

## Executive Summary

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Domestic oilseeds and oil meal prices continued its upwards move on firm global cues in conjunction with strong domestic factors. Adverse weather in US Midwest, the largest soybean growing belt, has already raised the soybean yield concerns. Besides, weak monsoon in soybean growing states have hurt the soybean planting in India, leading to a rally in local soybeans.

The soy meal prices surged followed by lower supplies due to lean season and consequently weak crushings. Eventually, the availability of local soy meal supplies fell leading to lower exports than the enquiry. Besides, tight soy meal supplies from South America this season, due to crop loss, have slightly diverted international meal demand towards India.

Strong sentiments in RM seed kept the prices of the seed higher during the period. The seed prices are at all time high supported by slow farmer's selling and strong Malaysian palm oil and CBOT soybeans.

Adverse weather in US mid-west, bullish Malaysian and Indonesian palm oil outlook, better soy meal export enquiries, deficit rains in oilseeds growing belts and weakness in Indian rupee against US dollar combined together will further support to the domestic oil and fats market in near-term.

## International Highlights

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- ❖ The Brazil's area to be planted with soybeans in the 2012/13 season is likely to improve 8.4% compared to 2011/12, occupying 27.218 Mn ha. The projection is part of the planting intention survey, released by SAFRAS and Mercado. If the increase is confirmed, and considering a normal weather, Brazilian production will hit a record next season, totaling 82.295 million tons, up 24.1% from the total collected in 2011/12, of 66.331 million tons – SAFRAS and Mercado.

**Oilseed Prices at Key Spot Markets:**

| Commodity               | Centre                                       | Prices (Rs/Qtl)   |                   | Change       |
|-------------------------|--|-------------------|-------------------|--------------|
| <b>Soybean</b>          |  | <b>20/07/2012</b> | <b>13/07/2012</b> |              |
|                         | Indore –Plant                                | 4750-4800         | 4275-4350         | <b>+450</b>  |
|                         | Indore –Mandi                                | 4625-4725         | 4050-4150         | <b>+575</b>  |
|                         | Nagpur-Plant                                 | 4800-4850         | 4350-4400         | <b>+450</b>  |
|                         | Nagpur – Mandi                               | 4700-4750         | 4250-4350         | <b>+400</b>  |
|                         | Kota-Plant                                   | 4750              | 4275              | <b>+475</b>  |
|                         | Kota – Mandi                                 | 4600-4650         | 4150-4225         | <b>+425</b>  |
|                         | Bundi-Plant                                  | 4750              | 4300              | <b>+450</b>  |
|                         | Bundi-Mandi                                  | 4600-4700         | 4225              | <b>+475</b>  |
|                         | Baran-Plant                                  | 4800              | 4350              | <b>+450</b>  |
|                         | Baran-Mandi                                  | 4750              | 4300              | <b>+450</b>  |
|                         | BhawaniMandiJhalawar–<br>Kota Plant Delivery | 4850              | 4400              | <b>+450</b>  |
|                         | Jhalwar-Mandi                                | 4700-4750         | 4300-4325         | <b>+425</b>  |
|                         |  |                   |                   |              |
| <b>Rapeseed/Mustard</b> | Jaipur – C                                   | 4360-4365         | 4225-4230         | <b>+135</b>  |
|                         | Alwar – C                                    | 4150              | 4000-4050         | <b>+100</b>  |
|                         | SriGanganagar(NC)                            | 3740              | 3620              | <b>+120</b>  |
|                         | Kota   | 4275              | 4000              | <b>+275</b>  |
|                         | Neewai                                       | 4100-4150         | 4150              | <b>Unch</b>  |
|                         | Delhi– C                                     | 4350              | 4100              | <b>+250</b>  |
|                         | Hapur (UP)                                   | 4375              | 4250              | <b>+125</b>  |
| <b>Groundnut Seed</b>   | Rajkot                                       | 1005              | 1005              | <b>Unch</b>  |
|                         | Junagarh                                     |                   |                   |              |
| <b>Sunflower Seed</b>   | Latur  | 38000-41000       | 36000-38500       | <b>+2500</b> |
|                         | Gulbarga                                     | -                 | -                 | <b>-</b>     |
|                         | Solapur                                      | 41500-42500       | 40000-41500       | <b>+1000</b> |

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 (20/07/2012) | Week End (13/07/2012) |        |
|                                | Madhya Pradesh | 295000                | 300000                | -5000  |
|                                | Maharashtra    | 45000                 | 54000                 | -9000  |
|                                | Rajasthan      | 49000                 | 36000                 | +13000 |
|                                | Bundi (Raj)    | 370                   | 200                   | +170   |
|                                | Baran (Raj)    | 8400                  | 4800                  | +3600  |
|                                | Jhalawar (Raj) | 3100                  | 1700                  | +1400  |
|                                |                |                       |                       |        |
| Rapeseed/Mustard               | Rajasthan      | 297000                | 273000                | +24000 |
| *Sum Arrivals during the week. |                |                       |                       |        |

