

## Executive Summary

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The domestic oilseeds and oilmeals plunged on weak demand and fall in international oils and fats market during the week in review.

Weak buying in soybean and RM seed followed by lower crushings due to fall in meal demand and cheaper palm oil imports pressured the seed and meal prices during the period. Indian exports of soya meal and rape meal declined by a combined 0.5 Mn T in Oct/Dec.

Lower soy meal exports commitments in association of weak domestic demand in the same discouraged the solvent extractors to the crush the beans.

At international front, the soybean production estimates of South America are raised by various analysts followed by increase in area and improved weather condition later. The soybean harvesting in Brazil is gradually progressing and the yield is reportedly within expectations.

The RM seed planting is underway and it is reported 3.5 per cent up in the last official rabi planting report.

However, the rate of fall in the RM seed was higher compared to the soybean, primarily due to bearish developments in international palm oil which eventually pressured the domestic seed in conjunction with soy. Higher palm oil output projections and rise in the palm oil inventories in Dec 2012 remained bearish for the seed.

The line-up of vessels at Malaysian ports remained weak for palm oil shipments, vessels were limited destined for China due to strong quality control measure in edible oil imports by China recently.

The MPOB reported Malaysian palm oil inventories in December rose 2.4% from a month earlier to an all-time high of 2.63 million tons. Besides, bearish Jan USDA oilseeds report, cautious Chinese palm oil buying and Brazilian soybean harvesting, which is gradually picking up, the factors combined together remained negative factors for the domestic oilseeds and meal markets and will further pressure the market for short-term.

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## International Highlights

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- ❖ In the USDA's monthly demand and supply report, the global soybean production is projected at 269.4 million tons, up 1.7 million with gains in the United States and Brazil only partly offset by a lower projection for Argentina.
- ❖ The Brazil soybean crop is increased 1.5 million tons to a record 82.5 million reflecting record area and improving yield prospects. Higher projected yields are the result of favorable moisture throughout the center west and southern growing areas.
- ❖ The Argentina soybean crop is projected at 54 million tons, down 1 million mainly due to lower projected area resulting from excessive moisture throughout much of the central growing area. Other changes include increased cottonseed production in China and Australia, and increased sunflowerseed production in India and the United States.
- ❖ China imported 58.9 lakh tons of soybeans in December, up 41.6 percent compared to previous month. Moreover, Veg. oil imports in December were 1,120,000 tonnes, up 21.7 percent from the previous month - General Administration of Customs of China.
- ❖ In its latest crush report, the Agriculture Ministry of Argentina has reported that soy crushing fell 25.7 per cent in November y-o-y to 2.24 million tons, on limited stock availability after a drought-stricken 2011-12 season. Also, in the first 11 months of 2012, 31.4 million tons of soy was crushed, down 9 per cent from the same period last year. This has resulted in reduction in exports of soya meal and oil.
- ❖ The Brazilian government agency CONAB raised their 2012/13 soybean crop output estimate to 82.68 million tonnes vs. 82.6 in December. The USDA is currently projecting 81 million tonnes. However, some private analysts are estimating production near 85 million tonnes. The trade expects the USDA to raise their current estimate to 82.75 million tonnes during the week. Argentina production is estimated at 54.75 million tonnes vs. current USDA estimates of 55 million tonnes.
- ❖ Analysts feel that demand is beginning to shift to South America from the US along with the mostly favorable weather conditions.
- ❖ The USDA announced this morning that US exporters sold 120,000 tonnes of optional origin soybeans to China for 2013/14 delivery.
- ❖ Argentine soybean supply tightness in Dec/Febr 2012/13 is apparently more severe than expected hitherto, owing to reserved farmer selling and probably a smaller than assumed soybean crop harvested last year – Oil World.

