

Executive Summary

The domestic oilseeds and oilmeal prices extended losses on sluggish buying activity in conjunction with weak global oils and fats market. Decline in soy meal export inquiries and lower seasonal edible oil usage domestically continued to pressure the seed and meal markets during the week under review.

The buying in RM seed and soybean remained dull, crushers refrained themselves from the market anticipating further fall in the oilseeds prices. Besides, gradual shift in international demand from India to South America due to their attractive meal prices remained negative factor for the Indian soy meal export sales in last couple of weeks. However, traditional buyers from South and Far East Asian countries, Japan, South Korea, Vietnam and emerging markets like Iran continued to make soy meal export enquiries from India due to preference in meal of Indian origin and trade advantages.

However, the fresh corn crop arrivals in Bihar and persistent lower bajra prices are subsequently leading to price pressured in soy meal. The meal prices have already soared high in recent past due to the lower soybean output globally. The soy meal prices at Kandla port (FOR) were 3-4 per cent lower compared to previous week. The meal prices are expected to further skid in weeks ahead on expected seasonal fall in domestic poultry production and likely decline in overseas sales.

The US soybean planting is progressing at a much faster pace compared to previous year and even much ahead of five year average. Brazil is just done with its soybean harvesting while it is progressing in Argentina, where the crop is severely hit due drought.

Eventually, the downward potential for the domestic oilseeds and meal market is limited due to the shortfall in the global oilseeds crop primarily due to soybean crop loss in Latin America. The shortfall is expected to affect soy meal more than the soy oil, subsequently supporting the domestic soy meal and bean prices. Besides, continued weakness in INR against US dollar, which has tested a new low at 54.6, will lead Indian edible oil imports expensive.

International Highlights

- ❖ The US soybean planting progress is in full swing and reported at 46 per cent ahead of 5-year average of 24 per cent which was just 17 per cent previous year in the corresponding period last year. Besides, the sown 16 per cent has emerged compared to 3 per cent in the corresponding period last year. This translates into faster sowing in and early harvesting if weather remains conducive for the crop.

Oilseed Prices at Key Spot Markets:

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		18/05/2012	11/05/2012	
	Indore –Plant	3325-3400	3300-3600	-200
	Indore –Mandi	3270-3340	3400-3480	-140
	Nagpur-Plant	3300-3350	3450-3525	-175
	Nagpur – Mandi	3200-3300	3400-3450	-150
	Kota-Plant	3350	3550	-200
	Kota – Mandi	3300	3450	-150
	Bundi-Plant	3325	3450	-125
	Bundi-Mandi	3300	3400	-100
	Baran-Plant	3250	-	-
	Baran-Mandi	3250	3400	-150
	BhawaniMandiJhalawar– Kota Plant Delivery	3400	3450	-50
	Jhalwar-Mandi	3300-3350	3375-3400	-50
Rapeseed/Mustard	Jaipur – C	3835-3840	3880-3885	-45
	Alwar – C	3700	3750	-50
	SriGanganagar(NC)	3460	3550	-60
	Kota	3550-3600	3600-3650	-50
	Neewai	3800	3850	-50
	Delhi– C	3925	3890	+35
	Hapur (UP)	3865	3875	-10
Groundnut Seed	Rajkot	950	925	+25
	Junagarh	-	-	-
Sunflower Seed	Latur	33000-34000	33000-34000	Unch
	Gulbarga	-	-	-
	Solapur	32500-33500	33000-34000	-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 (18/05/2012)	Week End (11/05/2012)	
Soybean	Madhya Pradesh	242000	273000	-31000
	Maharashtra	112000	130000	-18000
	Rajasthan	87000	85000	+2000
	Bundi (Raj)	170	210	-40
	Baran (Raj)	3800	2750	+1050
	Jhalawar (Raj)	1650	1775	-125
Rapeseed/Mustard	Rajasthan	454000	505000	-51000
*Sum Arrivals during the week.				

