

Executive Summary

Overall, soybean and soy meal prices extended gains on dried-up pipeline supplies in soybean and consistent demand in soy meal from traditional buyers during the month under review. However, falling soy meal export sales due to demand diversion of international buyers towards South America and weak domestic demand from poultry industry remained negative factor towards the end of the month, May, when the prices dramatically fell.

The crushings of the bean has significantly reduced in Madhya Pradesh, Maharashtra and Rajasthan and the crushing plants are running at much lower than their actual capacity.

Soybeans of seed grade quality have started pouring in the markets of Madhya Pradesh and Maharashtra. About 45-50 percent of the current supplies in Madhya Pradesh are seed grade. In the major development the soybean planting has commenced Maharashtra and the farmers are keen in increasing their area under soybean citing higher remuneration this season.

Besides, the RM seed prices featured gains on fresh buying activity and limited soybean supplies. Stockists and millers were active after a refrained themselves from active buying in anticipation of further fall in the seed prices.

Besides, slow selling in RM seed is featured since past several weeks. Farmers are holding their produce in anticipation of higher remuneration in future citing lower seed production this season.

Overall, the domestic oilseeds and meal fundamentals remain strong on lower supplies but expected improved supplies in the beans by the farmers to cover up their stocks ahead of new crop may pressure the bean prices during June. However, the RM seed prices are likely to remain strong in near to medium-term due to the dried-up pipeline supply in soybean. The shortage leads to better millers demand in RM seed, leading to stronger price in the seed. Besides, weakness in Indian rupee against US dollar is making the imported edible oils expensive.

International Highlights

- ❖ The US soybean planting progress is in full swing and reported at 89 per cent ahead of 5-year average of 61 per cent which was 48 per cent previous year in the corresponding period last year. Besides, the sown 61 per cent has emerged compared to 22 per cent in the corresponding period last year and five year average of 30 per cent. This translates into faster sowing in and early harvesting if weather remains conducive for the crop.
- ❖ Brazilian soybean output in the 2011/12 season is estimated at 66.331 mln tons, down 11% from the previous crop, which was estimated at 74.380 mln tons. Brazilian soybean exports is estimated total 29.3 mln tons in 2012, down 13% from the year earlier, when export stood at 33.789 mln tons. The forecast is a part of the report released by SAFRAS and Mercado.
- ❖ Brazilian soybean producers have sold 86 per cent of the 2011/12 season, as reported by SAFRAS and Mercado. In year-ago comparative period, sales involved 67 per cent, and the average for the period is 66 per cent.

Oilseed Prices at Key Spot Markets:

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		01/06/2012	25/05/2012	
	Indore –Plant	3425-3480	3350-3400	+80
	Indore –Mandi	3300-3375	3230-3300	+75
	Nagpur-Plant	3400	3250-3350	+50
	Nagpur – Mandi	3300-3400	3200-3300	+100
	Kota-Plant	3400	3275	+125
	Kota – Mandi	3350-3360	3250	+110
	Bundi-Plant	3400	3350	+50
	Bundi-Mandi	Closed	3300	-
	Baran-Plant	3350	-	-
	Baran-Mandi	3350	3200	+150
	BhawaniMandiJhalawar– Kota Plant Delivery	3400	3300	+100
	Jhalwar-Mandi	3350-3400	3225-3250	+150
Rapeseed/Mustard	Jaipur – C	3920-3925	3810-3815	+110
	Alwar – C	3800	3700	+100
	SriGanganagar(NC)	3370	3350	+20
	Kota	Closed	3600-3650	-
	Neewai	3900	3825	+75
	Delhi– C	3850	3800	+50
	Hapur (UP)	3950	3800	+150
Groundnut Seed	Rajkot	925	950	-25
	Junagarh	-	-	
Sunflower Seed	Latur	32000-33000	33300-33400	-400
	Gulbarga	-	-	-
	Solapur	33350-33425	33300-33400	+25

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 (01/06/2012)	Week End (18/05/2012)	
	Madhya Pradesh	127000	142000	-15000
	Maharashtra	83000	105000	-22000
	Rajasthan	38000	63000	-25000
	Bundi (Raj)	45	105	-60
	Baran (Raj)	1400	1700	-300
	Jhalawar (Raj)	700	1200	-500
Rapeseed/Mustard	Rajasthan	415000	420000	-5000
*Sum Arrivals during the week.				

