

## Executive Summary

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Domestic oilseeds and oil meals prices witnessed a sharp decline during this week 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 week in review, 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 demand and crop conducive weather conditions.

Cautious buying was seen in the spot market due to sufficient soybean stocks in the mandis of Madhya Pradesh and better oilseed sowing adding to the pressure to the market sentiments.

Internationally, rumors that China intended on releasing inventories out of reserves to their domestic market for crushers pressured the market as traders feared that the move could spark some export sales cancellations. Weather is seen as a negative force for the US new crop soybean market after steady rainfall fell in key producing regions during the week. Temperatures were moderate indicating that soybean yield potential looks impressive so far which further imparted a bearish tone to the market.

Soy meal witnessed losses in line with the oilseed prices during the week in review. Strengthening of the Indian rupee over the last week and persistent weakness in the oilseeds supported the bears and are expected to remain so. As per latest release by SOPA, the soy meal export during the month of June was 2.134 lakh tons as compared to 1.809 lakh tons in the same period of previous year.

Mustard seed in key mandis across Rajasthan and Gujarat are likely to feature steady to weak tone due to higher overall kharif oilseeds crop prospects and dull demand for in the cash market. However, expected demand due to festivities of Ramadan may limit excessive 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.

As per Ministry of Agriculture, sowing of kharif crops has picked up further this week. The total sown area as on 26th July 2013, as per reports received from states, stands at 747.78 lakh hectare as compared to 635.05 hectare at this time last year. Area coverage under oilseeds, particularly in groundnut and soybean, is higher at 167.15 lakh hectare compared to the 138.30 lakh hectare in the previous kharif season due to timely onset of monsoon and widespread distribution of rainfall in oilseeds growing regions.

As per the fourth advance estimate of production released by Ministry of Agriculture, the oilseed production for 2012-13 is estimated at 31.01 million tons, up 0.31 million tons from previous estimates. Soybean production is estimated at 14.68 million tons and groundnut production is estimated at 4.75 million tons. Rapeseed/mustard seed production is estimated at 7.82 million tons, up 0.42 million tons from previous estimates.

## International Highlights

- ❖ 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.
- ❖ As per the latest USDA weekly exports sales report (for July 12-18, 2013), net weekly soybean export sales reported at 128,300 tons for the current marketing year and 665,200 tons for the 2013-14 marketing year for a total of 793,500 tons. Exports of 82,200 MT were down 32 percent from the previous week and 39 percent from the prior 4-week average. Net soybean meal sales were reported at 184,000 tons for the current marketing year and 145,600 tons for the next marketing year for a total of 329,600 tons. Net sales were up noticeably from the previous week and from the prior 4-week average. Net oil sales came in at 3,300 tons for the current marketing year.
- ❖ The Home-Grown Cereals Authority has estimated that the 2013-14 rapeseed harvest area in Britain is expected to be down 9 per cent at 686,000 hectares.
- ❖ ProAgro has estimated that Ukraine's rapeseed exports are likely to double in the 2013-14 season after an expected 75 percent increase in the harvested crop. It is projected that 2.2 million tons of rapeseed will be harvested in 2013 and 2.1 million tons of the commodity will be exported.
- ❖ Exports of Malaysian palm oil products for July 1-25 fell 6 percent to 1,060,421 tons from 1,128,408 tons shipped during June 1-25 - cargo surveyor Societe Generale de Surveillance.
- ❖ 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)		
	26.07.2013	19.07.2013	Parity To
Indore (MP)	27800-28200	32500-32600	Gujarat, MP
Kota	27800-30000	31800-32000	Rajasthan, Del, Punjab, Haryana
Akola	28500-28800	32500-32800	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	30500	-	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Nanded/Latur	31000	-	Andhra, AP, Kar, TN
Dhulia/Jalna	30300	34000	Mumbai, Maharashtra
Nagpur (42/46)	-	32400-32700	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	-	-	Local and South

Solapur	30300	33500	Local and South
Bundi	27800	32000	-

**Soy DOC at Port**

Centers	Port Price	
	26.07.2013	19.07.2013
Kandla (FOR) (INR/MT)	30200	34400
Kandla (FAS) (USD/MT)	513	575

**International Soy DOC**

Argentina FOB \$/MT	25.07.2013	19.07.2013	Change
Soybean Pellets	469	510	-41
Soybean Cake Meal	469	510	-41
Soybean Meal	477	518	-41
Soy Expellers	477	518	-41

