

## Executive Summary

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Domestic oilseeds market plunged during the month of July on estimates of higher oilseed production in the current season due to increased acreage. Besides, weakness in global oils and oilseeds markets also put pressure on the prices during the week. The domestic market was also affected by the plunge in soybean prices on CBOT due to weak export demand and conducive weather conditions.

Soybean fell primarily on better planting pace and favourable weather compared to the previous season. Better monsoon has boosted the farmer's planting sentiment which eventually reflected in the planting momentum. Soybean planting stood up by around 15.20 per cent at 118.76 lakh ha compared to 103.06 lakh hectares during the same period last year. Planting is mostly over in the key producing regions.

In the US too, weather was seen as a negative force for the new crop soybean market after steady rainfall fell in key producing regions early during the month. Temperatures were mostly moderate indicating that soybean yield potential looks impressive so far. This further imparted a bearish tone to the market. The latest WASDE report released by USDA was also considered bearish for the market.

The domestic soybean will continue to reel under pressure on better planting and likely rise in area under beans in near-term.

Further, soy meal fell in tandem with soybean and weak exports and lower domestic off-take in the meal from poultry feed industry due to reduced off-take in poultry products. Weakening of the Indian rupee provided some support to the prices. However, lower exports demand of the soy meal during the month weakened the market.

According to the figures of the SOPA, India's soy meal exports during July 2013 was 1.070 lakh tons as compared to 1.683 lakh tons in the same period of previous year showing a decrease of approx. 36.4%.

Rapeseed/mustard seed prices in key mandis across Rajasthan and Gujarat depicted a decline during the month of July due to higher overall kharif oilseeds crop prospects on higher acreage and average demand for oils in the cash market. Besides, losses in Malaysian palm oil further pressured the market. The domestic mustard seed closely tracks BMD CPO.

Also, absence of strong demand in mustard oil from major consuming states like West Bengal, Kashmir, Bihar and UP remained bearish for the seed. Arrivals of RM seed in the major spot markets are now witnessing a decline as the peak season gets over. Dwindling supply side scenario is likely to support prices at current levels.

Better palm oil buying during the upcoming festivities, likely decline in palm oil inventories in Malaysia and expected rise in seasonal domestic edible oil demand may push up the oilseeds and meal priced in near-term.

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## International

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- ❖ Lanworth has reduced the US 2013-14 soybean production estimate to 3.310 billion bushels from 3.315 billion previously. This was primarily over forecast of rainfall and temperatures concerns during August. US soybean yield was estimated at 42.9 bushels per acre.
- ❖ According to Oil World, the US soybean exports declined to an estimated 0.35 million tons in July '13, which is the lowest in more than 30 years. Oil World has revised the production figure for European Union's 2013 rapeseed harvest to 20.50 million tons from 20.40 million tons previously and up from 19.41 million tons in 2012.
- ❖ As per USDA's latest WASDE report released in July '13, U.S. oilseed production for 2013-14 is projected at 100.9 million tons, up 0.2 million tons from last month. Soybean production is projected at 3.42 billion bushels, up 30 million tons due to increased harvested area. Projections for soybean yield, exports and crush are unchanged from last month. Global oilseed production for 2013/14 is projected at 492.9 million tons, up 2.1 million from last month. Higher forecasts for soybeans, rapeseed, cottonseed, and peanuts are only partly offset by reductions for sunflower seed.
- ❖ Global soybean production is projected at 285.9 million tons, up 0.6 million with gains for the United States, China, and Canada only partly offset by reductions for Argentina and Russia. Rapeseed production for Canada is projected at 15 million tons, up 0.5 million tons. Increased rapeseed production for China and Russia, reduced sunflower seed production for Ukraine, and increased cottonseed production for India have been forecasted.
- ❖ Brazil's vegetable oils industry association Abiove has projected that soybean exports are likely to be at a record 39.5 million tons in 2013/14 (February-January) commercial year, up 1.3 percent, or 500,000 tons, from a mid-July forecast. Also, Brazil's soy production this season is seen at a record 81.6 million tons.
- ❖ Safras & Mercado has estimated that Brazil's area under soybean is likely to grow 3.7 percent to 28.95 million hectares (71 mn acres) next season and the 2013-14 soybean crop that starts planting in September is expected to grow by 7.4 percent under normal weather conditions to a record 88.17 million tons. Further, AgRural has estimated that Brazil's 2013-14 soybean area will climb 6 percent to 29.50 million hectares in the coming season that commences in September. It is also likely that soy production will grow by 9 percent under normal weather conditions to a record 89.1 million tons.
- ❖ As per trade ministry official, Indonesia has kept its export tax for crude palm oil unchanged at 10.5 percent for August.
- ❖ Oil World forecasts global sunflower seed production in 2013/14 at 38.7 Mln. tons, slightly lower from previous forecast of 38.8Mln tons. While higher compared to previous year which was 36.0 Mln tons. Ukraine sunflower seed production is estimate at 9.4 million tons, Russia at 8.6 million tons, EU-27 at 8.1 million tons, and Argentina at 3.3 million tons.