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

| Centers        | Ex-factory rates (Rs/ton) |            |   |
|----------------|---------------------------|------------|---|
|                | 11.01.2013                | 04.01.2013 | Parity To   |
| Indore (MP)    | 26400                     | 27500      | Gujarat, MP   |
| Kota           | 26100                     | 27000      | Rajasthan, Del, Punjab, Haryana                     |
| Akola          | 26500                     | 27400      | Andhra, Chattisgarh, Orissa, Jharkhand, WB          |
| Hingoli        | -                         | 28500      | Andhra, Chattisgarh, Orissa, Jharkhand, WB          |
| Nanded/Latur   | 26800                     | 27700      | Andhra, AP, Kar, TN                                 |
| Dhulia/Jalna   | 28500                     | 29000      | Mumbai, Maharashtra                                 |
| Nagpur (42/46) | 26500                     | 27500      | Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN |
| Sangli         | 27800                     | 29000      | Local and South                                     |
| Solapur        | 27300                     | 28400      | Local and South                                     |
| Bundi          | 26200-26500               | 27400      | -   |

**Soy DOC at Port**

| Centers               | Port Price |            |
|-----------------------|------------|------------|
|                       | 11.01.2013 | 04.01.2013 |
| Kandla (FOR) (INR/MT) | 28000      | 29000      |
| Kandla (FAS) (USD/MT) | 513        | 529        |

**International Soy DOC**

| Argentina FOB \$/MT | 11.01.2013 | 04.01.2013 | Change |
|---------------------|------------|------------|--------|
| Soybean Pellets     | 487        | 510        | -23    |
| Soybean Cake Meal   | 487        | 510        | -23    |
| Soybean Meal        | 495        | 518        | -23    |
| Soy Expellers       | 495        | 518        | -23    |

**Sunflower Meal Rates**

| Centers  | Ex-factory rates (Rs/ton) |            |        |
|----------|---------------------------|------------|--------|
|          | 11.01.2013                | 04.01.2013 | Change |
| Adoni    | 27800                     | 20000      | +7800  |
| Khamgaon | 17800                     | 19800      | -2000  |
| Parli    | 18000                     | 19800      | -1800  |
| Latur    | 17800                     | 19600      | -1800  |

**Groundnut Meal**

| Groundnut Meal            | 11.01.2013 | 04.01.2013 | Change |
|---------------------------|------------|------------|--------|
| Basis 45% O&A, Saurashtra | 25500      | 26000      | -500   |
| Basis 40% O&A, Saurashtra | 22500      | 23200      | -700   |
| GN Cake, Gondal           | 26000      | 27500      | -1500  |

**Mustard DOC/Meal**

| Mustard DOC/Meal        | 11.01.2013 | 04.01.2013 | Change |
|-------------------------|------------|------------|--------|
| Jaipur (Plant Delivery) | 14500      | 15000      | -500   |
| Kandla (FOR)            | 15300      | 15800      | -500   |
| Sri Ganganagar          | 790        | 790        | Unch   |

**Oilseed Prices at Key Spot Markets:**

| Commodity        | Centre                                     | Prices (Rs/Qtl) |            | Change |
|------------------|--|-----------------|------------|--------|
|                  |  | 11.01.2013      | 04.01.2013 |        |
| Soybean          |  | 3200-3260       | 3275-3340  | -80    |
|                  | Indore –Plant                              | 3100-3180       | 3170-3270  | -90    |
|                  | Indore –Mandi                              | 3150            | 3250       | -100   |
|                  | Nagpur-Plant                               | 3040-3125       | 3100-3125  | Unch   |
|                  | Nagpur – Mandi                             | 3250            | 3300       | -50    |
|                  | Kota-Plant                                 | 3150            | 3200-3225  | -75    |
|                  | Kota – Mandi                               | 3230-3250       | 3325       | -75    |
|                  | Bundi-Plant                                | 3070-3100       | 3250       | -150   |
|                  | Bundi-Mandi                                | 3200            | -          | -      |
|                  | Baran-Plant                                | 3140-3150       | 3223       | -73    |
|                  | Baran-Mandi                                | 3225            | 3325       | -100   |
|                  | Bhawani MandiJhalawar– Kota Plant Delivery | 3125-3150       | 3200-3225  | -75    |
|                  | Jhalawar-Mandi                             |                 |            |        |
| Rapeseed/Mustard | Jaipur – C                                 | 4175-4180       | 4220-4225  | -45    |
|                  | Alwar – C                                  | 4000            | 4150       | -150   |
|                  | SriGanganagar(NC)                          | 3760            | 3720       | 40     |
|                  | Delhi– C                                   | 4120-4125       | 4140-4150  | -25    |
|                  | Kota                                       | 3750-3850       | 3900       | -50    |
|                  | Neewai                                     | 4150            | 4150       | Unch   |
|                  | Hapur (UP)                                 | 4125            | 4200       | -75    |

