

Executive Summary

The domestic oilseeds and oilmeal prices plunged after continued rally in previous weeks. Fall in soy meal export inquiries and lower seasonal edible oil usage has pressured the seed and meal markets during the week in review.

The RM seed and soybean crushers refrained themselves from buying anticipating further fall in the prices. Besides, declining export sales in soy meal, due to demand shift, remained discouraging factor for the solvent extractors during the period. However, India's soy meal exports were 3% up in April compared to the same period last year.

Besides, fresh arrivals of corn in Bihar and Bajra, the ingredients of poultry feed are under pressure which has subsequently negatively affected the soy meal prices. The meal prices had sky rocketed during the month by US \$130-135/MT and reached US \$570-575/MT finally subdued to US \$ 560-565/MT during the week under review.

The international demand shift in soy meal towards South America is expected to slightly hurt domestic meal export sales. But Iran, Japan and South Korea are expected to remain the largest buyer of Indian meal in near-future due to their preference in meal of Indian origin and trade advantages.

Overall, the downward potential for the domestic oil and fats market is limited due to the lower international oilseeds crop primarily due to soybean crop loss in Latin America. The global soybean shortfall is expected to affect soy meal more than the soy oil, subsequently supporting the domestic soy meal prices. Besides, weakness in INR against US dollar will lead Indian edible oil imports expensive.

International Highlights

- ❖ In the first 2012/13 Oil World projection of global soybean output released at 274 Mn T, up 38 Mn T. But it has sharply reduced carry-in stocks at the start of next season. The world tightness in 2011/12 will lead in a steep decline in world stocks of soybeans by 21 Mn T from last year as of end-August 2012. With lower carry-in stocks, the global supplies will continue to shrink in the first half of next season when northern-hemisphere production is seen rising by only 6 Mn T.
- ❖ US private exporters reported the sale of 225,000 tonnes of soybeans to China. Of the total to China, 60,000 tonnes of soybeans were sold for 2011/12 delivery and 165,000 tonnes were for 2012/13 delivery. The sellers have also reported sales of 40,000 tonnes of soy oil to unknown destinations for 2012/13 delivery.
- ❖ Taiwan's Breakfast Soybean Procurement Association (BSPA) bought 60,000 tonnes of Brazilian Soybeans bringing a total purchases in two separate tenders to 120,000 tonnes from Brazil, as reported by European Traders.

Oilseed Prices at Key Spot Markets:

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		11/05/12	05/05/12	
	Indore –Plant	3300-3600	3600-3670	-70
	Indore –Mandi	3400-3480	3330-3620	-140
	Nagpur-Plant	3450-3525	3600	-75
	Nagpur – Mandi	3400-3450	3550-3620	-170
	Kota-Plant	3550	3625	-75
	Kota – Mandi	3450	3550-3600	-150
	Bundi-Plant	3450	3610-3615	-165
	Bundi-Mandi	3400	3550	-150
	Baran-Plant	-	-	-
	Baran-Mandi	3400	3550	-150
	BhawaniMandiJhalawar– Kota Plant Delivery	3450	3650	-200
	Jhalwar-Mandi	3375-3400	3550	-150
Rapeseed/Mustard	Jaipur – C	3880-3885	3925-3930	-45
	Alwar – C	3750	3775	-25
	SriGanganagar(NC)	3550	3650	-100
	Kota	3600-3650	3700-3750	-100
	Neewai	3850	3900	-50
	Delhi– C	3890	3870	+20
	Hapur (UP)	3875	3875	Unch
Groundnut Seed	Rajkot	925	-	-
	Junagarh			
Sunflower Seed	Latur	33000-34000	33000-33500	+500
	Gulbarga	-	-	-
	Solapur	33000-34000	33500-34500	-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 (11/05/2012)	Week End (05/05/2012)	
	Madhya Pradesh	273000	193000	+80000
	Maharashtra	130000	110000	+20000
	Rajasthan	85000	110000	-25000
	Bundi (Raj)	210	360	-150
	Baran (Raj)	2750	3350	-600
	Jhalawar (Raj)	1775	550	+1225
Rapeseed/Mustard	Rajasthan	505000	535000	-30000
*Sum Arrivals during the week.				