**Oil Meal Prices at Key Spot Markets:**
**Soy DOC Rates at Different Centers**

Centers	Ex-factory rates (Rs/ton)		
	31-7-2013	29-6-2013	Parity To
Indore (MP)	29000	32800-33500	Gujarat, MP
Kota	29000	32800-33000	Rajasthan, Del, Punjab, Haryana
Akola	29200	33500	AP, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	28500-29500	35000	AP, Chattisgarh, Orissa, Jharkhand, WB
Nanded/Latur	30500	35500	AP, Kar ,TN
Dhulia/Jalna	30000	33800	Mumbai, Maharashtra
Nagpur (42/46)	29200	33500	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	-	35000	Local and South
Solapur	-	35200	Local and South
Bundi	28200	32500	-

**Soy DOC at Port**

Centers	Port Price	
	31-7-2013	29-6-2013
Kandla (FOR) (INR/MT)	30500	34850
Kandla (FAS) (USD/MT)	499	586

**International Soy DOC**

Argentina FOB \$/MT	31-7-2013	29-6-2013	Change
Soybean Pellets	473	512	-39
Soybean Cake Meal	473	512	-39
Soybean Meal	481	520	-39
Soy Expellers	481	520	-39

**Sunflower Meal Rates**

Centers	Ex-factory rates (Rs/ton)		
	31-7-2013	29-6-2013	Change
Adoni	17700	21000	-3300
Khamgaon	17300	20200	-2900
Parli	17500	20500	-3000
Latur	17300	20300	-3000

**Groundnut Meal**

Groundnut Meal	31-7-2013	29-6-2013	Change
Basis 45% O&A, Saurashtra	23000	27000	-4000
Basis 40% O&A, Saurashtra	20000	25000	-5000
GN Cake, Gondal	24000	28000	-4000

**Mustard DOC/Meal**

Mustard DOC/Meal	31-7-2013	29-6-2013	Change
Jaipur (Plant Delivery)	13800	14200	-400
Kandla (FOR)	14400	15200	-800
Sri Ganganagar	625	640	-15

## Kharif Sown Area - Oilseeds, India

In the latest official planting report, the kharif oilseeds planting was reported ahead of previous year's pace, as on 1 August, 2013. Overall, the oilseed planting was reported up by 19.60 per cent at 173.21 lakh ha against 144.87 lakh ha during the same period last year.

Of the major kharif oilseeds crops, soybean planting stood up by around 15.20 per cent at 118.76 lakh ha compared to 103.06 lakh hectares during the same period last year on higher acreage in Madhya Pradesh, Maharashtra and Rajasthan due to favorable weather conditions. Groundnut planting was reported up by 29.40 per cent at 37.24 lakh ha compared to 28.78 lakh ha on higher area coverage in the state of Gujarat due to good rainfall in the state. Sunflower planting was up by 62.80 percent at 1.84 lakh ha compared to 1.13 lakh ha during the same period last year.