|                       |          |           |           |             |
|-----------------------|----------|-----------|-----------|-------------|
| <b>Groundnut Seed</b> | Rajkot   | 1020      | 1050      | <b>+30</b>  |
|                       | Junagarh | -         | -         | -           |
| <b>Sunflower Seed</b> | Latur    | 3450-3600 | 3500-3600 | <b>Unch</b> |
|                       | Solapur  | 3450-3600 | 3500-3600 | <b>Unch</b> |
|                       | Gulbarga | 3200-3300 | 3200-3400 | <b>-100</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            |
|--------------------------------|-------------------------|-----------------------|-----------------------|----------------|
|                                |                         | Week End (11/01/2013) | Week End (04/01/2013) |                |
| <b>Soybean</b>                 | Madhya Pradesh          | 785000                | 605000                | <b>+180000</b> |
|                                | Maharashtra             | 300000                | 310000                | <b>-10000</b>  |
|                                | Rajasthan               | 120000                | 110000                | <b>+10000</b>  |
|                                | Bundi (Raj)             | 4700                  | 2800                  | <b>+1900</b>   |
|                                | Baran (Raj)             | 28000                 | 18000                 | <b>+10000</b>  |
|                                | Jhalawar (Raj)          | 7300                  | 7700                  | <b>-400</b>    |
|                                | <b>Rapeseed/Mustard</b> | Rajasthan             | 252000                | 221000         |
| *Sum Arrivals during the week. |                         |                       |                       |                |

## Crop Progress, India

The *rabi* oilseeds planting is underway forwards at it is heading ahead previous year's pace. Overall, the oilseeds planting are up by 3.1 per cent.

Of the major *rabi* oilseeds crop rapeseed/mustard seed planting is up by around 3.5 per cent at 66.92 lha compared to 64.66 lakh hectares during the same period last year. Groundnut planting is reported up by 20 per cent at 6.82 lakh hectares compared to 5.7 lha, sunflower planting is reported up by 15.4 per cent at 4.57 lha compared to 3.96 lha during the same period last year.

Area in lakh hectares

| Crop                  | As on 10 Jan 2013 | As on 10 Jan 2012 | % Change     |
|-----------------------|-------------------|-------------------|--------------|
| Rapeseed/Mustard Seed | 66.92             | 64.66             | <b>3.5</b>   |
| Groundnut             | 6.82              | 5.7               | <b>19.6</b>  |
| Safflower             | 1.48              | 1.9               | <b>-22.1</b> |
| Sunflower             | 4.57              | 3.96              | <b>15.4</b>  |
| Sesamum               | 0.55              | 0.64              | <b>-14.1</b> |
| Lineed                | 3.28              | 4.07              | <b>-19.4</b> |
| Other Oilseeds        | 0.53              | 0.7               | <b>-24.3</b> |
| <b>Total Oilseeds</b> | <b>84.2</b>       | <b>81.6</b>       | <b>3.1</b>   |

Source: GOI

Further, linseed and safflower planting continues to lag behind compared to the previous year.

## Soybean

The soybean prices declined pressured by weak global cues during the week in review. Fall in international Malaysian palm oil, bearish global oilseeds supply scenario with higher South American soybean output estimates remained bearish factors for domestic soybean.

Brazil's soybean harvesting is underway and it is gradually picking up the pace, yield is reportedly within expectations.

Besides, poor soy meal exports and lower domestic meal consumption this season eventually lead to weak crushings and thus fall in soybean demand from solvent extractors in last few weeks.