Soybean

The weekly soybean prices remained strong during the week under review. Dried-up pipeline supply and weak Indian rupee against US dollar remained supportive factors for the bean. However, euro zone crisis and faster pace in soybean planting in US dampened down the sentiments and pressured towards the end of the month.

In the major development, soybean planting has commenced in the Sangli district of Maharashtra and it is expected to get complete by second week of June. Sangli is the first district where soybean planting starts and it is the first place to report the new soybean supplies.

About 80-85 per cent of the total produce is reportedly sold out in the market and remaining is lying with crushers and farmers retained for sowing. The soybean crushing have substantially declined due to the dried-up pipeline supply and subsequently lower soy meal export sales and poor edible oil demand. The crushing plants in Madhya Pradesh are operating for just 5-7 days and month. The crushing plants in Maharashtra and Rajasthan are also operating much below their actual crushing capacity.

The domestic soybean planting is expected to pick-up the pace in late June when monsoon grips central and north India boosting soil moisture, subsequently increasing the planting pace. The farmers are keen in planting and increasing the soybean area citing better remuneration this season.

The soybean prices are expected to slightly ease on lackluster buying followed by further fall in the crushings, in June. The buying will be need based for planting and limited crushing.

Soy meal- FAS Kandla Vs FOB Argentina (Spread)

The domestic soy meal prices registered significant gains due to tight soybean supplies and soy meal export obligation on the other hand. India's soy meal shipments continued to be higher year-on-year basis, though it is declining m-o-m basis. Japan, Iran, Korea and Vietnam remained the top buyers in recent months due to preference of Indian non-GMO meal, trade and logistics advantage.

However, competitive South American soy meal prices compared to the meal of Indian origin have led to the diversion of demand shift towards South America.

Week	FAS, Soy meal Kandla	FOB, Soy meal Argentina	Avg.*Spread
26 May -01 Jun	522	470	52
18-25 May	527	474	53

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

The average weekly soy meal price spread between FAS Kandla and FOB Argentina stood at US \$52/MT compared to US \$53/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 **29000-29200** 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
-1279	-954	-540

The soybean crush margin has slightly deteriorated in the week under review compared to the corresponding period last year. Falling export sales and declining remuneration has led to the widening of disparity. The disparity remained a discouraging factor for solvent extractors.

Technical Analysis:

NCDEX Soybean Futures (Jul)

Soybean Spot, Indore



Supports & Resistances NCDEX Jul Soybean

S2	S1	PCP	R1	R2
3037	3146	3380	3649	3813

- The weekly soybean prices featured gains.
- Prices closed above 9-day and 18-day EMA.
- RSI is rising in neutral region while stochastic is falling in oversold zone.
- However, prices are likely to recover from the current levels.
- **Trade Recommendation (NCDEX Soybean – Jul) – 1 Week:** BUY between 3390-3400 levels.T1 – 3500; T2 –3550; SL -3343.

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).