Soybean

Soybean prices declined on fall export sales export sales, seasonal domestic decline in the meal and soyoil usage. Need based buying in the beans was featured during the period and crushing remained weak.

The crushing units in key states of Madhya Pradesh, Maharashtra and Rajasthan continues to be lower due to limited supplies followed by dried up pipe line supply in beans and later fall in oil and meal demand. They are operating at much lower capacity of their total capacity.

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 Brazil is done with its soybean harvesting while it is progressing in Argentina and Uruguay and Paraguay, increasing world supply. However, lower output in these countries due to drought has tightened the global supplies this season. The overall domestic soybean fundamental remains strong due to dried up pipeline supply and firm global fundamentals in the beans and other oilseeds this season.

Soy meal- FAS Kandla Vs FOB Argentina (Spread)

Indian soya meal prices fell on fall in soy meal export sales and decline in domestic usage and ease in the price of other feed ingredients, like maize and bajra. The fall in meal exports in due to International demand shift in soy

meal towards South America due to their competitive prices compared to the meal of Indian origin. However, the domestic meal prices substantially gained in last few weeks supported by overseas export sales.

The new corn crop arrivals in Bihar and persistent lower bajra prices during the period pressured domestic meal prices. Both are the important ingredients of poultry feed.

The fresh soybean crop in South America has made their soy meal prices competitive 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.

Overall, the soy meal fundamentals remain strong due to the tight global soybean supply. The 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 continue to pressure the market in near-term.

Week	FAS, Soy meal Kandla	FOB, Soy meal Argentina	Avg.*Spread
12-18 May	541	483	58
07-12 May	563	478	85

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

The average weekly soy meal price spread between FAS Kandla and FOB Argentina stood at US \$58/MT compared to US \$ 85/MT 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 to materialize the freight and logistic advantage. Any dip in FOR, Kandla towards **28200-28300** 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
-246	-405	-518

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	3178	3364	3467	3543

- The weekly soybean prices extended losses.
- However, prices closed above 9-day and 18-day EMA.
- RSI is easing in neutral region while stochastic is falling overbought zone.
- The prices are in consolidation phase. However, they are likely to gain from the current levels.
- **Trade Recommendation (NCDEX Soybean - Jun) – 1 Week:** BUY between 3380–3390 levels. T1 – 3450; T2 – 3475; SL -3353.

Trade Recommendation Soybean Spot: We recommend hold at the current levels and start selling sell when the prices regain and move breach 3400 levels (Indore, Plant basis). We feel the beans prices to gain in near-term.

Review of Previous Call: In our previous call we had recommended SELL between 3375–3385 levels. T1 – 3320; T2 – 3250; SL -3410. The call triggered and both the targets were achieved.

