

Executive Summary

The domestic soybean slightly edged-up on dried-up pipeline supplies, while soy meal and RM seed featured losses due to poor demand in the same. Lower supplies in soy beans due to lean season remained supportive factor for the bean prices. However, seasonal domestic fall in the edible oil usage capped the gains in beans.

Soybean crushings have reduced and about 40-45 per cent of the daily supply in the market is reportedly graded for seed and the rest for crushing. The soy meal prices declined due to the fall in overseas export sales and lower domestic maize and bajra prices, the ingredients of poultry feed. The new maize crop supplies in Bihar have subsequently pressured the soy meal prices.

Besides, the RM seed prices remained weak due to the sluggish buying activity in the week under review. The stockists and millers refrained themselves from the market in anticipation of further fall in the prices. Besides, decline in the seasonal usage in edible oils remained negative factor for the RM seed.

The US soybean planting is fast progressing and it is expected to complete by the last week of May. The planting this year begun early and hence will complete ahead of 5-year average progress. Further, the soybean harvesting in Argentina is underway but flood in and around Buenos Aires province has hurdled the harvesting eventually hurting the supplies during the week under review.

Overall, the downward potential for the domestic oilseeds and meal is limited in view of tight supplies in soybean domestically as well as globally. Besides, continued weakness in INR against US dollar, which has tested a new low at 56.38 during the week will eventually lead Indian edible oil imports expensive in near-future.

International Highlights

- ❖ The US soybean planting progress is in full swing and reported at 76 per cent ahead of 5-year average of 42 per cent which was just 35 per cent previous year in the corresponding period last year. Besides, the sown 35 per cent has emerged compared to 10 per cent in the corresponding period last year and five year average of 13 per cent. This translates into faster sowing in and early harvesting if weather remains conducive for the crop
- ❖ After severe drought in Argentina which has already hit the soybean crop output to a large extent, now it is flood in parts of the Buenos Aires province which is preventing the completion of harvesting, further hurting the soybean supplies and products in 2012.

Oilseed Prices at Key Spot Markets:

Commodity	Centre	Prices (Rs/Qtl)		Change
		25/05/2012	18/05/2012	
Soybean				
	Indore –Plant	3350-3400	3325-3400	Unch
	Indore –Mandi	3230-3300	3270-3340	-40
	Nagpur-Plant	3250-3350	3300-3350	Unch
	Nagpur – Mandi	3200-3300	3200-3300	Unch
	Kota-Plant	3275	3350	-75
	Kota – Mandi	3250	3300	-50
	Bundi-Plant	3350	3325	+25
	Bundi-Mandi	3300	3300	Unch
	Baran-Plant	-	3250	-
	Baran-Mandi	3200	3250	-50
	BhawaniMandiJhalawar– Kota Plant Delivery	3300	3400	-100
	Jhalwar-Mandi	3225-3250	3300-3350	-100
Rapeseed/Mustard	Jaipur – C	3810-3815	3835-3840	-25
	Alwar – C	3700	3700	Unch
	SriGanganagar(NC)	3350	3460	-110
	Kota	3600-3650	3550-3600	+50
	Neewai	3825	3800	+25
	Delhi– C	3800	3925	-125
	Hapur (UP)	3800	3865	-65
Groundnut Seed	Rajkot	950	950	Unch
	Junagarh	-	-	-
Sunflower Seed	Latur	33300-33400	33000-34000	-600
	Gulbarga	-	-	-
	Solapur	33300-33400	32500-33500	-100

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 (25/05/2012)	Week End (18/05/2012)	
Soybean				
	Madhya Pradesh	142000	242000	-100000
	Maharashtra	105000	112000	-7000
	Rajasthan	63000	87000	-24000
	Bundi (Raj)	105	170	-65
	Baran (Raj)	1700	3800	-2100
	Jhalawar (Raj)	1200	1650	-450
Rapeseed/Mustard	Rajasthan	420000	454000	-34000
*Sum Arrivals during the week.				