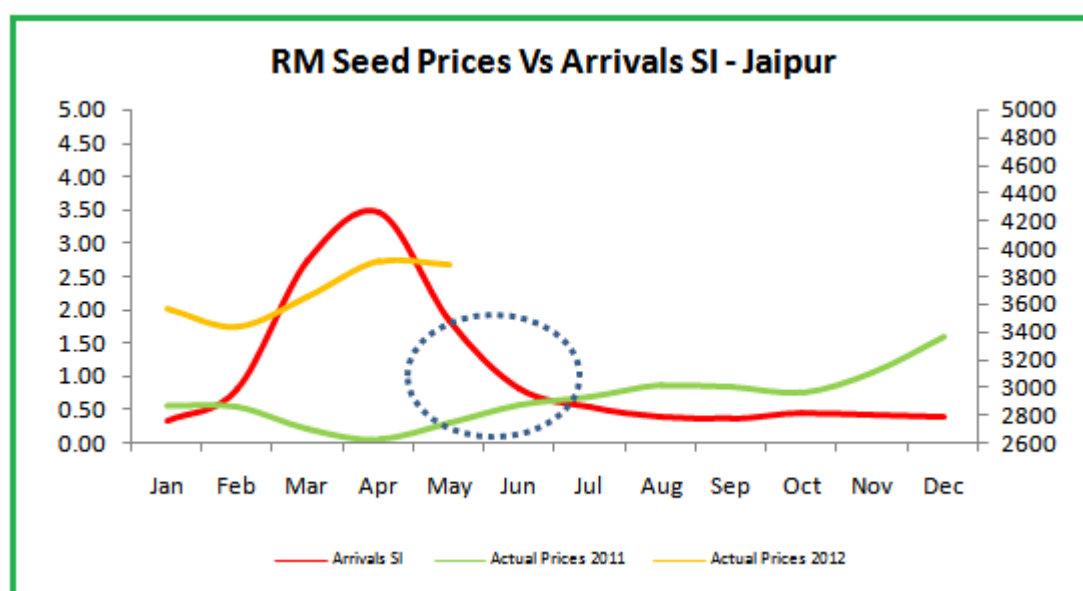
Review of Previous Call: In our previous call we had recommended BUY between 3310–3320 levels.T1 – 3370; T2 –3400; SL -3287. The call triggered and both the targets were achieved.

Rapeseed - Mustard Seed

The RM seed prices featured gains on supportive buying followed by limited soybean supplies and eventually demand shift towards RM seed.

The stockists and millers were not keen in active buying anticipating further fall in the seed prices. However, slow farmer's selling remained a notable feature of the seed market. The seed supplies in Rajasthan fell significantly, about three times lower in the month of May this year compared to the corresponding period last year.

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
4,15,000	4,20,000	2,54,167

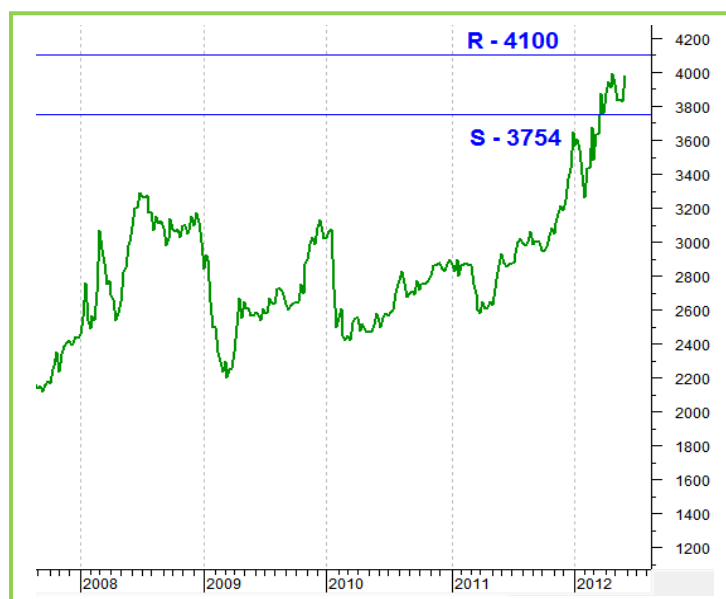
The farmers and the stockists are anticipating higher prices during the lean season, citing lower seed production this season.

The seed prices are expected to surge in the month of June due to dried-up pipeline supply in soybean and demand shift in RM seed to cater the domestic edible oil demand.

Technical Analysis:

NCDEX RM Seed Futures (Jul)

RM Seed Spot, Jaipur



Supports & Resistances NCDEX Jul RM Seed

S2	S1	PCP	R1	R2
3639	3694	3830	4004	4118

- Candlestick chart pattern indicates buying support.
- 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 - Jul) – 1 Week:** BUY between 3850-3860 levels. T1 – 3900; T2 –3950; SL -3665.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot the RM seed prices are expected to gain further and witness 4050-4100 level in near term. We recommend stockists to buy on dips.

Review of Previous Call: In our previous call we had recommended BUY between 3710–3720 levels. T1 – 3770; T2 –3800; SL -3687. The call triggered and both the targets were achieved.

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