

Executive Summary

Domestic oilseeds and oil meals markets witnessed a sharp rise during the month of August. Markets were up over concerns of crop condition in the leading soybean producing regions of central India, depreciation in the value of the Indian rupee against the US dollar and firm sentiments in international oils and oilseeds markets. However, estimates of higher global oilseed production, increased domestic soybean acreage and surge in spot arrivals put pressure on the prices during the last few days of August, clipping the gains.

Soybean prices edged higher during the month as persistent rainfall in the key soybean producing regions led to widespread fears of damage to the standing crop in these regions. Further support was provided by depreciation in the value of Indian rupee versus the US dollar. The rupee slid to 68.75 to the dollar on 28th August and has fallen more than 20% this year.

In the US, the weather proved to be the driving force behind the supportive market sentiments. Dry weather conditions over the key producing region of Midwest and estimates of falling crop yield in key production regions led to gain in the prices during the month of August. Further, robust buying for the new crop year from China and WASDE report for August released by USDA was considered bullish for the market.

Production of oilseeds is rebounding globally after drought last year damaged crops from U.S. soybeans to eastern European sunflowers. Global production of sunflower seed will be higher in 2013-14 due to higher than expected output in the EU. Higher production in Bulgaria, Hungary and Romania will result in surplus availability thereby putting sunflower seed prices under pressure at the Black Sea locations in the new-crop season. Further, in Russia and Ukraine the producers are expected to keep their focus on domestic sales of sunflower seeds and exports are likely to fall from these nations.

Soy meal prices also edged higher in accordance with the soybean prices during the month of August. Weakening of the Indian rupee which boosted exports demand and gains in the domestic and international oilseeds market has led to this firm sentiment in the prices.

Soybean market is expected to feature a range bound movement in the coming weeks and may skid slightly at the end of September-early October.

Rapeseed/mustard seed prices in key spot markets across Rajasthan and Gujarat witnessed a firm trend during the month of August. The gain in prices was in tandem with the soybean prices, as well as supportive cues from BMD CPO. Besides, improved demand was seen for oils due to upcoming festivities amid depleting supplies also buoyed the market.

On the international front, global supplies of rapeseed are likely to rise. USDA has raised its production estimate of rapeseed in several countries including Canada and the EU, where sufficient moisture and favorable temperatures have helped the yield prospects. Rapeseed production forecasts are also raised for China and Ukraine.

Overall, higher global production estimates for rapeseed and higher domestic oilseed acreage estimates in the current season are likely to weigh down on the rapeseed markets. However, limited RM seed supplies in the spot markets in the coming days and seasonal demand for oils may provide support and restrict any sharp decline.