Soybean

Soybean prices eased on declining seasonal trend in the soy meal export sales and soy oil usage. The solvent extractors were reluctant in buying the beans at higher quotes and the need based buying was featured at lower quotes.

The crushing units in key states of Madhya Pradesh, Maharashtra and Rajasthan have already reduced their crushing volume initially due to limited supplies followed by dried up pipe line supply in beans and later fall in oil and meal demand.

Most of the crushing units in Madhya Pradesh are operating for 5-7 days a month. In Maharashtra the crushing units which have the crushing capacity above 500 tonnes per day are operational for 10 days a month and those with the crush capacity of 200 tpd are reportedly running for 15 days a month.

Reportedly, above 80 per cent of the produce have been sold out during the marketing year and of the remaining 20 per cent about half is in the hand of processors.

The US soybean planting progress is in full swing and reported at 24 per cent ahead of 5-year average of 11 per cent which was 6 per cent previous year in the corresponding period last year. Besides, the sown 7 per cent has emerged compared to 30 per cent in the corresponding period last year. This translates into faster sowing in and early harvesting if weather remains conducive for the crop.

We expect the domestic soybean prices to stay slightly lower in week on bearish USDA 2012/13 oilseeds scenario, expected fall in soy meal export sales and fall in the seasonal edible oil usage. However, weakness in INR against US dollar and tight global soybean supply scenario will limit the downward potential.

Soy meal- FAS Kandla Vs FOB Argentina (Spread)

Indian soya meal prices declined after continued surge in prices on subdued export sales and price pressure in domestic newly harvested corn and bajra, the other ingredients of poultry feed.

The Indian soy meal skyrocketed during the past 55 days by US \$ 130-135/MT and reached the record high at US-\$ 570-575 and slightly fell by US \$ 5-10/MT from the level thereafter in the week under review.

The new soybean in South American has made their soy meal prices attractive compared to the meal of Indian origin and hence, the international demand shift towards South America is likely. India may lose export opportunities further in coming days (near to medium-term), but Iran, Japan and South Korea and Vietnam are expected to continue their imports from India due to preference of Indian meal, trade and logistic advantage.

India's soy meal shipments in April stood 3 per cent higher at 3,13,832 MT compared to 3,05,033 MT during the corresponding period last year. The shipments were up 12 per cent in Mar 2012 compared to the same period last year.

Overall, the soy meal fundamentals remain strong as the global soybean production shortfall is affecting soya meal more than oil, pushing up the soya meal prices to a new record high on the world market. But, decline in domestic seasonal usage, for short-term (2-3 months) and shipments will pressure the market in near-term.

Week	FAS, Soy meal Kandla	FOB, Soy meal Argentina	Avg.*Spread
07-12 May	563	478	85
30 Apr-05 May	569	483	86

*FAS Kandla less FOB Argentina (Quotes in US \$)

The average weekly soy meal price spread between FAS Kandla and FOB Argentina stood at US \$85/MT compared to US \$/86MT a week ago, reflecting a wide 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).

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 **30000-30200** 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
-405	-1320	-681

The soybean crush margin has recovered and the disparity has narrowed compared to the previous week. The higher rate of fall in soybean and soyoil as compared to soy meal helped recover the margin.

Technical Analysis:

NCDEX Soybean Futures (Jun)



Soybean Spot, Indore



Supports & Resistances NCDEX Jun Soybean

S2	S1	PCP	R1	R2
3075	3234	3393	3785	3850

- The weekly candlestick chart pattern reflects weakness in the prices.
- However, prices closed above 9-day and 18-day EMA.
- RSI and stochastic are easing in neutral zone, indicating fall during the week.
- **Trade Recommendation (NCDEX Soybean - Jun) – 1 Week:** SELL between 3375–3385 levels. T1 – 3320; T2 – 3250; SL -3410.