## Crop Progress, India

The *kharif* oilseeds planting are underway and weak monsoon is hindering the planting progress. In the official report, area coverage under various oilseeds in India was reported lower by 16 per cent at 108.84 lakh hectares compared to 129.75 lha during the same period last year.

| Sowing Progress - Oilseeds |              |                                | Area in lha. |
|----------------------------|--------------|--------------------------------|--------------|
| Andhra Pradesh             | Current      | Corresponding Period Last Year | % Change     |
| Groundnut                  | 2.33         | 4.32                           | -46%         |
| Sesamum                    | 0.16         | 0.3                            | -47%         |
| Castorseed                 | 0.7          | 1.1                            | -36%         |
| Sunflower                  | 0.06         | 0.04                           | 50%          |
| Soybean                    | 1.6          | 1.3                            | 23%          |
| Other Oilseeds             | 0            | 0                              |              |
| <b>Total</b>               | <b>4.85</b>  | <b>7.06</b>                    | <b>-31%</b>  |
| <b>Maharashtra</b>         |              |                                |              |
| Groundnut                  | 1.39         | 1.70                           | -19%         |
| Sesamum                    | 0.23         | 0.32                           | -29%         |
| Sunflower                  | 0.12         | 0.16                           | -25%         |
| Soybean                    | 28.93        | 26.22                          | 10%          |
| Nigerseed                  | 0.13         | 0.24                           | -46%         |
| Other Oilseeds             | 0.16         | 0.09                           | 85%          |
| <b>Total</b>               | <b>30.95</b> | <b>28.73</b>                   | <b>8%</b>    |

|                  |              |              |            |
|------------------|--------------|--------------|------------|
| <b>Rajasthan</b> |              |              |            |
| Sesamum          | 2.551        | 3.000        | -15%       |
| Groundnut        | 3.027        | 3.700        | -18%       |
| Soybean          | 8.662        | 8.160        | 6%         |
| Castorseed       | 0.064        | 0.010        | 540%       |
| <b>Total</b>     | <b>14.24</b> | <b>14.87</b> | <b>-4%</b> |

Source: State Agriculture Dept.

The oilseeds planting are lagging in most of the key oilseeds growing states due to deficit rains in most parts of India.

Except Maharashtra the oilseeds planting is lower in Southern and North-Western states. However, soybean planting has slightly picked-up in some of the states, which is a positive sign for the crop. But, groundnut sowing is still reported to be lagging far behind the previous year's planting in major growing states like Gujarat, Rajasthan, Maharashtra and Andhra Pradesh.

## Soybean

Soybean prices extended rally in the week under review. Bullish US soybean followed by adverse weather and eventually yield concerns for the newly planted crop and continued soy meal exports enquiries to India from traditional buyers. The domestic soybean crushings are already weak on lower supplies in beans due to lean season and consequently India is unable to export more despite good enquiries.

The soybean planting is underway in the key growing states of Madhya Pradesh, Maharashtra and Rajasthan reported at 86.20 lha compared to 90.32 lha during the same period last year. Except in Madhya Pradesh (47.10 lha vs 54.77 lha) the sowing progress in bean is ahead of last year's coverage. In Maharashtra it is reported at 28.93 lha compared to 26.22 lha during the same period last year. In Rajasthan it is reported at 8.66 lha against 8.16 lha last year. In Andhra Pradesh the planting is reported a 1.6 lha compared to 1.3 lha during the same period last year.

The planting in MP is reportedly lagging compared to the corresponding period last year primarily due to the deficit rains in the state.

Dry weather in the US mid-west and eventually yield concern in soybean, strength in Malaysian palm oil and better overseas soy meal, of Indian origin, demand is expected to support the bean prices in near-term.

## Soy meal- FAS Kandla Vs FOB Argentina (Spread)

The domestic soy meal prices rallied on strong global and domestic fundamental during the period. US soybean supply concern due to adverse weather conditions, dry weather, and overall lower domestic soybean plantings consequently lend support to the meal prices at higher levels. Besides, lower supplies in beans in local cash markets have eventually lowered the bean crushings leading to lower meal supplies for exports and domestic usage, thus boosting the meal prices.

Although, currently India is unable to export soy meal in huge volume due to lower crushings but the traditional overseas meal buyers from India are keen in placing the order at higher levels due to lower supplies from South America.

Iran, Thailand and Vietnam and Korea continued to be major buyers of soy meal of Indian origin in recent days.