International

- ❖ Pro Farmer has projected the US soybean production at 3.158 billion bushels with an average yield of 41.8 bushels per acre as compared to USDA's estimation at 3.255 billion bushels production and yield at 42.6 bushels per acre.
- ❖ In its latest WASDE report, the USDA pegged the 2013/14 ending stocks at 220 million bushels from the July estimate of 295 million and from trade estimates at 263 million. Planted acreage was estimated at 77.2 million acres vs. 77.7 million in July and the national average yield was pegged at just 42.6 bushels per acre vs. 44.5 in July. As a result, total 2013/14 production fell to 3.255 billion bushels as compared with 3.420 last month.
- ❖ Oil World has projected that the total South American soybean crop of a record 152.7 million tons for 2013-14, up 4.6% from 2012-13. Further, Safras and Mercado have also indicated that South American production could hit 160 million tons. Brazilian soybean production is forecast to rise 2.9 percent to 84 million tons in 2014 compared with a year earlier, Oil World said.
- ❖ According to Oil World's estimates, global output of sunflower seed is expected to rise by 13 per cent to 40.2 million metric tons, up 1.5 million from its previous estimate. The EU forecast is raised to a record 8.6 million tons from 6.9 million tons last year.
- ❖ As per the latest crop progress report released by USDA (on 26 Aug 2013), the soybean crop condition declined in 14 of the top 18 producing states. 58 percent of the crop was rated at Good to Excellent condition, down from 62 percent in the previous week. Soybean blooming was reported at 96 per cent, up 4 per cent from last week but lower than 5 year average of 98 percent.
- ❖ Oil World has revised its estimate for the world production of 7 oilseeds at 478.4 million tons in 2013-14, an upward revision of 1.7 million tons. Also, Oilseed stocks at the end of the 2013/14 season are projected to increase to 86 million tons which is 12.4 million tons higher than previous year.
- ❖ Indonesia has cut its export tax for crude palm oil to 9 percent for September down from 10.5 percent in August.
- ❖ As per data released by the Malaysian Palm Oil Board (MPOB), palm oil inventories rose 1.0 percent in July to 1.66 million tons, the first rise since December as production of the oil surged by 18.21 percent to 1.67 million tons in July. Exports rose 0.53 percent to 1.42 million tons in July from a month ago.
- ❖ As per Oil World estimates, global cottonseed crushings are likely to decline by 1.2 million tons in 2013-14. Also, the US production of cottonseed is expected to fall by 23 percent to 3.96 million tons.
- ❖ It was reported that China is selling soybeans from its reserves in the domestic markets. It sold 187,050 tons of soybeans in the middle of August from its state from the 2009 and 2010 harvests. China also sold 393,600 tons of soybeans (79.3% of the total it offered) from its state reserves during the last week of August. The soy stocks were from the 2009 and 2010 harvests and were sold at an average price of 4,080 yuan per ton.
- ❖ As per Celeres, Brazil's 2013-14 soybean crop is likely to be at 85.2 million tons, up from 2012-13 by 4.9 per cent. Also, the area under soybean is likely to expand by 4.8 percent to 29.2 million hectares or 72.7 million acres. Planting will commence in September.
- ❖ As per the German Farmers' Association, Germany is expected to harvest 5.5 million tons of rapeseed in summer 2013, up from 4.82 million tons in 2012 when crops were hit by repeated rain.

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

Centers	Ex-factory rates (Rs/ton)		
	31-8-2013	31-7-2013	Parity To
Indore (MP)	32000	29000	Gujarat, MP
Kota	33000	29000	Rajasthan, Del, Punjab, Haryana
Akola	-	29200	AP, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	-	28500-29500	AP, Chattisgarh, Orissa, Jharkhand, WB
Nanded/Latur	35000	30500	AP, Kar ,TN
Dhulia/Jalna	33500	30000	Mumbai, Maharashtra
Nagpur (42/46)	33000	29200	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	34000	-	Local and South
Solapur	-	-	Local and South
Bundi	33500	28200	-

Soy DOC at Port

Centers	Port Price	
	31-8-2013	31-7-2013
Kandla (FOR) (INR/MT)	33800	30500
Kandla (FAS) (USD/MT)	514	499

International Soy DOC

Argentina FOB \$/MT	30-8-2013	31-7-2013	Change
Soybean Pellets	509	473	+36
Soybean Cake Meal	509	473	+36
Soybean Meal	517	481	+36
Soy Expellers	517	481	+36

Sunflower Meal Rates

Centers	Ex-factory rates (Rs/ton)		
	31-8-2013	31-7-2013	Change
Adoni	19500	17700	+1800
Khamgaon	19000	17300	+1700
Parli	19400	17500	+1900
Latur	19100	17300	+1800

Groundnut Meal

Groundnut Meal	31-8-2013	31-7-2013	Change
Basis 45% O&A, Saurashtra	Closed	23000	-
Basis 40% O&A, Saurashtra	Closed	20000	-
GN Cake, Gondal	Closed	24000	-

Mustard DOC/Meal

Mustard DOC/Meal	31-8-2013	31-7-2013	Change
Jaipur (Plant Delivery)	13700	13800	-100
Kandla (FOR)	14500	14400	+100
Sri Ganganagar	-	625	-

Kharif Sown Area - Oilseeds, India

In the latest official planting report, the kharif oilseeds planting was reported higher than previous year, as on 29 August, 2013. Overall, the oilseed planting was reported up by 12.60 per cent at 188.15 lakh ha against 167.13 lakh ha during the same period last year.