*Area in lakh hectares*

Crop	As on 1 Aug 2013	As on 1 Aug 2012	% Change
Groundnut	37.24	28.78	29.4
Soybean	118.76	103.06	15.2
Sunflower	1.84	1.13	62.8
Sesamum	10.95	9.52	15.0
Niger	0.95	0.52	82.7
Castor	3.47	1.85	87.6
<b>Total Oilseeds</b>	<b>173.21</b>	<b>144.9</b>	<b>19.6</b>

Source: GOI

Further, niger seed and sesamum seed sowing was also ahead of the previous year's planting pace.

## Soybean

Domestic soybean market featured sharp losses during the month on estimates of higher oilseed production in the current season due to increased acreage. Besides, weakness in global oils and oilseeds markets also put pressure on the prices during the week.

Soybean prices plunged during the month, primarily on estimates of higher soybean production this season and strong planting pace. The market slipped further on prospects of early crop arrivals in the markets. The domestic market was also affected by the plunge in soybean prices on CBOT due to weak export demand and conducive weather conditions.

Soybean planting stood up by around 15.20 per cent at 118.76 lakh ha compared to 103.06 lakh hectares during the same period last year on higher acreage in Madhya Pradesh, Maharashtra and Rajasthan due to favorable weather conditions and widespread rainfall. Planting is mostly over in the key producing regions. Preliminary reports of slight crop damage in the central belts of Madhya Pradesh may affect market in the coming days.

As per IMD, India is likely to get normal rainfall through the June-September monsoon season and rainfall in August to September is expected to be 96% of the 50-year average. Moreover, rainfall during the first half of the season was 17% higher compared to the 50-year average.

Internationally, China intends to release 500,000 tons of inventories out of reserves to their domestic market for crushers, which is likely to pressure the CBOT market. Weather is seen as a negative force for the new crop soybean market after steady rainfall fell in key producing regions early during the month. Temperatures were mostly moderate indicating that soybean yield potential looks impressive so far. This further imparted a bearish tone to the market.

The latest WASDE report released by USDA was also considered bearish for the market. The global soybean production for 2013-14 is projected at 285.9 million tons, up 0.6 million tons. US soybean production is projected at 3.42 billion bushels, up 30 million tons due to increased harvested area.

Soybean market is mostly expected to continue in a range bound trend. Prices will be pressured by the on-going bearishness in domestic and global markets. However, likely buying due to upcoming festivities may support the prices domestically in the near term.

## Balance Sheet – Soybean, India

*Fig. in MnT*

Oil Year (Oct-Sep)	2008-09	2009-10	2010-11	2011-12	2012-13
<b>Carry In</b>	0.49	0.45	1.12	0.37	0.40
<b>Production</b>	<b>9.60</b>	<b>9.67</b>	<b>10.10</b>	<b>12.00</b>	12.50
Imports	0.00	0.00	0.00	0.00	0.00
<b>Total Availability</b>	<b>10.09</b>	<b>10.12</b>	<b>11.22</b>	<b>12.37</b>	<b>12.90</b>
Crush	9.64	9.00	10.85	11.97	12.58

Exports	0.00	0.00	0.00	0.00	0.00
Total Usage	9.64	9.00	10.85	11.97	12.58
<b>Carry Out</b>	<b>0.45</b>	<b>1.12</b>	<b>0.37</b>	<b>0.40</b>	<b>0.32</b>
Monthly Use	0.80	0.75	0.90	1.00	1.05
Stock/Consumption Ratio	0.05	0.12	0.03	0.03	0.03
Stock to Month Use Ratio	0.56	1.49	0.41	0.40	0.31

Source: Agriwatch

- Higher crushing due to good meal demand lead to lower carry-in in 2012/13
- India's 2012/13 soybean output is lowered from 13 Mn T to 12.5 Mn T due to crop loss in Madhya Pradesh.
- We expect 2012/13 soybean crush at 12.58 Mn T owing to higher production compared to previous years. India's soy meal prices have to compete with the meal prices of South America, which will eventually make the crushing more viable depending on its exports.

