

Executive Summary

Upbeat trend prevailed in the domestic oilseeds and meal prices on bullish demand and supply fundamentals during the week under review. Besides, better demand in soy meal, lower availability in beans and slow selling in RM seed continued to lend support to the seed and meal prices at higher levels. The soybean, RM seed and soy meal prices are at all time high citing tight supply scenario this season.

However, recently several steps have been taken to regulate the RM seed and Soybean futures to discourage the circular trading. As per the guidelines and bylaws of the Forward Marketing Commission issued on 30 Mar 2012 (to be effect from 03 Apr 2012), special margins of 10% on both the oilseeds on Long Side have been introduced.

Soybean crushings have declined substantially despite better export sales in soy meal. The fall in crushing is attributed to lower availability of beans. Besides, steep fall in the RM seed supplies due to slow farmer's selling kept the seed prices strong during the week. The RM seed farmers have held their stock in anticipation of higher prices in the seed citing tight supply scenario followed by fall in the seed output this season.

Soy meal prices posted substantial gains on better export sales as fresh buying from Iran and Japan remained supportive for the Indian soy meal during the period. Besides, persistent freight and logistic advantage contributed to the boost in sales, despite attractive meal of South American origin.

Ministry of Agriculture, GOI, has lowered India's oilseeds production in its 3rd advance estimate of food grains to 30.06 Mn T compared to 31.10 Mn T estimated in the 4th advance estimate of 2010-11. The lower estimate is attributed to the fall in Soybean, Groundnut and RM seed output owing to fall in the yield this season.

Overall, the domestic oilseeds fundamentals remained strong on limited availability in domestic oilseeds this season. Besides, imported edible oils are getting expensive for Indian day by day with the weakness of Indian rupee against US dollar. Soybean futures in international benchmark have rallied to their highest level in 3½ years on severe global tight supply scenario and record Chinese import requirements.

International Highlights

- ❖ Yet another downward revision, by Oil World, of soybean outturn in 4 major South American countries to only 114.7 Mn T, down 20.0 Mn T from last season. Oil World has now estimated the global production of soybeans to show an unprecedented fall by 27 Mn T from last season to only 239 Mn T in 2011/12.
- ❖ China's soybean output prospects have further deteriorated for 2012, probably falling below 12.5 Mn T, a 20-year low, further increasing China's dependence in imports in 2012/13.
- ❖ Oil World has further reduced the Argentine soybean crop estimate to 42.5 million tonnes compared to its previous estimate of 43.0 Mn T. Frost damage to Argentine soybean crop likely to become more severe if current forecasts of minus 4-5 °C materialize in the Buenos Aires province.
- ❖ China has bought 120,000 tonnes of US soybeans from private exporters for 2012/13 delivery. Besides South Korean traders bought a total of 110,000 tonnes of soybean from Brazil.

Oilseed Prices at Key Spot Markets:

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		28/04/12	21/04/12	
	Indore –Plant	3500-3550	3250-3300	+250
	Indore –Mandi	3370-3465	3150-3230	+235
	Nagpur-Plant	3550	3200-3275	+275
	Nagpur – Mandi	3350-3450	3150-3250	+200
	Kota-Plant	3400	3225	+175
	Kota – Mandi	3350	3150	+200
	Bundi-Plant	3480	3240	+240
	Bundi-Mandi	3400	3200	+200
	Baran-Plant	3450	3250	+200
	Baran-Mandi	3400	3100	+300
	BhawaniMandiJhalawar– Kota Plant Delivery	3550	3300	+250
	Jhalwar-Mandi	3400-3450	Closed	-
Rapeseed/Mustard	Jaipur – C	3900-3995	3905-3910	+85
	Alwar – C	3800	3750-3775	+25
	SriGanganagar(NC)	3650	3600	+50
	Kota	3750	3600	+150
	Neewai	3900	3800	+100
	Delhi– C	3900	3875	+25
	Hapur (UP)	3850	3700	+150
Groundnut Seed	Rajkot	950	925	+25
	Junagarh			
Sunflower Seed	Latur	Closed	32000-34000	-
	Gulbarga	-	-	-
	Solapur	33000-34500	32500-34000	+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
		Week End (28/04/2012)	Week End (21/04/2012)	
Soybean				
	Madhya Pradesh	179000	217000	-38000
	Maharashtra	95000	135000	-40000
	Rajasthan	85000	113000	-28000
	Bundi (Raj)	750	530	+220
	Baran (Raj)	3900	4000	-100
	Jhalawar (Raj)	1150	2200	-1050
Rapeseed/Mustard	Rajasthan	535000	680000	-145000
*Sum Arrivals during the week.				

Soybean

Soybean prices significantly rose on overseas soy meal demand and dried up pipe line supply in beans during the week under review. The crushing plants have reduced their crushings and are operating for just 5-7 days a week despite better overseas soy meal demand of Indian origin.