Of the major kharif oilseeds crops, soybean planting stood up by around 13.90 per cent at 121.72 lakh ha compared to 106.43 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 12.70 per cent at 41.71 lakh ha compared to 37.02 lakh ha on higher area coverage in the state of Gujarat due to good rainfall in the state. Sunflower planting was up by 13.2 percent at 2.23 lakh ha compared to 1.97 lakh ha during the same period last year.

Area in lakh hectares

Crop	As on 29 Aug 2013	As on 29 Aug 2012	% Change
Groundnut	41.71	37.02	12.7
Soybean	121.72	106.83	13.9
Sunflower	2.23	1.97	13.2
Sesamum	13.88	12.89	7.7
Niger	1.23	1.36	-9.6
Castor	7.38	7.06	4.5
Total Oilseeds	188.15	167.13	12.6

Source: GOI

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

Soybean

Soybean markets across major centers of India witnessed a sharp rise during the month of August. Markets were up over concerns of crop condition in the leading soybean producing regions of central India, depreciation in the value of the Indian rupee against the US dollar and firm sentiments in international oils and oilseeds markets. However, estimates of higher global oilseed production, increased domestic soybean acreage and surge in spot arrivals put pressure on the prices during the last days of August.

Soybean prices edged higher during the month as persistent rainfall in the key soybean producing regions of Madhya Pradesh, Rajasthan and Maharashtra over the first half of August led to widespread fears of damage to the standing crop in these regions. As per sources, there are indications of lower yields in regions of western Rajasthan and Madhya Pradesh. Reportedly, harvesting activities have commenced in parts of Maharashtra and is likely to pick up in the coming days. Harvesting is expected to begin in Madhya Pradesh and Rajasthan in the coming weeks.

Further support was provided by depreciation in the value of Indian rupee versus the US dollar. India has been hit by capital outflows from emerging economies as markets are pricing in a tapering of the U.S. Federal Reserve's bond-buying stimulus. Dismal economic data has further added to the weak sentiment. The rupee slid to 68.75 to the dollar on 28th August and has fallen more than 20% this year.

As per the India Meteorological Department (IMD), the country has received 14% above normal rainfall at 702 mm since June 1 till August 18 and western Madhya Pradesh, Vidarbha and West Rajasthan are amongst the highest rainfall receiving regions during this period. Rainfall is expected to decrease in the coming weeks as suggested by the IMD data for the week ending Aug 28 showing that rainfall was 29 percent below average compared with 26 percent above the previous week.

Soybean planting as on 29 August, 2013 stood up by around 13.90 per cent at 121.72 lakh ha compared to 106.43 lakh hectares during the same period last year on higher acreage in Madhya Pradesh, Maharashtra and Rajasthan due to mostly favorable weather conditions prompting farmers to sow soybeans in the months of June-July. 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. Arrivals are likely to commence by the last week of September.

In the US, the weather proved to be the driving force behind the supportive market sentiments. Dry weather conditions over the key producing region of Midwest and estimates of falling crop yield in key production regions led to gain in the prices during the month of August. The weather for the month of August was one of the driest for the central Midwest and is likely to take a toll on the soy crop in the region. Further, robust buying for the new crop year from China continues to be a strong factor for the soybeans market.