In addition to it, USDA's Jan (WASDE) oilseeds supply and demand report revealed a bearish supply scenario this season.

In the report, global soybean production is projected at 269.4 million tons, up 1.7 million with gains in the United States and Brazil only partly offset by a lower projection for Argentina. The Brazil soybean crop is increased 1.5 million tons to a record 82.5 million reflecting record area and improving yield prospects. Higher projected yields are the result of favorable moisture throughout the center west and southern growing areas. The Argentina soybean

crop is projected at 54 million tons, down 1 million mainly due to lower projected area resulting from excessive moisture throughout much of the central growing area. Other changes include increased cottonseed production in China and Australia, and increased sunflowerseed production in India and the United States.

The US weekly soybean export sales were reported slightly below market expectations with sales coming in at 321,800 tonnes for the current marketing year and 85,000 for the next marketing year for a total of 406,800. As of January 3rd, cumulative sales stand at 85% of the USDA forecast for the current marketing year vs. a 5 year average of 71%. Sales of 160,000 tonnes are needed each week to reach the USDA forecast.

Net meal sales came in at 118,200 tonnes for the current marketing year and as of January 3rd, cumulative meal sales stand at 80% of the USDA forecast vs. a 5 year average of 50.5%. Sales of 39,000 tonnes are needed each week to reach the USDA forecast.

Overall, the global and the domestic soybean will continue to get pressure followed by cheaper imports of palm oil, weak soy meal export sales of Indian origin this season and higher estimated soybean crop in South America and commencement of Brazilian soybean harvesting, near-term.

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

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Soy meal prices posted losses followed by weak export sales in association with lower domestic demand during the week in review.

India's exports of soy meal during December, 2012 was 5,10,698 tones as compared to 7,78,382 tones in December, 2011 showing a fall by 34.39% over the last year.

South and Far East Asian countries remained the major buyers of Indian soy meal.

The price of South American origin soy meal is getting competitive compared to India's. Brazil has started harvesting it's early soybean crop and Argentina is expecting to harvesting it in February.

Slow down in India's soy meal exports in previous months is the set-back for the domestic market as the South American soy meal prices are getting competitive day-by-day.

India's Y-o-Y soy meal prices have witnessed gains. Soy meal (Jan-Feb) exports price, FOB Kandla exports was quoted between Rs 28,000-28,500/MT compared to 18,000-18,450/MT during the same period last year. Indian

C&F Indonesia was between US \$ 525-540/MT which was quoted between US \$370-380/MT during the same period last year.

| <b>Week</b>            | <b>FAS, Soy meal Kandla</b> | <b>FOB, Soy meal Argentina</b> | <b>Avg.*Spread</b> |
|------------------------|-----------------------------|--------------------------------|--------------------|
| <b>05 – 11 Jan</b>     | 509                         | 500                            | <b>9</b>           |
| <b>29 Dec – 04 Jan</b> | 537                         | 509                            | <b>28</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 \$09/MT compared to US \$28/MT a week ago, indicating a widening 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.*

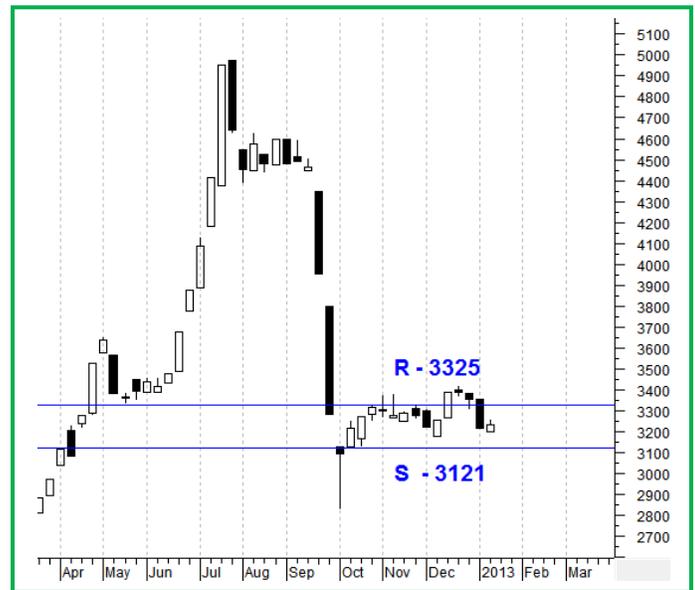
**Recommendation:** The Indian meal exporters are advised to aggressively market their meal to the countries in vicinity including traditional South and Far-East Asian destinations to materialize the freight and logistics advantage. The prices are expected to feature range-bound movement on weak bias due to decline in overseas and domestic demand. FOR, Kandla is likely to be between 27600-28000/MT.