India's soy meal exports during June, 2012 stood at 80,987 tonnes as compared to 1,17,596 tonnes in June, 2011 showing a gain of 53.90% over the corresponding period last year.

Soy meal export enquiries to India continued during the period despite the Argentina's soy meal prices remained competitive compared to the meal of India origin.

| Week               | FAS, Soy meal Kandla | FOB, Soy meal Argentina | Avg.*Spread |
|--------------------|----------------------|-------------------------|-------------|
| <b>14 – 20 Jul</b> | 731                  | 596                     | <b>135</b>  |
| <b>07 – 13 Jul</b> | 677                  | 570                     | <b>107</b>  |

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

The average weekly soy meal price spread between FAS Kandla and FOB Argentina stood at US \$135/MT compared to US \$107/MT a week ago, indicating persistent gap in prices between Indian and Argentine meal prices, 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 **38000-39000** is a viable level to go for buying.

### Soybean Crush Margin

| Avg Crush Margin –<br>This Week | Avg Crush Margin –<br>Last Week | Avg Crush Margin –<br>Corresponding Period Last Month |
|---------------------------------|---------------------------------|---|
| <b>-1085</b>                    | <b>-985</b>                     | <b>-343</b>   |

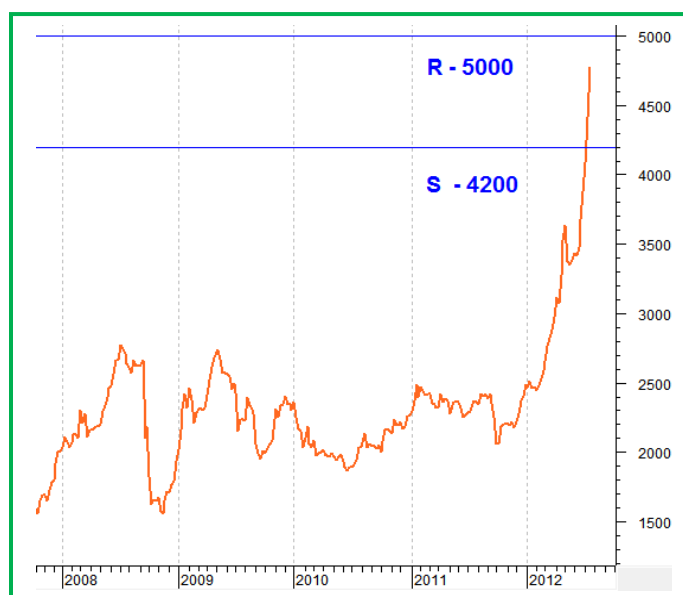
The soybean crush margin has again deteriorated this week owing to sharp rise in bean prices. The disparity is a discouraging factor for the crushers.

## Technical Analysis:

### NCDEX Soybean Futures



### Soybean Spot, Indore



### Supports & Resistances NCDEX Aug Soybean

| S2   | S1   | PCP  | R1   | R2   |
|------|------|------|------|------|
| 4386 | 4630 | 4885 | 5150 | 5394 |

- The soybean prices extended gains during the week.
- Prices closed well above 9-day and 18-day EMA.
- RSI and stochastic are rising in overbought zone, warranting correction.
- Prices may extend gains during the week.
- **Trade Recommendation (NCDEX Soybean – Aug) – 1 Week:** BUY between 4910-4930 levels.T1 – 5000; T2 –5050; SL -4880.

**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 5000-5050 levels (Indore, Plant basis).

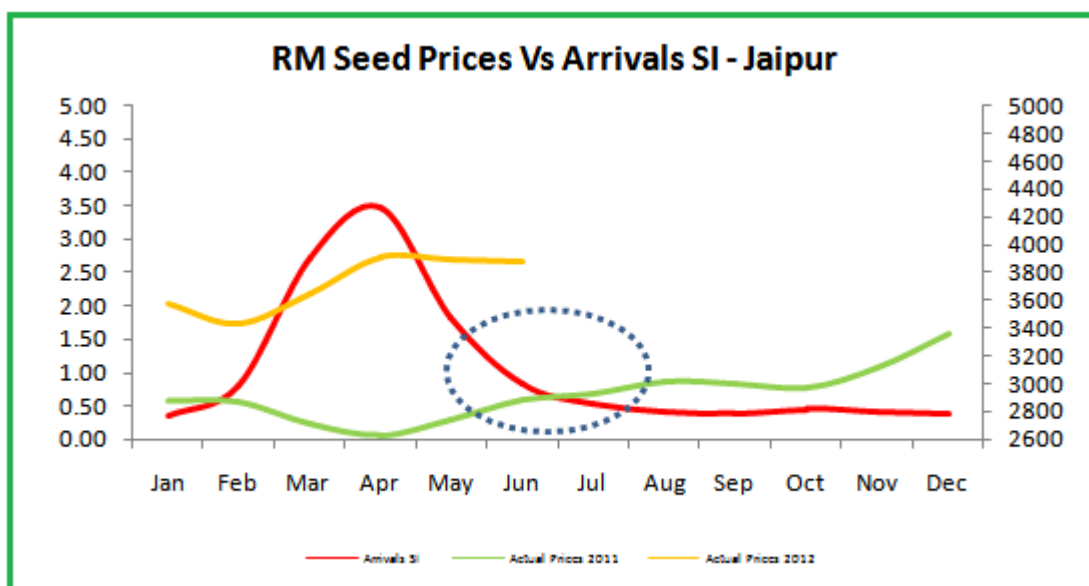
**Review of Previous Call:** In our previous call we had recommended: BUY between 4550-4560 levels.T1 – 4650; T2 –4700; SL -4508. The call triggered and both the targets were achieved.

