

## Executive Summary

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The spot soybean and meal witnessed gains on supportive buying and improved crushings followed by improved overseas soy meal exports demand.

Besides, declining soybean arrivals in key markets remained positive factor for the soybean during the week in review. Soybean buying in physical market has picked up to meet the soy meal exports commitments but reports of that China, the world's largest soybean importer, has cancelled a total soybean orders for 840,000 tons for 2012/13, in addition to its cancellation of unknown destination of 120,000 tonnes of US soybeans, pressured the CBOT soy complex.

Soy meal gained on improved shipments and increase in exports inquiries during the period. India's exports perspective for meal is good during the season and brighter till Feb - Mar 2013 or till the harvesting of Brazilian and Argentine crop. The US soybean production is already lower this season (10 year low).

RM seed featured mild gains despite fall in Malaysian palm oil. Continued millers buying and improved demand from West Bengal, Assam, Bihar and Jammu and Kashmir in the seed remained supportive for the seed.

Despite recent Chinese cancellation of US soybean, but China will strongly depend on US export until March. China will still need to buy US soybeans in coming weeks, which will be a positive factor for the soybean in near to medium-term.

However, higher palm oil inventories which peaked at a record 2.56 million tons as of the end of November, and are likely to stay above 2 million tons throughout the first quarter of 2013, will limit the upside for prices in oilseeds.

The USDA's Dec. WASDE report estimated 2012-13 global soy oil ending stocks as being 3.4% higher than its November estimate of 2.9 million tons. Besides, the palm oil-soy oil differential is usually around \$150-\$200/ton, but is presently more than \$350/ton which is again a bearish factor for the international soybeans.

Overall, the global and the domestic oilseeds prospects are bright till the harvest of Brazilian and Argentine soybean.

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## International Highlights

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- ❖ Brazil's vegetable oils association (Abiove) has raised their production forecast to 81.6 million tonnes vs. 81.3 previously. The USDA currently has the Brazil production estimate at 81 million tonnes but some analysts are beginning to raise their expectations.
- ❖ Heavy rainfall and floods in Argentina is likely to damage the soybean crop the crop may be only 50 Mn T next year, reports Oil World.
- ❖ China has reported November import data, the total soybean imports were pegged at 4.16 million tonnes, down 27% on the year but January through November imports were at 52.5 million tonnes, up 11.4% on the year. The slowdown in soybean imports for China in the month of November and the cancelations this week are both seen as short term negatives but overall demand remains robust.
- ❖ The soybean planting in 2012/13 moved above 98% of the expected area in growing regions of Brazil. The work pace has been slower than in year-ago comparative period, when 98% of area had been seeded, and is within the average of 96%. Data by SAFRAS & Mercado up to December 14.
- ❖ Favorable weather conditions for Brazil continue add a negative bias towards price direction long term but an uptick in rainfall for Argentina over the next couple of weeks is raising concerns that additional planting delays may be seen. Most traders feel that any major disruptions to soybean planting or harvest in South America could be a positive for prices in 2013.

**Oilseed Prices at Key Spot Markets:**

Commodity	Centre	Prices (Rs/Qtl)		Change
<b>Soybean</b>		<b>21.12.2012</b>	<b>14.12.2012</b>	
	Indore –Plant	3340-3390	3300-3360	<b>+30</b>
	Indore –Mandi	3200-3300	3125-3250	<b>+50</b>
	Nagpur-Plant	3300	3250	<b>+50</b>
	Nagpur – Mandi	3150-3250	3050-3200	<b>+50</b>
	Kota-Plant	3350	3340-3350	<b>Unch</b>
	Kota – Mandi	3270-3275	3270-3275	<b>Unch</b>
	Bundi-Plant	3330-3350	3300-3375	<b>-25</b>
	Bundi-Mandi	3250	3250	<b>Unch</b>
	Baran-Plant	-	-	-
	Baran-Mandi	3260-3265	3220-3225	<b>+40</b>
	Bhawani MandiJhalawar– Kota Plant Delivery	3350-3375	3375-3400	<b>-25</b>
	Jhalawar-Mandi	3260	3225-3260	<b>Unch</b>
<b>Rapeseed/Mustard</b>	Jaipur – C	4355-4360	4265-4270	<b>+90</b>
	Alwar – C	4150	4100	<b>+50</b>
	SriGanganagar(NC)	3710	3700	<b>+10</b>
	Delhi– C	4200	4125	<b>+75</b>
	Kota	4000	4000	<b>Unch</b>
	Neewai	4280	4200	<b>+80</b>
	Hapur (UP)	4200	4200	<b>Unch</b>
<b>Groundnut Seed</b>	Rajkot	1050	1040	<b>+10</b>
	Junagarh	-	-	-
<b>Sunflower Seed</b>	Latur	3600-3750	3650-3800	<b>-50</b>
	Solapur	3600-3750	3700-3800	<b>-50</b>
	Gulbarga	3000-3200	3400-3500	<b>-300</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
<b>Soybean</b>		<b>Week End (21/12/2012)</b>	<b>Week End (14/12/2012)</b>	
	Madhya Pradesh	915000	935000	<b>-20000</b>
	Maharashtra	470000	425000	<b>+45000</b>
	Rajasthan	220000	210000	<b>+10000</b>
	Bundi (Raj)	6000	5800	<b>+200</b>
	Baran (Raj)	28000	27500	<b>+500</b>
	Jhalawar (Raj)	12700	14000	<b>-1300</b>
<b>Rapeseed/Mustard</b>	Rajasthan	258000	260000	<b>-2000</b>
<b>*Sum Arrivals during the week.</b>				