The WASDE report for August released by USDA was considered bullish for the market. As per the report, U.S. oilseed production for 2013-14 is projected at 96.2 million tons, down 4.7 million from last month mainly due to a lower soybean production forecast. Soybean production for 2013/14 is forecast at 3.255 billion bushels, down 165 million due to lower harvested area and yields. Harvested area is forecast at 76.4 million acres, down 0.5 million from the July projection.

In South America, the farmers are likely to expand soybean sowings for next year's crop at the expense of corn due to relatively better profit margins. Also, weakness in the Brazilian currency – Real, means that export demand is supported going forward which will further brighten the growing sentiment in the region.

Soybean market is expected to feature a range bound movement In the coming weeks and may skid slightly by the end of September-early October. Pressure is likely to be seen from the higher production forecasts, both domestically and internationally; improving weather projections in the coming days should also help the soybean crop development. Also, market is expected to also witness slight arrival pressure on the approaching new crop season. However, crop deterioration, weakness in the rupee and expected demand due to upcoming festivities may support the prices 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
Carry In	0.49	0.45	1.12	0.37	0.40
Production	9.60	9.67	10.10	12.00	12.50
Imports	0.00	0.00	0.00	0.00	0.00
Total Availability	10.09	10.12	11.22	12.37	12.90
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
Carry Out	0.45	1.12	0.37	0.40	0.32
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 million tons to 12.5 million tons due to crop loss in Madhya Pradesh.
- We expect 2012/13 soybean crush at 12.58 million tons 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 prices edged higher in accordance with the soybean prices during the month of August. Weakening of the Indian rupee which boosted exports demand and gains in the domestic and international oilseeds market has led to this firm sentiment in the prices.

Soy meal prices featured robust gains on good demand being reported from traders amid limited supplies of beans in the local markets. Besides, strength in the meal prices on CBOT also uplifted the domestic market. The trend is likely to persist in the coming days due to good soy meal exports buying enquiries and steady demand from domestic feed industry. Also, the prices of other key feed ingredients featured a firm tone. Bajra, Maize, DCP, MBM, DRB and Mustard de-oiled cake prices were up on improved demand.

Good exports enquiries were noticed in the meals during the month. Reportedly, India has made deals for 350,000 to 400,000 tons of new crop soy meal at \$440 to \$480 per ton, (FOB basis) for shipment between October and December on prospects of higher soybean production and a weak rupee. The buyers are South East Asian countries and Iran. Thus, demand for new crop soy meal is seen in the near term.

In the European markets too, soy meal was mostly tracking stronger CBOT soy meal futures following concerns of dry weather in the US Midwest impacting crop yield. South American soy meal also remained positive following the trend in CBOT soy meal futures. Positive economic data from China built some long term bullish sentiment. China is expected to remain a strong buyer of soy meal in the new crop season which is supportive for the market.

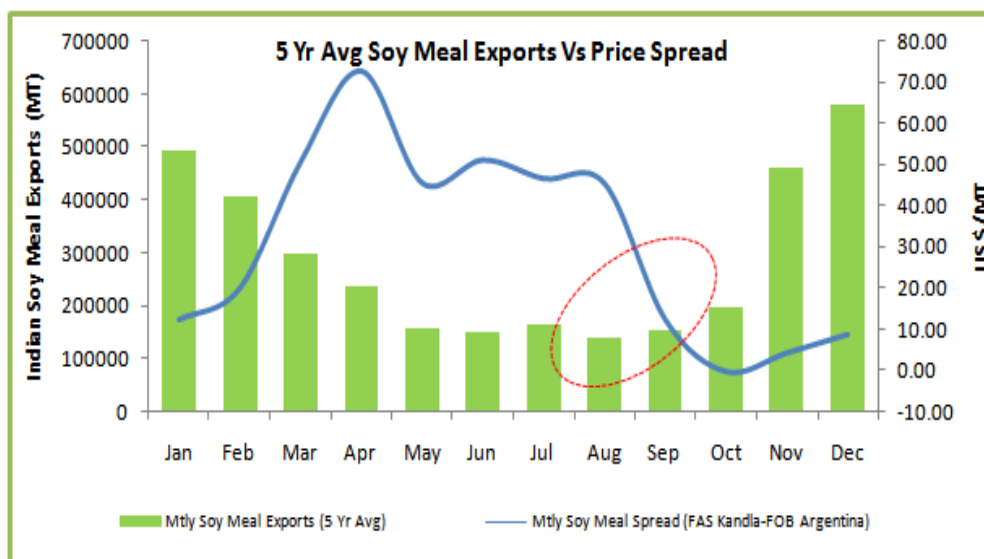
According to the figures of the SOPA, the export during August 2013 was 1.839 Lac tones as compared to 0.100 lakh tons in the same period of previous year showing a huge increase. On a financial year basis, the export during April 2013 to August 2013 has been 7.023 lakh tons as compared to 8.342 lakh tons in the same period of previous year showing a decrease of approx. 15.81%.