In Madhya Pradesh the farmers are actively selling their newly harvested wheat at various government procurement centers which has consequently reduced the offloading of the beans in the state resulting in the fall in the supply. The bean arrivals are expected to slightly improve out of the remaining stock once the farmers are done with their wheat selling.

A special Margin of 10% (in cash) on the Long side was imposed by FMC on all running contracts in Soybean in the beginning of April. As per directions of Forward Markets Commission, it has been decided not to launch the soybean September 2012 expiry contract originally scheduled to be launched on April 10, 2012. The steps were taken as per bylaws introduced following the steep rise in the bean prices to curb circular trading in exchanges.

The soybean harvest is almost done in Brazil while it about to commence in Argentina. We feel the price pressure on soybean is unlikely even after the harvesting commences in Argentina due to significant crop losses not only in Argentina but also in Brazil. The situation will subsequently keep the domestic bean prices strong during the week.

Soy meal- FAS Kandla Vs FOB Argentina (Spread)

Soy meal prices featured losses followed by lower crushing and subsequently leading to the fall in the meal exports during the week in review. The lower crushings is attributed to a trader's strike in Madhya Pradesh and state holidays in recent weeks.

The Iran could be seen as a potential and emerging destination for Indian soy meal exports, Japan stands as a consistent big buyer of the non-GMO meal of Indian origin.

However, Indian meal is facing strong price competition compared to the meal prices of South America which consequently lead to the demand shift of the international meal buyers towards Argentina and Brazil.

India exported around 176,819 MT of soy meal in May 2011 and it is expected to export slightly higher at around 200,000 MT of meal in May 2012. Tight supply scenario from Latin America due to crop loss in the region will be an advantage for the meal of Indian origin as the small buyers from South and Far East Asia are expected to remain buyers due to logistic and freight advantage.

World imports of soya meal are reportedly expected to decline to around 58 Mn T, down 0.8 Mn T from last season, estimated by Oil World. This is primarily due to the stronger prices throughout the season lead by smaller South American soybean crop.

Currently, the South American meal prices are competitive compared to the meal of Indian origin. However, the traditional overseas buyers of Indian soy meal are still seen placing their import orders due to their preference for non-GMO meal or for the logistic and freight advantage.

Week	FAS, Soy meal Kandla	FOB, Soy meal Argentina	Avg.*Spread
23-28 Apr	533	469	64
16-21 Apr	505	448	57

*FAS Kandla less FOB Argentina

The average weekly soy meal price spread between FAS Kandla and FOB Argentina stood at US \$64/MT compared to US \$57/MT a week ago, indicating a huge gap in prices between Indian and Argentine meal, where Argentine soy meal prices continued to remain competitive compared to the meal of Indian origin. (* Spread - FAS Kandla less FOB Argentina).

Quotes in US \$

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. This will translate in to freight and logistic advantage. Any dip in FOR, Kandla towards **29000-29500** is a viable level to go for buying.

Soybean Crush Margin

Avg Crush Margin – This Week	Avg Crush Margin – Last Week	Avg Crush Margin – Corresponding Period Last Month
-804	-906	-671

The soybean crush margin slightly recovered in the week under review as compared to the corresponding period week. Better exports sales in meal followed by fresh demand from Iran and improved buying from Japan remained supportive factors in recovering the crush margin.

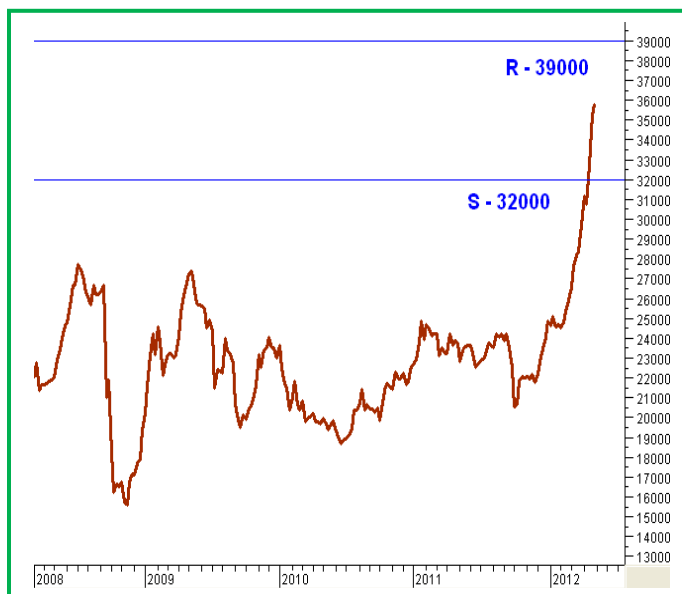
Though the crush margin is in negative region, the recovery in the same will encourage the solvent extractors from crushing the beans.