## Crop Progress, India

The *rabi* oilseeds planting is underway and it progressing better than the last year in most of the cases. Overall, the oilseeds planting are up by 5 per cent.

Of the major *rabi* oilseeds crop rapeseed/mustard seed planting is up by around 3 per cent at 64.44 lha compared to 62.66 lakh hectares during the same period last year. Groundnut planting is reported up by 55 per cent at 5.32 lakh hectares compared to 3.44 lha, sunflower planting is reported up by 21 per cent at 4.77 lha compared to 3.95 lha during the same period last year.

Area in lakh hectares

Crop	As on 20 Dec 2012	As on 20 Dec 2011	% Change
Rapeseed/Mustard Seed	64.44	62.66	<b>2.8</b>
Groundnut	5.32	3.44	<b>54.7</b>
Safflower	1.32	1.18	<b>11.9</b>
Sunflower	4.77	3.95	<b>20.8</b>
Sesamum	0.61	0.35	<b>74.3</b>
Lineed	2.62	3.66	<b>-28.4</b>
Other Oilseeds	0.51	0.57	<b>-10.5</b>
<b>Total Oilseeds</b>	<b>79.6</b>	<b>75.8</b>	<b>5.0</b>

Source: GOI

Further, linseed planting is still lagging behind.

## Soybean

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The soybean prices witnessed gains on improved export sales in soy meal during the week in review. The domestic soybean prices managed to gain despite series of bearish news from US, China and Malaysia.

Some of the big soybean crushers quoted slightly higher for soybean to meet their soy meal exports commitments. India's soy meal exports demand has witnessed gains m-o-m basis and the prospects are bright for India till Feb-Mar.

Concern over China canceling U.S. soybean orders was brushed aside as traders pinned hope on a recovery for palm oil demand.

The U.S. Department of Agriculture reported that China, the world's largest soybean importer, has cancelled a total soybean orders for 840,000 tons.

Heavy rainfall and floods in Argentina is likely to damage the soybean crop the crop may be only 50 Mn T next year, reports Oil World.

Despite recent Chinese cancellation of US soybean, but China will strongly depend on US export until March. China will still need to buy US soybeans in coming weeks, which will be a positive factor for the soybean in near to medium-term.

However, higher palm oil inventories which peaked at a record 2.56 million tons as of the end of November, and are likely to stay above 2 million tons throughout the first quarter of 2013, will limit the upside for prices in oilseeds.

The USDA's Dec. WASDE report estimated 2012-13 global soy oil ending stocks as being 3.4% higher than its November estimate of 2.9 million tons. Besides, the palm oil-soy oil differential is usually around \$150-\$200/ton, but is presently more than \$350/ton which is again a bearish factor for the international soybeans.

Overall, the global and the domestic soybean prospects are bright till the harvest of Brazilian and Argentine soybean.

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

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Soy meal witnessed firm tone on supportive overseas demand, during the week in review. Better soy meal demand of Indian origin from South and Far East Asian countries due to proximity, logistic advantage and preference of the meal of Indian origin remained supportive factor for the domestic soy meal.