Soybean

Soybean prices mostly remained strong, despite sluggish demand in edible oils, during the week in review. However, the prices subdued towards the end of the week. Short supplies in beans due to dried-up pipeline and need based crushers demand remained supportive for the market.

Reportedly, between 40-50 per cent of the daily bean supply is seed grade, which is needed for sowing by the farmers in coming days. This is additionally weighting on the price pressure on bean and the crushers have to quote higher for the beans required for their daily crushing.

The soybean crushing plants in key states of Madhya Pradesh, Maharashtra and Rajasthan are running at much lower capacity than their actual due to lean season and decline in seasonal edible oil and meal demand .

Currently, the crushing units in Madhya Pradesh are operating for just 5-7 days a month. In Maharashtra the crushing units which have the crushing capacity above 500 tonnes per day are operational for 8-10 days a month and those with the crush capacity of 200 tpd are reportedly running for 12-15 days a month.

Reportedly, about 85-90 per cent of the produce is sold out during the marketing year.

The US soybean planting is progressing at faster pace which started early, the planting is expected to complete by the last week of May. The soybean harvesting in Argentina is slightly hit due to flood in parts of the Buenos Aires province which is preventing the completion of harvesting, hurting the soybean supplies and products. However, Brazil is done with the harvesting last week.

Overall, the domestic soybean fundamental remain intact, bullish, for the medium-term (2-3 months) due to lean season and dried up pipeline supply in conjunction with firm global soybeans supply scenario till the next season. The soybean planting in India is likely to commence with the onset of monsoon in June, which will initially start in Southern states followed by Maharashtra, Madhya Pradesh and Rajasthan.

Soy meal- FAS Kandla Vs FOB Argentina (Spread)

Indian soya meal prices eased mainly due to fall in export enquiries and lower maize and bajra prices which are other feed ingredients. The new maize crop supplies from Bihar are already weighing on the domestic maize prices. Besides, persistent lower bajra prices is yet another negative factor for the soy meal at this juncture when export sales fall along with the decline in domestic seasonal usage.

The domestic meal consumption falls in summer with rising temperature followed by lower poultry production and its usage which consequently reduces the demand in meal from poultry feed industry.

The international demand in soy meal is gradually shifting towards Latin America due their competitive meal prices compared to the meal of Indian origin. The new soybean crop in Latin America has made their soy meal prices attractive compared to the meal of Indian origin.

India loses exports during this period which lasts till India's new soybean crop arrives in October. However, Iran, Japan and South Korea and Vietnam are expected to continue buying from India due to their preference of Indian meal, trade and logistic advantage.

Overall, the soy meal prices are likely to feature range-bound movement with firm bias due to the tight global soybean supply. The shortfall continues to affect soya meal more than oil, pushing up the soya meal prices. However, fall in domestic seasonal usage, for short-term (2-3 months) and shipments will continue to weigh on the domestic meal prices.

Week	FAS, Soy meal Kandla	FOB, Soy meal Argentina	Avg.*Spread
18-25 May	527	474	53
12-18 May	541	483	58

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

The average weekly soy meal price spread between FAS Kandla and FOB Argentina stood at US \$53/MT compared to US \$58/MT a week ago, indicating 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 logistics advantage. Any dip in FOR, Kandla towards 28400-28600 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
-954	-246	-949

The soybean crush margin has significantly deteriorated compared to previous week. This is due to the lower remuneration in meal and oil during the period.

Technical Analysis:

NCDEX Soybean Futures (Jun)

Soybean Spot, Indore



Supports & Resistances NCDEX Jun Soybean

S2	S1	PCP	R1	R2
3075	3178	3299	3550	3672

- The weekly soybean prices continued its downward move.
- However, prices closed above 18-day EMA.
- RSI and stochastic are easing in neutral zone.
- However, they are likely to recover from the current levels.
- **Trade Recommendation (NCDEX Soybean - Jun) – 1 Week:** BUY between 3310–3320 levels.T1 – 3370; T2 –3400; SL -3287.