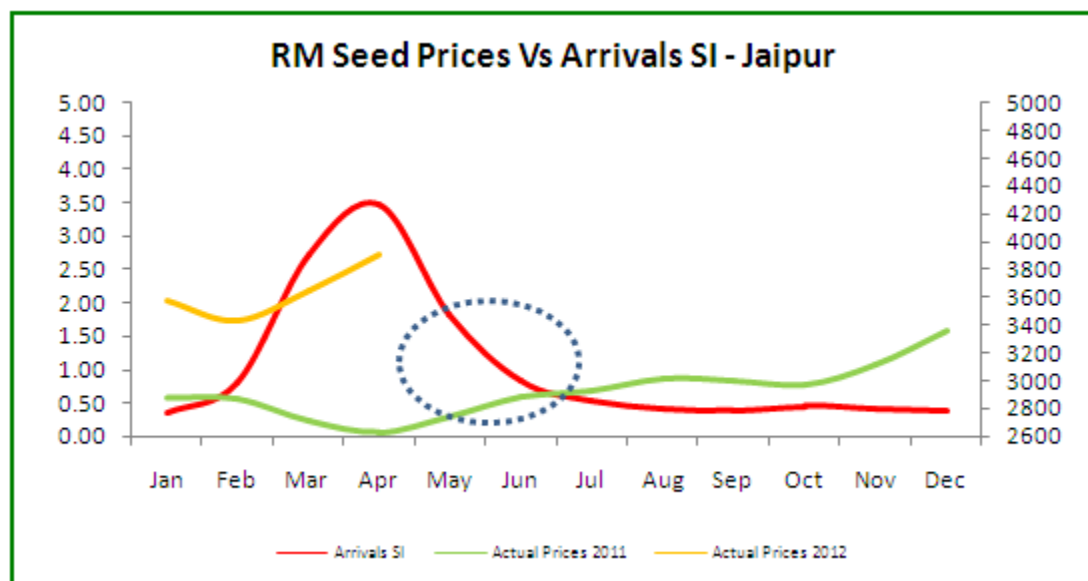
Rapeseed - Mustard Seed

The RM seed prices eased on lackluster buying activity in anticipation of further fall in the seed prices, during the week under review. Both, the millers and the stockists refrained themselves from the market. Declining seasonal usage in Rape-Mustard-oil during summer and absence of festivities remained negative factor for the RM seed.

Besides, the RM seed fundamentals remain strong, in view of lower outturn this season, in medium and long-term and hence the farmers are not keen in off-loading their produce at the faster pace and they are seen selling it when the prices get stronger.

Apart from lower seed production the depreciation in Indian Rupee against US Dollar has lead Indian edible oil imports expensive. The Indian Rupee has hit all time low in the week under review.

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
4,54,000	5,05,000	11,85,000

The RM seed supplies significantly fell, more than two times compared to the corresponding period last year. The fall is mainly due to slow farmer's selling, the arrivals are likely to fall further in coming weeks.

sTechnical Analysis:

NCDEX RM Seed Futures (Jun)



RM Seed Spot, Jaipur



Supports & Resistances NCDEX Jun RM Seed

S2	S1	PCP	R1	R2
3622	3677	3824	3944	4028

- Candlestick chart pattern indicates slight recovery after two consecutive week's fall in the prices.
- Prices closed above 18-day EMA indicating firmness in the near-term.
- RSI is rising in neutral region while stochastic is falling in neutral zone territory.
- **Trade Recommendation (NCDEX RM SEED - Jun) – 1 Week:** BUY between 3840–3850 levels. T1 – 3880; T2 – 3950; SL -3828.

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 **SELL** between 3800–3815 levels. T1 – 3700; T2 – 3650; SL -3862. The call got triggered but none of the targets were achieved.

COPRA

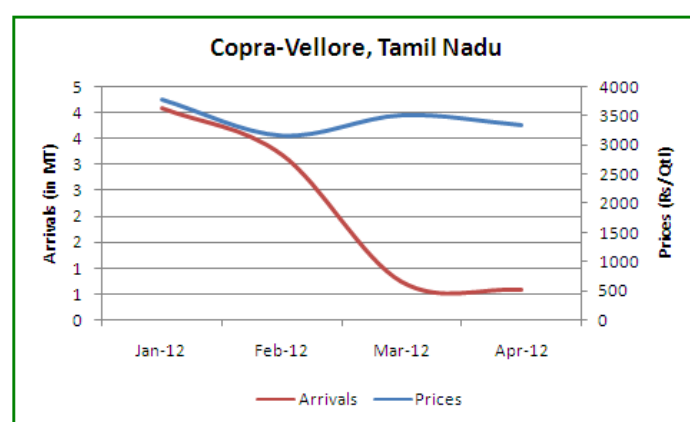
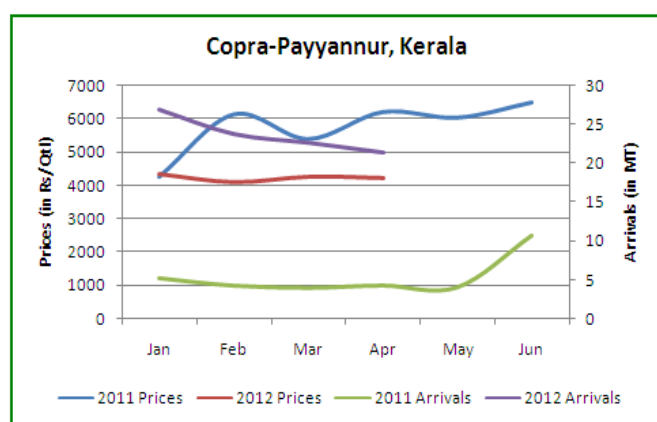
<i>Copra Spot (Prices Rs/Qtl & Arrvls/MT)</i>	2011	2012	2011	2012	2011	2012
	Ambajipeta - AP		Anthiyur - TN		Payyanur – Kerala	
Jan	5467	4313	6161	4177	4264	4327
Feb	5825	3910	6507	3679	6150	4101
Mar	5483	3823	5721	4020	5407	4252
Apr	5907	4013	6048	3991	6221	4216
May	6010		6155		6053	
Jun	6067		6298		6510	