Iran which was out of the Indian soy meal market for quite sometimes has re-entered the Indian market and is reportedly making trade inquiries after the Iranian buyers have resolved the payment issues. Iran and Japan remained the consistent and largest buyers in the previous season and we expect they will remain the big Indian soy meal buyers this season also.

We expect soy meal shipment to pick-up towards Iran and India is expected export around 1 Mn T of the meal this season against 0.6 Mn T last season.

India has recorded 30 per cent rise in soy meal shipments in Nov (517103 MT) compared to the same period last year. The meal export is likely to further improve in Dec 2012 compared to the previous month.

India's Y-o-Y soy meal prices have witnessed gains. Soy meal (Dec-Jan) exports price, FOR Kandla exports was quoted between Rs 29,500-30,200/MT compared to 17,700-17,800/MT during the same period last year. Indian C&F Indonesia was between US \$ 545-565/MT which was quoted between US \$360-365/MT during the same period last year.

Week	FAS, Soy meal Kandla	FOB, Soy meal Argentina	Avg.* Spread
<b>15 – 21 Dec</b>	543	549	<b>-6</b>
<b>08 – 14 Dec</b>	528	563	<b>-35</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 at \$-6/MT compared to US \$-35/MT a week ago, indicating a narrowing gap in prices between Indian and Argentine meal prices. *India's soy meal exports is at the optimum levels during the period, October thru January, at the considered spread between Indian vs Argentine meal price between US \$8/MT and US \$15/MT.*

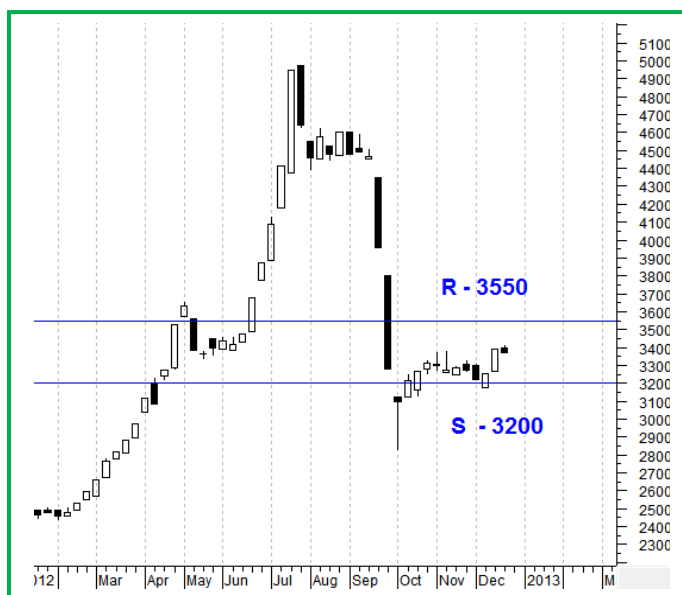
**Recommendation:** *The Indian meal exporters are advised to aggressively market their meal to the countries in vicinity including traditional South and Far-East Asian destinations to materialize the freight and logistics advantage. The prices are expected to feature range-bound movement on firm bias on renewed overseas demand. FOR, Kandla is likely to be between 31000-32000/MT.*

## Technical Analysis:

### NCDEX Soybean Futures



### Soybean Spot, Indore



### Supports & Resistances NCDEX Jan Soybean

S2	S1	PCP	R1	R2
3123	3223	3296	3450	3573

- The soybean prices witnessed sideways movement, during the week.
- The prices closed above 9-day EMA, indicating firmness in near-term.
- However, stochastic is rising in neutral region, supporting uptrend.
- MACD is heading upwards in negative territory, indicating bullish tone.
- Prices are expected to gain during the week.
- **Trade Recommendation (NCDEX Soybean – Jan) – 1 Week:** BUY between 3290-3280 levels.T1 – 3350; T2 –3400 ; SL -3252.

**Trade Recommendation Soybean Spot:** We feel the soybean prices will gain on renewed buying followed by improving overseas meal demand rise in seasonal edible oil demand. The prices may witness 3400-3450 levels (Indore, Plant basis).