During current Oil year, (October - September), total exports during October 2012 to August, 2013 are 32.992 lakh tons as against 36.200 lakh tons last year, showing a decrease by 8.86%.

The soy meal prices are expected to feature range-bound movement in the near term. Prices are likely to depict slight weakness during the month as arrival season approaches in the US as well as India. However, demand for new crop is good and prices will see support in near-term.

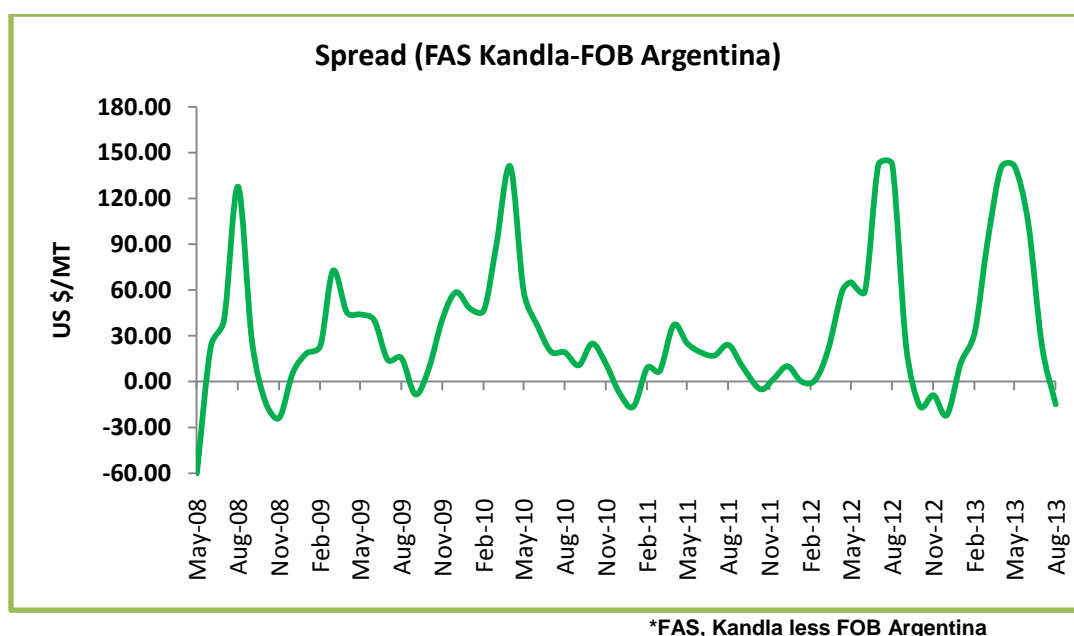
India's soy meal prices continued to get stiff competition from South American prices due to the arrivals of the shipments. However, Indian meal is competitively priced currently and market is about to enter the seasonally higher exports period. Also, arrivals of new crop are expected by the end of the month.