Arrivals						
Jan	-	-	4	5	5	27
Feb	-	-	4	3	4	24
Mar	-	-	3	4	4	23
Apr	-	-	3	8	4	21
May	-	-	2		4	
Jun	-	-	4		11	

*- Arrivals not available

Summary:

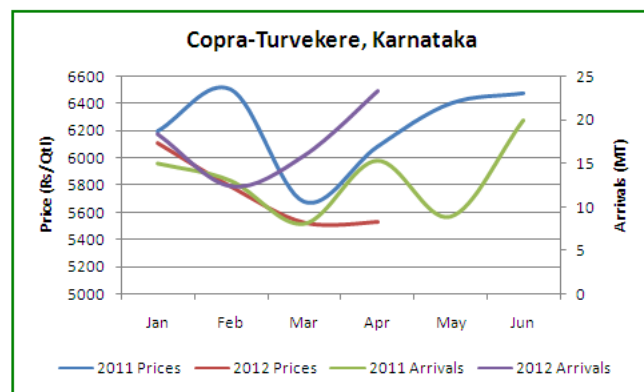
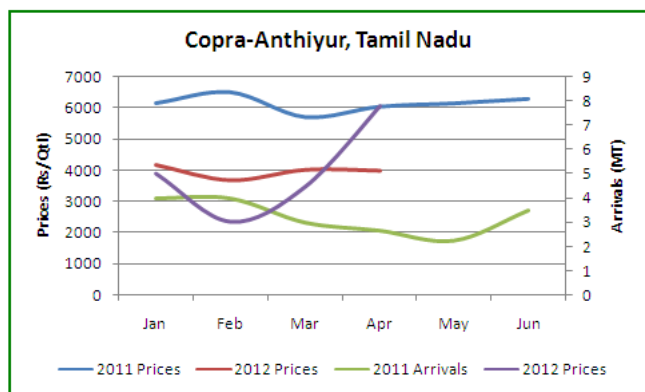
The copra prices stood well below during Jan-May 2012 compared to the corresponding period last year, across all the major market centers of Kerala, Tamil Nadu, Karnataka and Andhra Pradesh. Higher yield in coconut this season continued to weigh on the copra prices across the centers.



Domestic Trade and Arrivals:

The use of copra for coconut oil extraction is currently slightly lower and the copra and coconut prices are gradually sliding in tandem with other edible oils like soy and palm oil.

The copra prices have gradually started decreasing in Erode district. Reportedly hundreds of farmers from all over India brought their copra to the Regulated Marketing Committee, Avalpoondurai. In the auction held in the second week of May.