Trade Recommendation Soybean Spot: We recommend sell on rise towards 3650-3700 levels (Indore, Plant basis), as bean prices are likely to ease on declining meal export sales and seasonal fall in the edible oil usage.

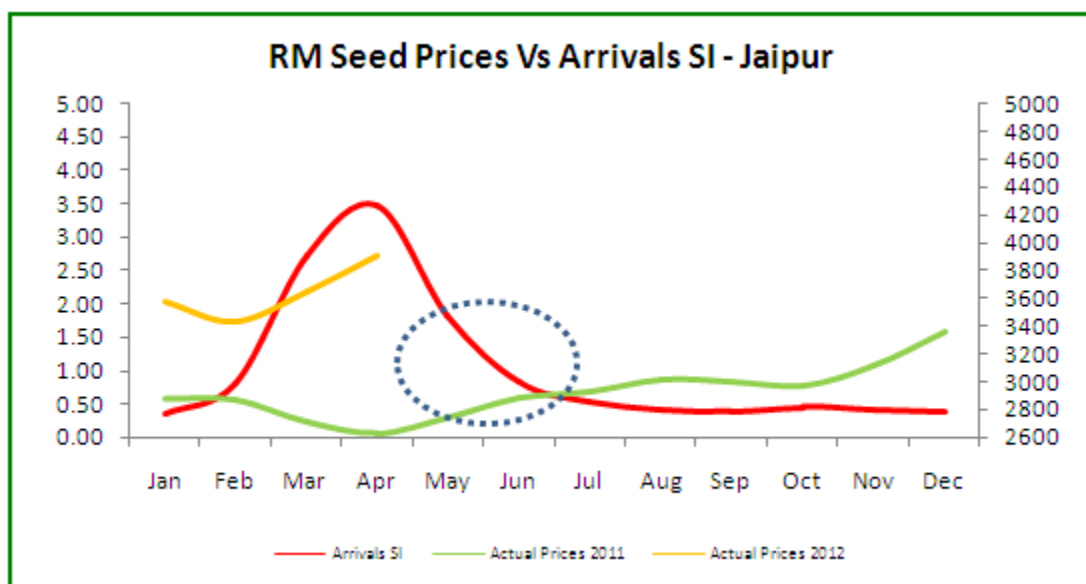
Review of Previous Call: In our previous call we had recommended SELL between 3680–3690 levels. T1 – 3650; T2 – 3610; SL -3703. The call failed to get entry.

Rapeseed - Mustard Seed

The RM seed prices fell on reduced crushing and consequently sluggish miller's buying. Falling seasonal usage in Rape-Mustard-oil with rising temperature and absence of festive demand remained negative factors for the RM seed. Besides, the farmer's selling remained slow in anticipation of further higher remuneration during the season.

The seed fundamentals remain strong on lower output in this season and expensive edible oil imports due to stronger dollar against INR.

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
5,05,000	5,35,000	11,50,000

The seed supplies fell more than two times compared to the corresponding period last year, the fall is primarily attributed to the slow farmer's selling this season. The weekly arrivals are expected to further fall in coming weeks.

Technical Analysis:

NCDEX RM Seed Futures (Jun)



RM Seed Spot, Jaipur



Supports & Resistances NCDEX Jun RM Seed

S2	S1	PCP	R1	R2
3595	3672	3823	4148	4199

- Candlestick chart pattern depicts extended losses in the seed.
- Prices closed below 9-day EMA indicating weakness in the near-term.
- RSI and stochastic are easing in neutral territory.
- **Trade Recommendation (NCDEX RM SEED - Jun) – 1 Week:** SELL between 3800–3815 levels. T1 – 3700; T2 – 3650; SL -3862.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot the RM seed prices are expected to slightly ease and witness 3750-3800 level in near term. We recommend stockists to buy on dips.

Review of Previous Call: In our previous call we had recommended BUY between 4055–4065 levels. T1 – 4100; T2 – 4150; SL -4040. The call got triggered but none of the targets were achieved.

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