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 along with weakness in the rupee 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 July 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 and arrival of shipments from that region. However, the price spread is also declining which along with depreciation of the Indian rupee is likely to result in higher exports of soy meal in the near term.

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 witnessed a fall and recorded at US \$ -15/MT in August compared to US \$24/MT July. The Argentine soy meal prices have seen a higher increase as compared with the prices of Indian soy meal lowering the spread, resulting in improved export prospects with the arrival season approaching. India's soy meal exports are at the optimum levels during the period, October through 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 30,500- 36,500/MT during the month - August. Prices have mostly witnessed a range bound movement 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 faced stiff price competition from South American soy meal followed by shipments of South American soybean harvest but the spread has now reduced and India is entering the seasonally higher exports period. The domestic meal prices are likely to feature range-bound movement with a weak bias during the month with arrivals commencing in the markets. FOR, Kandla is expected to witness range bound movement with weak bias and witness 29,000-31,500 during September.

Soybean Crush Margin

Avg Crush Margin – August 2013	Avg Crush Margin - July 2013	Avg Crush Margin – August 2012	Avg Crush Margin – August 2011
-560	-490	-1045	-256

Technical Analysis:

NCDEX Soybean Futures



Soybean Spot, Indore



*In Rs/MT

Support & Resistance NCDEX Oct Soybean

S2	S1	PCP	R1	R2
3138	3284	3470	3595	3700

- The candlestick chart pattern reveals surge in the soybean prices during the month's trade.
- Prices closed above 9-day and 18-day EMA, supporting the gains.
- The soybean prices are expected to feature range bound trend during the coming month.
- Trade Recommendation (NCDEX Soybean - Oct) – 1 Month: SELL between 3470–3500 levels. T1 – 3325; T2 - 3250; SL - 3600

Trade Recommendation soybean spot: Soybean prices are expected to feature range-bound movement with a weak bias followed by higher acreage and commencement of arrivals across major spot markets. The prices are likely to feature weak bias and witness levels around 3200-3400 levels (Indore, Plant basis) during the month.

Rapeseed - Mustard Seed

Rapeseed/mustard seed prices in key spot markets across Rajasthan and Gujarat witnessed a firm trend during the month of August. The gain in prices was in tandem with the soybean prices, as well as supportive cues from BMD CPO. Also, rapeseed supplies in the spot markets reported a fall during the month as the arrival season approaches its end. Besides, improved demand was seen for oils due to upcoming festivities which along with better RM seed buying from stockists and millers amid depleting supplies also buoyed the market.

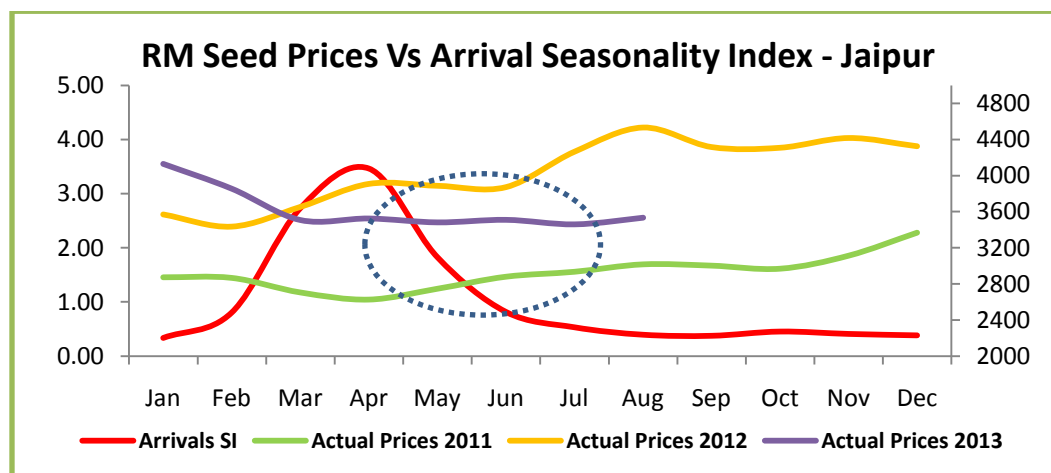
On the supply side, higher overall kharif oilseeds crop prospects on higher acreage will continue to pressurize the markets as domestic stockpiles of oilseeds are expected to be on the higher side compared to previous year. The fourth advance estimate of production released by India's Ministry of Agriculture pegs the oilseed production for 2012-13 at 31.01 million tons, up 0.31 million tons from the previous estimate. Mustard seed is estimated at 7.82 million tons, up 0.42 million tons from previous estimate.