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

Soy meal fell in tandem with soybean and weak exports and lower domestic off-take in the meal from poultry feed industry due to reduced off-take in poultry products. Weakening of the Indian rupee provided some support to the prices. However, lower exports demand of the soy meal during the month weakened the market.

According to the figures of the SOPA, India's soy meal exports during July 2013 was 1.070 lakh tons as compared to 1.683 lakh tons in the same period of previous year showing a decrease of approx. 36.4%.

On a financial year basis, the export during April 2013 to July 2013 has been 5.183 Lakh tons as compared to 8.242 Lac tones in the same period of previous year showing a decrease of approx. 37.1%.

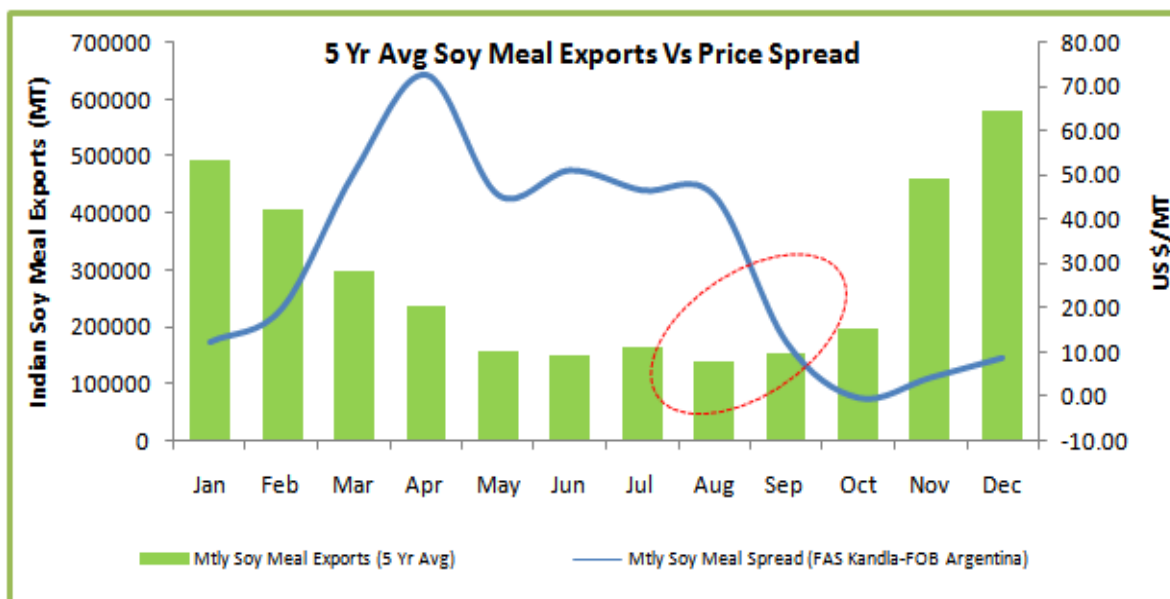
During current Oil year, (October - September), total exports during October 2012 to July, 2013 are 31.152 Lac tones as against 36.100 Lac tones last year, showing a decrease by 13.7%. (Source: SOPA)

Also, the prices of other key feed ingredients largely featured weak tone. Bajra, Maize, DCP, MBM, DRB and Mustard de-oiled cake fell on steady to weak demand.

The soy meal prices are expected to feature range-bound movement with weak bias, however, slightly improved overseas demand due to lower prices of meal may limit the downward potential, in near-term.