**Technical Analysis:**

**NCDEX Soybean Futures**



**Soybean Spot, Indore**



**Supports & Resistances NCDEX Feb Soybean**

| S2   | S1   | PCP  | R1   | R2   |
|------|------|------|------|------|
| 3020 | 3070 | 3145 | 3210 | 3258 |

- The soybean prices continued to fall during the week.
- The prices closed below 9-day and 18-day EMA, indicating weakness in near-term.
- Further, RSI and stochastic are easing in neutral region, supporting the losses.
- MACD is easing in negative territory, indicating bearish tone.
- Prices are expected to ease during the week.
- **Trade Recommendation (NCDEX Soybean – Feb) – 1 Week:** SELL between 3150-3160 levels.T1 – 3100; T2 –3050 ; SL -3183.

**Trade Recommendation Soybean Spot:** We feel the soybean prices to remain under pressure followed by bearish palm oil outlook and commencement of soybean harvest. The prices are likely to move within the price band of 3200-3260 levels (Indore, Plant basis).

## Rapeseed - Mustard Seed

RM seed prices continued downwards move owing to weak millers buying in the seed, higher seed planting and bearish international palm oil supply scenario, during the week in review. The buyers refrained from the market in anticipation of further fall in the prices. The crushings of the seed is steady in key market centers like Alwar, Bharatpur, Kota and Sri Ganganagar.

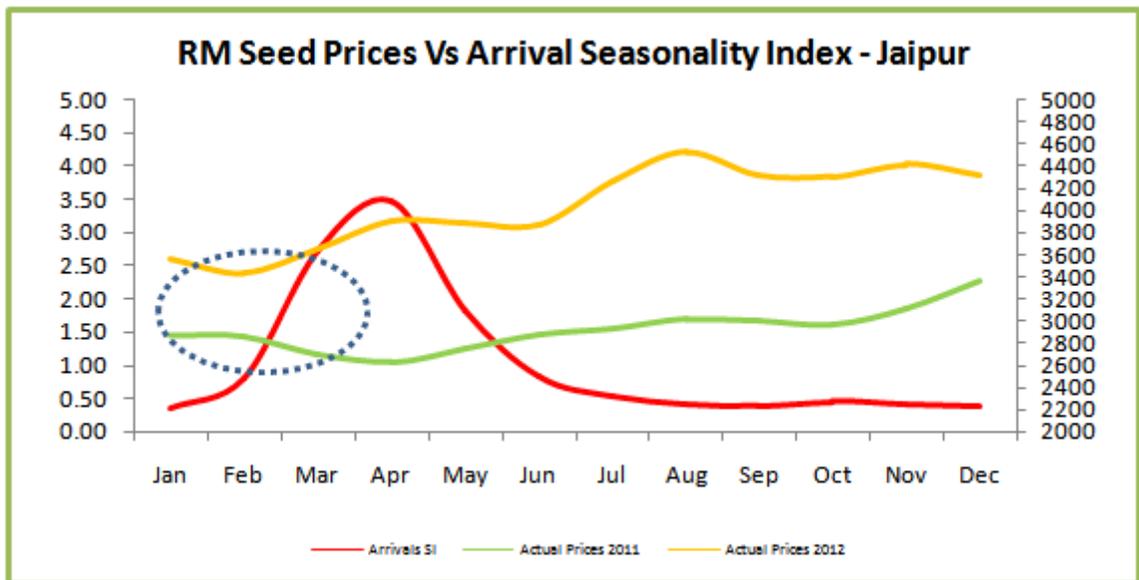
Further, the RM seed planting is ahead previous year's pace. The planting is around 3.5 per cent higher compared to the same period last year. Reportedly, rapeseed/mustard seed sowing (as on 10 Jan 2013) at 66.92 lha compared to 64.66 lakh hectares during the same period last year.