Trade Recommendation Soybean Spot: We feel the beans prices to gain in near-term. We recommend the buyers to go for buying at current levels as the bean prices are expected to improve and witness 3500 levels (Indore, Plant basis).

Review of Previous Call: *In our previous call we had recommended BUY between 3380–3390 levels. T1 – 3450; T2 –3475; SL -3353. The call triggered and both the targets were achieved.*

Rapeseed - Mustard Seed

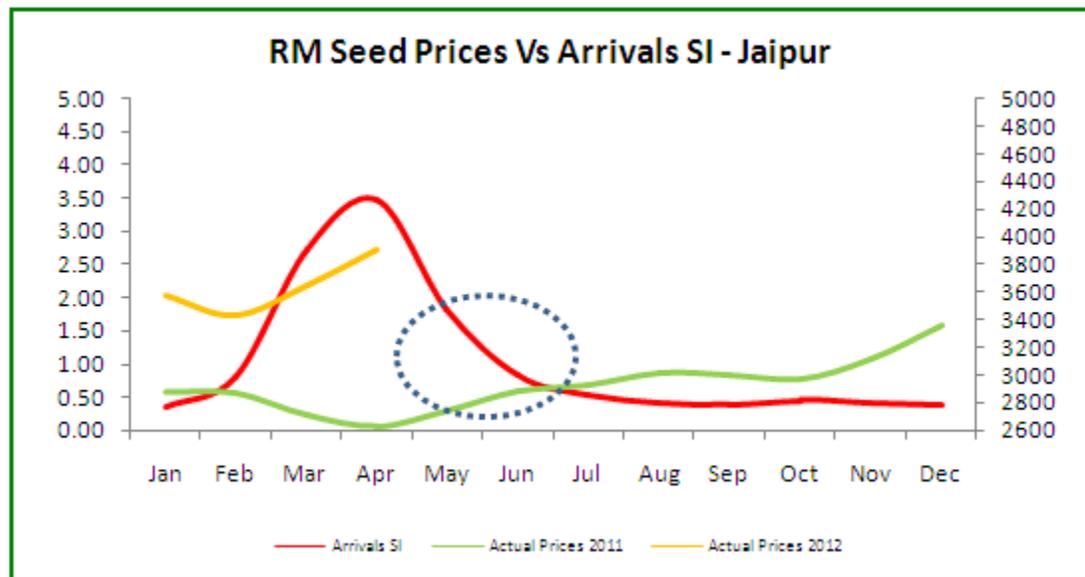
Weak sentiments featured in RM seed due to sluggish buying activity during the week under review. The millers and the stockists refrained themselves from the market due to uncertainty in the market and in anticipation further fall in the prices. Besides, seasonal fall in edible oil usage discouraged active buying and crushing the seed.

On the other hand the RM seed arrivals in Rajasthan are reported significantly lower as compared to the same period last year, due to slow farmers selling who were keen in holding their produce till the lean season, for better remuneration, in view of lower outturn in the seed this season.

The RM seed fundamentals will remain strong, on lower seed production and slow farmers selling, in medium and long-term.

India's edible oil imports are getting expensive due to the recent depreciation of Indian rupee against US dollar. The US dollar slightly weakened towards the end of the week. It will be a positive factor for India's edible oil imports if the dollar further weakens.

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
4,20,000	4,54,000	11,85,000

The RM seed supplies in Rajasthan fell significantly compared to the corresponding period last year. The fall is primarily due to slow farmer's selling, the arrivals may fall further 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
3481	3576	3706	3925	3993

- Candlestick chart pattern indicates selling pressure in the market.
- Prices closed below 9-day and 18-day EMA indicating weakness in the near and medium-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 3710–3720 levels.T1 – 3770; T2 –3800; SL -3687.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot the RM seed prices are expected to rebound after a significant fall in recent past and witness 3850-3900 level in near term. We recommend stockists to buy on dips.

Review of Previous Call: In our previous call we had recommended BUY between 3840–3850 levels.T1 – 3880; T2 –3950; SL -3828. The call failed to trigger.

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