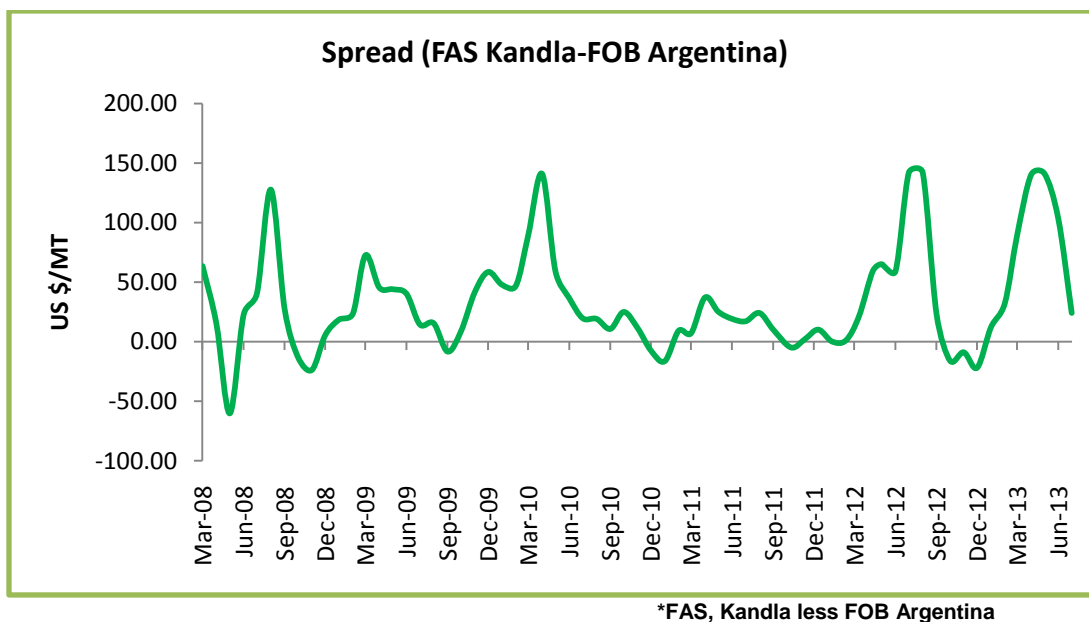
India's soy meal prices continued to get stiff competition from South American prices due to the peak supply period and improved crushing.

However, preference of the meal of Indian origin mainly by the South-Eastern countries due to logistic and freight advance and demand for non-GMO meal will lend support to the domestic soy meal.



The y-o-y fall in the India's soy meal export sales in the month of June is due to the demand shift towards South America owing to their competitive meal prices. This is due to the peak season in South America.

India's Y-o-Y soy meal prices in the last week of July witnessed sharp fall. Soy meal (Jul-Aug) exports price, FOR Kandla exports was quoted between Rs 29,800-36,275/MT compared to 34,500-42,000/MT during the same period last year.



The average monthly soy meal price spread between FAS Kandla and FOB Argentina fell and recorded at US \$ 24/MT in July compared to US \$103/MT June. The Argentine soy meal prices have slightly eased but a sharp decline in prices of Indian meal has lowered the spread considerably. *India's soy meal exports are 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.* (\*Spread - FAS Kandla less FOB Argentina).

**Recommendation:** FOR, Kandla was quoted between Rs 30,000- 35,000/MT during the month - July. Prices have witnessed a decline and the Indian meal exporters are advised to aggressively market their meal to the countries in vicinity including traditional South and Far-East Asian destinations. Indian soy meal have started facing stiff price competition from South American soy meal followed by commencement of Brazil's soybean harvest and likely harvest of Argentina in coming days. The domestic meal prices are likely to feature range-bound movement with weak bias during the month with limited overseas and domestic demand. FOR, Kandla is expected to witness range bound movement with weak bias and witness 29,000-32,000 during August.