## Rapeseed - Mustard Seed

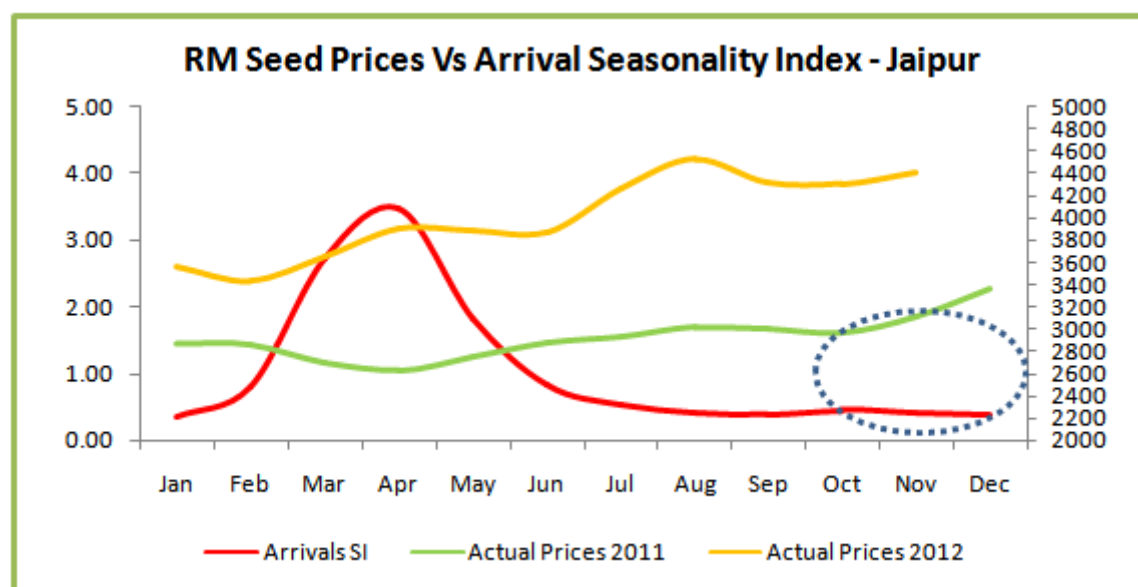
RM seed prices featured steady to slightly firm tone on seasonal buying support from miller during the week in review. Weakness in BMD CPO due to lower exports figure and higher inventories in palm oil eventually restricted the gains in the seed.

Further, the RM seed planting is underway and the area is expected to rise by about 5 per cent this season, in view of better prices this season. Reportedly, rapeseed/mustard seed sowing (as on 20 Dec 2012) is up by 3 per cent at 64.44 lha compared to 62.66 lakh hectares during the same period last year.

Currently, the RM seed stock in Bikaner and Ganganagar districts of Rajasthan stands at 3 lakh bags and there is a good demand of RM seed from Assam and West Bengal. Currently, the road freight is around Rs. 250 per quintal for Assam and Rs. 200 per quintal for West Bengal. RM seed prices in Bikaner are ruling around Rs. 3600 per quintal and the delivery price from Bikaner to Assam is around Rs. 4100 per quintal (excluding VAT).

Demand for mustard seed from other key mandis of Rajasthan is also being noticed from Bihar, Jammu and Kashmir. Reportedly, good RM seed demand is being witnessed from stockists and millers in Jaipur and Ganganagar due to comparatively lower prevailing prices

Expected rebound in Malaysian palm oil and ongoing seasonal domestic edible oil demand with dwindling RM strong is expected to support the seed prices at higher levels. However, higher palm oil inventories and estimated rise in palm oil output in 2013 will continue to weigh on the seed prices to some extent.



### RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Weekly Arrivals	Week Ago	Corresponding Week Last Year
2,58,000	2,60,000	2,52,000



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

**RM Seed Spot, Jaipur**

**Supports & Resistances NCDEX Jan RM Seed**

S2	S1	PCP	R1	R2
3883	3955	4266	4345	4442

- Candlestick chart pattern reveals strong buying, during the week.
- Prices closed above 9-day and 18-day EMA, indicating strength in the market.
- RSI and stochastic are heading upwards in neutral region, supporting the gains.
- MACD is rising in positive territory, indicating persistence of strength. The prices are likely to gain during the week.
- **Trade Recommendation (NCDEX RM SEED - Jan) – 1 Week:** BUY between 4260- 4280 levels. T1 – 4350; T2 –4400; SL -4230.

**Trade Recommendation RM Seed Spot (Jaipur basis):** In spot the RM seed prices are expected to feature firm tone on buying support and diminishing stocks, in near-term. The prices may witness 4400-4450 level in near term.

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