## Rapeseed - Mustard Seed

The RM seed prices extended gains on bullish international and domestic factors during the week under review. Persistent slow farmers and stockists selling have lead to lower supplies in the seed in one hand and bullish US soybean supplies this season lend spillover support to the domestic RM seed prices at higher levels.

Besides, higher palm oil prices in international benchmark, Bursa Malaysia Derivative, lend strong support to the domestic RM seed prices. Further, dried-up pipeline supplies in soybean due to lean season lead slightly increases the demand shift towards RM seed during the period.

The RM seed fundamentals remains intact and bullish in view of lower seed output this season and gradual rise in the usage in coming months.

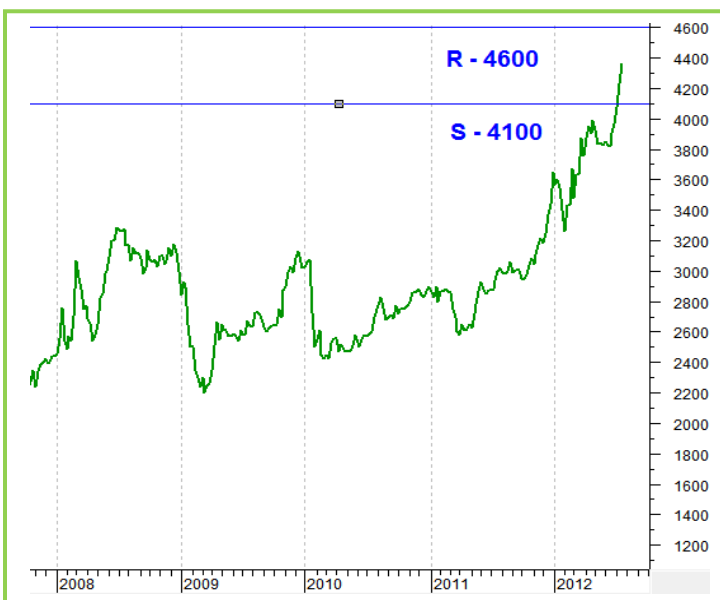


### RM Seed Supply, Rajasthan

| RM Seed Arrivals in Rajasthan in Bags (85 kg each). |          |                              |
|---|----------|------------------------------|
| Weekly Arrivals                                     | Week Ago | Corresponding Week Last Year |
| 2,97,000  | 2,73,000 | 5,10,000                     |

The RM seed supplies in Rajasthan are reportedly lower compared to the arrivals during the same period last year. However, the arrivals have slightly improved compared to the previous week. The seed arrivals are expected to be steady in near to medium-term.

**Technical Analysis:**
**NCDEX RM Seed Futures**

**RM Seed Spot, Jaipur**

**Supports & Resistances NCDEX Aug RM Seed**

| S2   | S1   | PCP  | R1   | R2   |
|------|------|------|------|------|
| 4049 | 4131 | 4290 | 4500 | 4550 |

- Candlestick chart pattern indicates uptrend in the prices.
- Prices closed above 9-day and 18-day EMA indicating firmness in the near and medium-term.
- RSI and stochastic are heading upwards in overbought territory.
- **Trade Recommendation (NCDEX RM SEED - Aug) – 1 Week:** BUY between 4320--4340 levels. T1 – 4400; T2 –4450; SL -4295.

**Trade Recommendation RM Seed Spot (Jaipur basis):** In spot the RM seed prices are expected to gain further and witness 4400-4460 level in near term. We recommend stockists to buy on dips.

**Review of Previous Call:** In our previous call we had recommended: **BUY between 4290-4310 levels.** T1 – 4370; T2 –4420; SL -4265. The call triggered and the first target was achieved.

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