## Soybean Crush Margin

<b>Avg Crush Margin – July 2013</b>	<b>Avg Crush Margin - June 2013</b>	<b>Avg Crush Margin – July 2012</b>	<b>Avg Crush Margin – July 2011</b>
-490	-991	-949	-364



## **Technical Analysis:**

### **NCDEX Soybean Futures**



### **Soybean Spot, Indore**



\*In Rs/MT

### **Support & Resistance NCDEX Oct Soybean**

<b>S2</b>	<b>S1</b>	<b>PCP</b>	<b>R1</b>	<b>R2</b>
<b>2838</b>	<b>2884</b>	<b>2973</b>	<b>3100</b>	<b>3187</b>

- The candlestick chart pattern reveals mild recovery in the Oct soybean.
- Prices closed below 9-day and 18-day EMA, supporting the gains.
- RSI is easing in neutral zone indicating bearish momentum.
- The soybean prices are expected to feature range bound trend during the month.
- Trade Recommendation (NCDEX Soybean - Oct) – 1 Month: BUY between 2950–2975 levels. T1 – 3100; T2 - 3150; SL - 2900

**Trade Recommendation soybean spot:** Soybean prices are expected to feature range-bound movement followed by higher acreage and steady demand on limited supplies. The prices are likely to stay near current levels around 3150-3350 levels (Indore, Plant basis) during the month.

## Rapeseed - Mustard Seed

Mustard seed prices in key mandis across Rajasthan and Gujarat depicted decline during the month of July due to higher overall kharif oilseeds crop prospects on higher acreage and average demand for oils in the cash market. Besides, losses in Malaysian palm oil further pressured the market. The domestic mustard seed closely tracks BMD CPO.

Also, absence of strong demand in mustard oil from major consuming states like West Bengal, Kashmir, Bihar and UP remained bearish for the seed. However, expected demand due to upcoming festivities may limit losses in the coming days. Arrivals of RM seed in the major spot markets are now witnessing a decline as the peak season gets over. Dwindling supply side scenario is likely to support prices at current levels.

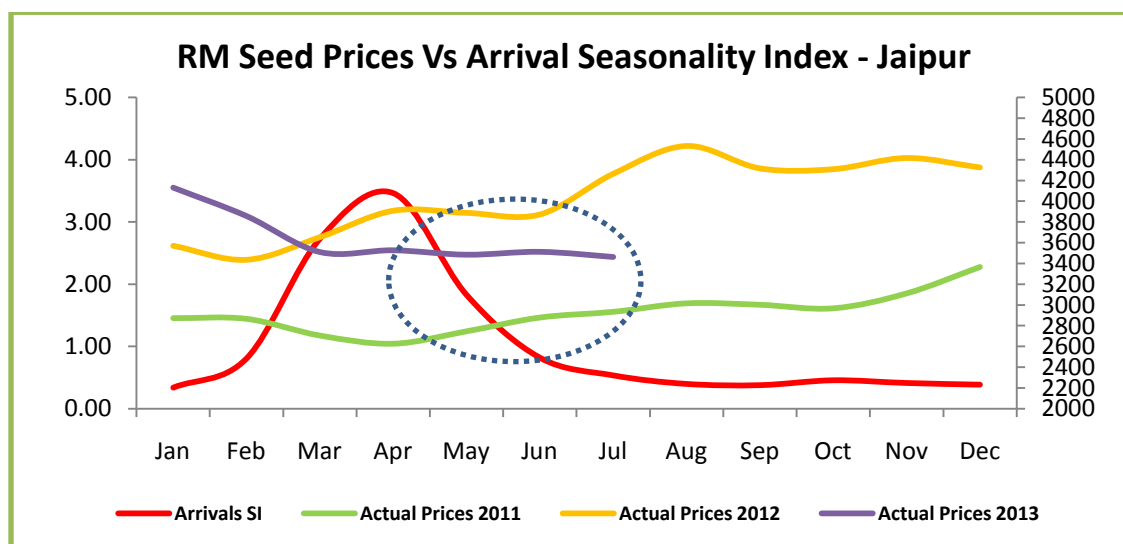
Internationally, Germany is projected to become the top EU rapeseed producer this year on improved crop outlook. However, rapeseed production will fall in France and Britain on low production yields due to dry weather. Oil World expects Germany to overtake France as the EU's largest rapeseed producer in 2013 with a crop of 5.75 million tons, up from 4.82 million tons in 2012 and up from the 5.50 million tons forecast for 2013 in June. Rapeseed crop estimate for the European Union is projected to exceed 20 million tons.