About 260 tonnes of copra from Erode, Dharmapurai, Krishnagiri, Salem and Vellore districts were brought to the RMC and all the copra were sold in tender auction during the period. Reportedly the competition for the copra buying was reasonable in the May. On an average, copra was sold at Rs 36-38 a kg. The farmers, with much reluctance sold their copra, as in February it fetched them Rs 72 a kg. But now due to heavy arrivals, the buyers quoted low price of Rs 36 a kg.

Arrivals substantially increased not only in the market centers of Tamil Nadu but also in Kerala, Karnataka and AP.

International Development and Impact:

United Coconut Associations of the Philippines (UCAP) reported that quantity of coconut oil exports totaled 58,900 metric tons (MT) in April, decline of 39.66% from the 97,614 MT exports during the corresponding period last year. A senior official from the association said that the demand remained low. The major overseas buyers of Philippine coconut oil include United States and Europe.

The shipment of the product from January to April totaled some 209,256 MT, 41.49% down from the 357,622 MT recorded in the same period in 2011.

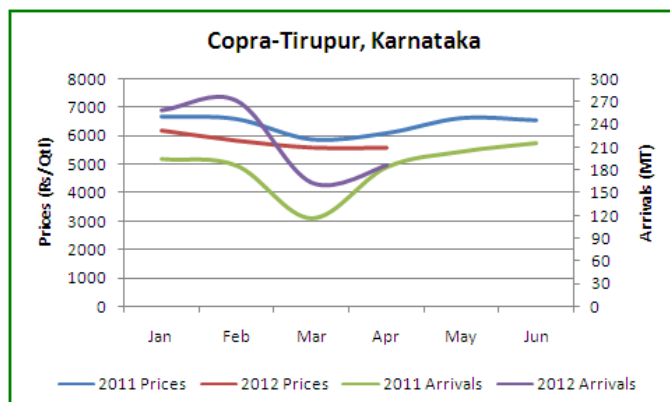
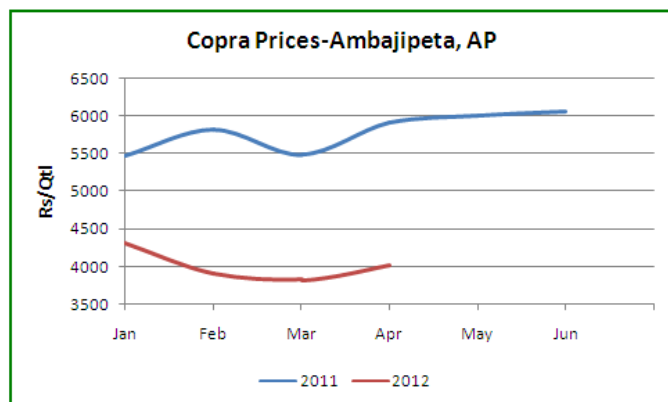
Though there is a continued fall in the Philippine exports the figures are likely to pick up by the third quarter of the year.

Coconut oil shipments last year fell about 39% annually to 823,381 MT -- falling short of a 900,000-MT target besides because of low copra supply.

UCAP, Philippines is expecting to export 925,000 MT of coconut oil, expecting good production of copra on favorable weather.

The Philippine Coconut Authority had earlier reported that copra outturn is likely to increase to 3.4 million MT this year from 3.2 million MT in 2011.

However, the Indian copra prices are expected to remain lower Y-o-Y basis due to higher output in coconut this season.



Outlook:

The copra prices in Andhra Pradesh are expected to remain side-ways in May and no major movement in either side is expected during the period. However, in Jun 2012 the prices in the state are expected to gain from the current levels in Ambajipeta of Rs4000-4100/Qtl to Rs4300-4350/Qtl in Jun on lower supplies due to upcoming monsoon.

As per IMD prediction, the South-Western monsoon is expected to hit Kerala on time in 1 Jun 2012 and subsequently to other South Indian states, which will consequently hit the copra supplies in Southern states leading copra prices strong.

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