Technical Analysis:

NCDEX Soybean Futures (Jun)



Soybean Spot, Indore



Supports & Resistances NCDEX Jun Soybean

S2	S1	PCP	R1	R2
3607	3685	3754	3805	3845

- The weekly candlestick chart pattern reflects rally in the bean prices.
- Prices closed above 9-day and 18-day EMA.
- RSI and stochastic are rising in overbought zone, warranting correction.
- **Trade Recommendation (NCDEX Soybean - Jun) – 1 Week:** BUY between 3755–3765 levels. T1 – 3790; T2 –3800; SL -3745.

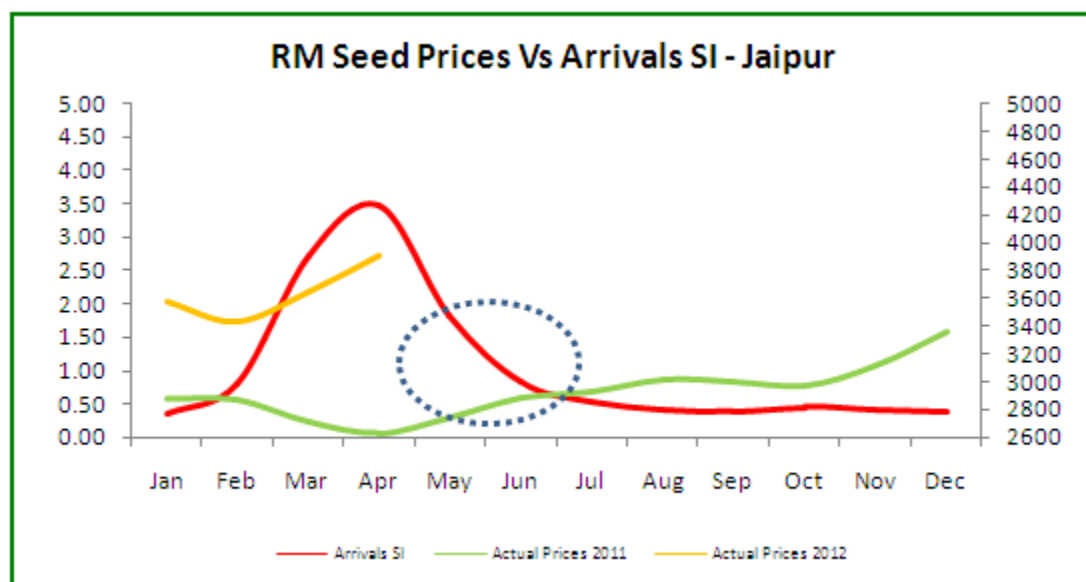
Trade Recommendation Soybean Spot: We recommend buy on dips and sell towards 3700-3750 levels (Indore, Plant basis), as bean prices are likely to gain on short supplies and better overseas soy meal demand.

Review of Previous Call: In our previous call we had recommended BUY between 3350–3360 levels. T1 – 3420; T2 –3450; SL -3323. The call triggered and both the targets were achieved.

Rapeseed - Mustard Seed

The RM seed sentiments remained strong on lower supplies attributed to slow farmer's selling in anticipation of further higher prices. The seed arrivals in Rajasthan fell significantly, about 4 times lower in the week compared to previous week.

RM Seed Prices Vs Arrivals –Jaipur (Rajasthan)



RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Weekly Arrivals	Week Ago	Corresponding Week Last Year
5,35,000	6,80,000	20,90,000

The harvesting in Sri Ganganagar and Hanumangarh is complete and about 50 per cent of the produce in these districts has reportedly already been sold in the market by the farmers.

As per seasonality the supplies are likely to gradually fall in near to medium term which will consequently boost the RM seed prices. However, lower edible oil demand is expected to slightly limited the gains for short-term.

Technical Analysis:

NCDEX RM Seed Futures (Jun)



RM Seed Spot, Jaipur



Supports & Resistances NCDEX Jun RM Seed

S2	S1	PCP	R1	R2
3985	4039	4125	4250	4270

- Candlestick chart pattern depicts firm tone in the market.
- Prices closed above 9-day and 18-day EMA indicating firmness in the near and medium-term.
- RSI and stochastic are rising in overbought territory.
- **Trade Recommendation (NCDEX RM SEED - Jun) – 1 Week:** BUY between 4125–4135 levels. T1 – 4220; T2 – 4240; SL -4085.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot the RM seed prices are expected to gain on slow farmer's selling. The prices are expected to gain and witness 4060-4080 level in near term. We recommend stockists to buy on dips.

Review of Previous Call: In our previous call we had recommended **SELL** between 3960– 3980 levels. T1 – 3800; T2 – 3835; SL -4045. None of the targets were achieved as the call was not triggered.

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