As per the latest WASDE release by USDA, rapeseed production for Canada is projected at 15 million tons, up 0.5 million based on increased area consistent with the latest survey results reported by Statistics Canada. Other changes include increased rapeseed production for China and Russia.

Further, dull demand from top palm oil buyers – India, China and other South East Asian countries entering into seasonally high palm oil yield phase has raised concerns about palm oil inventory levels climbing higher during the second half of the year.

Higher global production estimates for rapeseed and higher domestic oilseed acreage estimates in the current season are likely to put downward pressure on the rapeseed markets. However, dwindling supplies in the spot markets and restricted selling at lower prices may limit losses.

### RM Seed Prices Vs Arrivals –Jaipur (Rajasthan)



### RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Monthly Arrivals–July	1 Month Ago	Corresponding Period Last Year
16,23,000	23,20,000	12,84,000

We feel the seed prices to remain range bound in coming weeks on supportive buying due to local festivities and likely higher international vegetable oil market. The domestic mustard seed closely tracks the BMD CPO.

## Balance Sheet – Rapeseed-Mustard Seed, India

(Fig in Mn T)

Marketing Year (Mar-Feb)	2009-2010	2010-11	2011-12	2012-13	2013-14
<b>Carry In</b>	<b>0.45</b>	<b>0.75</b>	<b>0.75</b>	<b>1.25</b>	<b>0.28</b>
Production	6.2	6	7	6.5	7.95
Imports	0	0	0	0	0
<b>Total Availability</b>	<b>6.65</b>	<b>6.75</b>	<b>7.75</b>	<b>7.75</b>	<b>8.23</b>
Crush	5.9	6	6.5	7.47	8.07
Exports	0	0	0	0	0
Total Usage	5.9	6	6.5	7.47	8.07
<b>Carry Out/Ending Stock</b>	<b>0.75</b>	<b>0.75</b>	<b>1.25</b>	<b>0.28</b>	<b>0.16</b>
Monthly Use	0.49	0.50	0.54	0.62	0.67
<b>Stock/Consumption Ratio</b>	<b>0.13</b>	<b>0.13</b>	<b>0.19</b>	<b>0.04</b>	<b>0.02</b>
Stock to Month Use Ratio	1.53	1.50	2.31	0.45	0.24

(Source: Agriwatch)

- Our preliminary projection for India's 2013-14 RM seed out turn stands at 7.95 Mn T. The production has surpassed the previous season's production followed by higher yield potential with favorable weather for the crop.
- The carry-in stands at 0.28 Mn T which is lower than previous year figure, as crushings were lower in 2011/12. Besides, 2012/13 RM seed production declined as compared to 2011/12.
- We have revised the 2012/13 RM seed output upwards to 6.5 Mn T compared to 6.0 Mn T estimated in April 2012. However the 2012/13 production stood lower compared to 2011/12. Lower coverage in RM seed area by 7% in 2011/12, missing winter rains and frost damage hampered the productivity.

### Technical Analysis:

#### **NCDEX RM Seed Futures**



#### **RM Seed Spot, Jaipur**



#### **Support & Resistance NCDEX Sep RM Seed**

S2	S1	PCP	R1	R2
3000	3042	3120	3252	3349

- The RM seed prices seemed bottomed out during the month in Sep contract.
- Prices closed below 9-day and 18-day EMA.
- RSI is slightly rising in neutral zone, supporting gains in the market.
- Trade Recommendation (NCDEX RM SEED – Sep) – 1 Month: BUY between 3140–3160 levels. T1 – 3280; T2 - 3325; SL - 3075.

**Trade Recommendation RM Seed Spot (Jaipur basis):** In spot the RM seed prices are expected to feature range-bound movement on limited supplies and steady buying and market to trade in the 3240– 3340 levels during the month.

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