On the international front, global supplies of rapeseed are likely to rise. USDA has raised its production estimate of rapeseed in several countries including Canada and the EU, where sufficient moisture and favorable temperatures have helped the yield prospects. Rapeseed production forecasts are also raised for China and Ukraine. Production of rapeseed is estimated by Oil World at 20.8 million tons in the European Union, up 6.8 percent from a year earlier on improved rapeseed harvests in Poland, the Czech Republic and Romania, while Canada's crop is likely to be in a range of 14.6 - 15.3 million tons, higher by at least 12-15 per cent.

Further, better buying from top palm oil buyers, India and China, and weather concern over key US soybean areas may support the palm oil at BMD. Indian buyers imported 44.4 lakh tons of crude palm oil in the current oil year until July, which is 14.43 percent higher against corresponding period of last year. However, South East Asian countries entering into seasonally high palm oil yield phase support the palm oil supply scenario in the medium term and raise the concerns about palm oil inventory levels climbing higher during the second half of 2013. This, in turn, will affect the domestic rapeseed market sentiment as the domestic mustard seed closely tracks BMD CPO.

Overall, higher global production estimates for rapeseed and higher domestic oilseed acreage estimates in the current season are likely to weigh down on the rapeseed markets. However, limited RM seed supplies in the spot markets in the coming days and seasonal demand for oils will provide support and restrict sharp decline.

RM Seed Prices Vs Arrivals –Jaipur (Rajasthan)



RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Monthly Arrivals–August	1 Month Ago	Corresponding Period Last Year
7,67,000	16,23,000	7,92,000

We expect the seed prices to remain range bound in coming weeks on supportive buying due to local festivities amid limited supplies. However, higher domestic and global oilseeds estimates including higher rapeseed production in EU and Canada will provide resistance to the prices.

Balance Sheet – Rapeseed-Mustard Seed, India

(Fig in Mn T)

Marketing Year (Mar-Feb)	2009-2010	2010-11	2011-12	2012-13	2013-14
Carry In	0.45	0.75	0.75	1.25	0.28
Production	6.2	6	7	6.5	7.95
Imports	0	0	0	0	0
Total Availability	6.65	6.75	7.75	7.75	8.23
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
Carry Out/Ending Stock	0.75	0.75	1.25	0.28	0.16
Monthly Use	0.49	0.50	0.54	0.62	0.67
Stock/Consumption Ratio	0.13	0.13	0.19	0.04	0.02
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 expect the RM seed output higher at 6.5 million tons compared to 6.0 million tons 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
3259	3375	3532	3650	3775

- The RM seed prices surged during the month for the Sep contract.
- Prices closed above 9-day and 18-day EMA indicating a firm trend for the past month.
- RSI is moving range bound, supporting sideways trend in the market.
- Trade Recommendation (NCDEX RM SEED – Sep) – 1 Month: SELL between 3575–3600 levels.T1 – 3450; T2 - 3400; SL - 3700.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot the RM seed prices are expected to mostly feature sideways movement on limited supplies and steady buying from stockists and millers on seasonal demand. Market is expected to trade range bound in the 3500– 3700 levels during the month.

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>
© 2013 Indian Agribusiness Systems Pvt Ltd.