The rate of fall in the RM seed was higher compared to the soybean, primarily due to bearish developments in international palm oil which eventually pressured the domestic seed in conjunction with soy. Higher palm oil output projections and rise in the palm oil inventories in Dec 2012 remained bearish for the seed.

The MPOB reported Malaysian palm oil inventories in December rose 2.4% from a month earlier to an all-time high of 2.63 million tons.

The line-up of vessels at Malaysian ports remained weak for palm oil shipments, vessels were limited destined for China due to strong quality control measure in edible oil imports by China recently.

In view of bearish global developments, the seed arrivals in the key cash centers slightly improved compared to the previous week. The RM seed prices are expected to remain under pressure in near-term.



### RM Seed Supply, Rajasthan

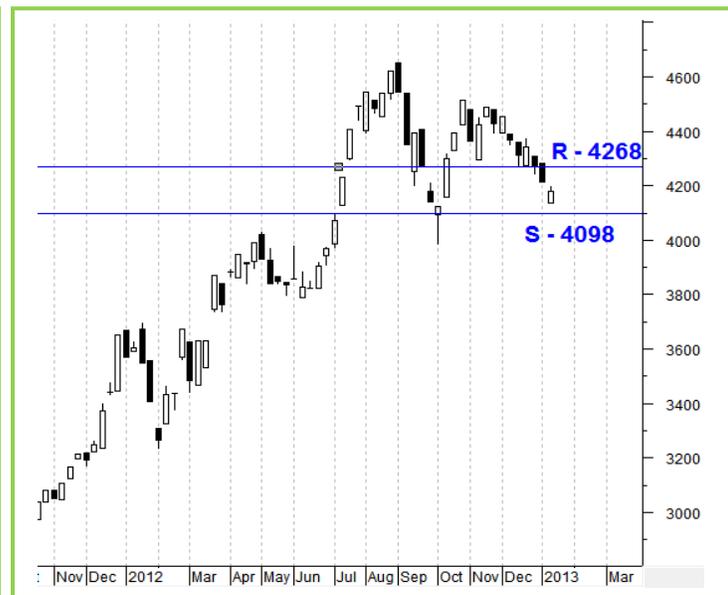
| RM Seed Arrivals in Rajasthan in Bags (85 kg each). |          |                              |
|---|----------|------------------------------|
| Weekly Arrivals                                     | Week Ago | Corresponding Week Last Year |
| 2,52,000  | 2,21,000 | 2,65,000                     |

**Technical Analysis:**

**NCDEX RM Seed Futures**



**RM Seed Spot, Jaipur**



**Supports & Resistances NCDEX Apr RM Seed**

| S2   | S1   | PCP  | R1   | R2   |
|------|------|------|------|------|
| 3385 | 3426 | 3468 | 3544 | 3621 |

- Candlestick chart pattern reveals consecutive third week fall.
- Prices closed below 9-day and 18-day EMA, indicating weakness in near term.
- RSI is easing in neutral region, supporting the losses.
- MACD is easing in positive territory, indicating persistence of weakness. The prices are likely to ease during the week.
- **Trade Recommendation (NCDEX RM SEED - Jan) – 1 Week:** SELL between 3470- 3480 levels. T1 – 3410; T2 –3380; SL -3508.

**Trade Recommendation RM Seed Spot (Jaipur basis):** In spot the RM seed prices are expected to feature range bound movement with weak bias, in near term. Higher Malaysian palm oil stocks and estimated rise in the palm oil output this season. The prices are likely to move between price bands of 4120 – 4200 level in near term.

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