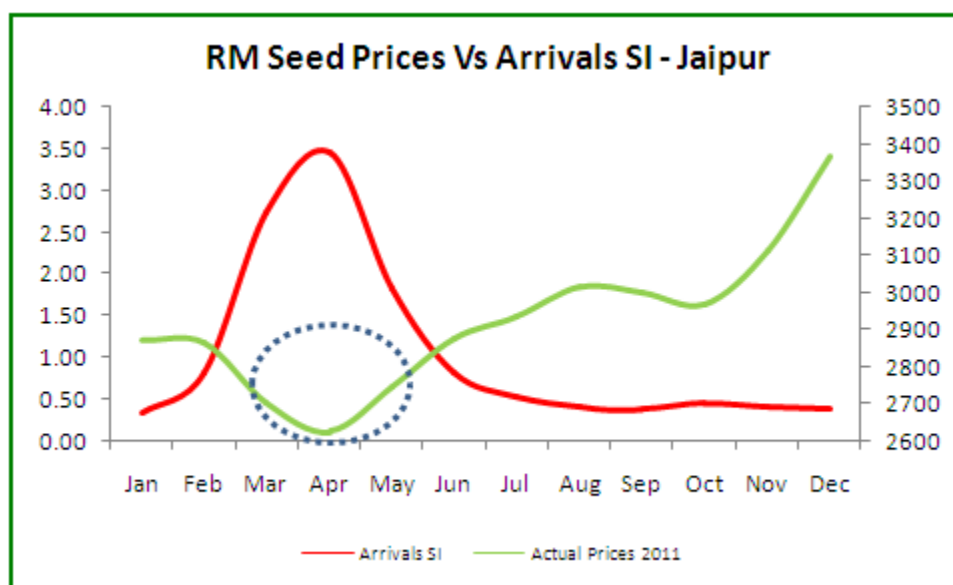
Review of Previous Call: In our previous call we had recommended BUY between 2695– 2700 levels. T1 – 2720; T2 - 2745; SL - 2687. The call triggered and both the targets were achieved.

Rapeseed - Mustard Seed

The RM seed prices skid due to the rise in the seed supply followed by harvesting in full swing.

The harvesting of the RM seed is in full swing in major growing regions of Rajasthan, Uttar Pradesh, Haryana and Madhya Pradesh. The mounting arrival pressure will weigh on the seed prices after the festive buying *Holi*. The arrival pressure is expected to peak towards the end of March and eventually weight on the prices.

RM Seed Prices Vs Arrivals –Jaipur (Rajasthan)

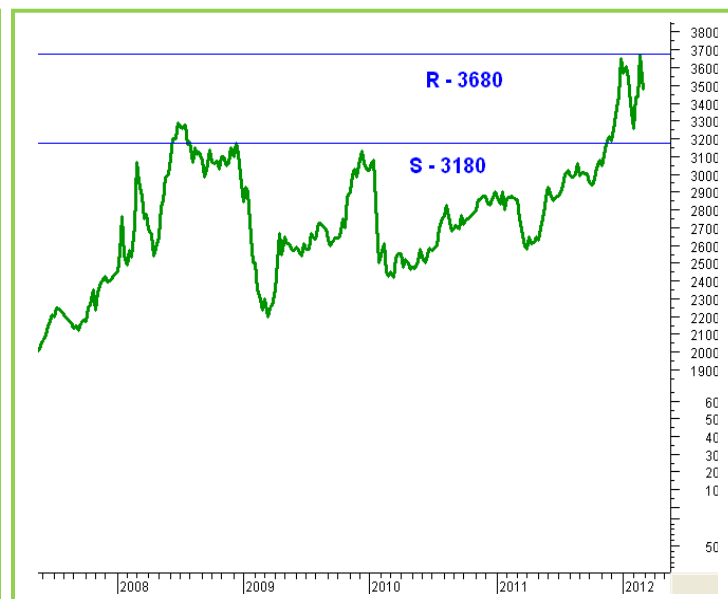


The Solvent Extractors Association of India, in its recent crop survey report, has estimated India's RM seed 2011/12 crop outturn at 62.65 lakh tones compared to 68.5 lt previous season, a fall of about 8.5 per cent due to lower sown area this season. However, they have estimated yield slightly higher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

RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Weekly Arrivals	Week Ago	Corresponding Week Last Year
11,35,000	5,45,000	2,95,000

Technical Analysis:
NCDEX RM Seed Futures (Apr)

RM Seed Spot, Jaipur

Supports & Resistances NCDEX Apr RM Seed

S2	S1	PCP	R1	R2
3400	3495	3735	3818	3850

- The weekly RM seed candlestick chart pattern reflects uptrend in prices.
- 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 3790 – 3800 levels.
- **Trade Recommendation (NCDEX RM SEED - Apr) – 1 Week: BUY** towards 3730 – 3740 levels. T1 – 3790; T2 - 3800; SL - 3707.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot the RM seed prices are expected to fall on arrival pressure. The prices are expected to ease and may witness 3350 - 3400 level in near term. We recommend stockists sell the seed at the current higher levels and buy when it falls to the said levels to liquidate in medium to long term.

Review of Previous Call: In our previous call we had recommended **BUY** towards 3590 – 3595 levels. T1 – 3650; T2 - 3680; SL - 3664. The call got entry and both the targets were achieved.

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