**Sunflower Meal Rates**

Centers	Ex-factory rates (Rs/ton)		
	26.07.2013	19.07.2013	Change
Adoni	16500	20200	-3700
Khamgaon	16300	19700	-3600
Parli	16500	20000	-3500
Latur	16300	19800	-3500

**Groundnut Meal**

Groundnut Meal	26.07.2013	19.07.2013	Change
Basis 45% O&A, Saurashtra	26000	26700	-700
Basis 40% O&A, Saurashtra	23000	23700	-700
GN Cake, Gondal	20000	27000	-7000

**Mustard DOC/Meal**

Mustard DOC/Meal	26.07.2013	19.07.2013	Change
Jaipur (Plant Delivery)	12500	13900	-1400
Kandla (FOR)	13500	14800	-1300

## 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 25 July, 2013. Overall, the oilseed planting was reported up by 20.90 per cent at 167.16 lakh ha against 138.30 lakh ha during the same period last year.

Of the major kharif oilseeds crops, soybean planting stood up by around 15.60 per cent at 117.33 lakh ha compared to 101.54 lakh hectares during the same period last year on higher acreage in Madhya Pradesh, Maharashtra and Rajasthan due to favourable weather conditions. Groundnut planting was reported up by 36.9 per cent at 34.83 lakh ha compared to 25.45 lakh ha on higher area coverage in the state of Gujarat due to good rainfall in the state. Sunflower planting was up by 0.65 lakh ha at 1.46 lha compared to 0.81 lha during the same period last year.

(Area in lakh hectares)

<b>Crop</b>	<b>As on 25 Jul 2013</b>	<b>As on 25 Jul 2012</b>	<b>% Change</b>
Groundnut	34.83	25.45	36.9
Soybean	117.33	101.54	15.6
Sunflower	1.46	0.81	80.2
Sesamum	10.10	8.31	21.5
Niger	0.65	0.48	35.4
Castor	2.79	1.71	63.2
<b>Total Oilseeds</b>	<b>167.16</b>	<b>138.3</b>	<b>20.9</b>

Source: GOI

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

## Soybean

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Soybean prices plunged during the week in review, 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 demand and conducive weather conditions.

Cautious buying was seen in the spot market due to sufficient soybean stocks in the mandis of Madhya Pradesh and better oilseed sowing adding to the pressure to the market sentiments.

Internationally, rumors that China intended on releasing 3 million tons of inventories out of reserves to their domestic market for crushers pressured the market but no confirmation has been made. Market participants feared that the move could spark some export sales cancelations. Weather is seen as a negative force for the new crop soybean market after steady rainfall fell in key producing regions during the week. Temperatures were moderate indicating that soybean yield potential looks impressive so far. This further imparted a bearish tone to the market.

As per Ministry of Agriculture, sowing of kharif crops has picked up further this week. The total sown area as on 26th July 2013, as per reports received from states, stands at 747.78 lakh hectare as compared to 635.05 hectare at this time last year. Area coverage under oilseeds, particularly in groundnut and soybean, is higher at 167.15 lakh hectare compared to the 138.30 lakh hectare in the previous kharif season due to timely onset of monsoon and widespread distribution of rainfall in oilseeds growing regions.

As per the fourth advance estimate of production released by Ministry of Agriculture, the oilseed production for 2012-13 is estimated at 31.01 million tons, up 0.31 million tons from previous estimates. Soybean production is estimated at 14.68 million tons and groundnut production is estimated at 4.75 million tons. Rapeseed/mustard seed production is estimated at 7.82 million tons, up 0.42 million tons from previous estimates.

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.

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

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Soy meal witnessed losses in line with the oilseed prices during the week in review. Strengthening of the Indian rupee over the last few days and persistent weakness in the oilseeds support the bears. As per latest release by SOPA, the soy meal export during the month of June was 2.134 lakh tons as compared to 1.809 lakh tons in the same period of previous year.

During current Oil year, (October - September), total exports during October 2012 to June, 2013 are 30.082 lakh tons as against 34.417 lakh tons last year, showing a decrease by 12.59%. The y-o-y fall in the India's soy meal export sales is due to the demand shift towards South America owing to their competitive meal prices.

Soy meal prices are expected to feature a range-bound to weak movement in the near term.

According to the latest release by SOPA, the export during June 2013 was 2.134 Lac tones as compared to 1.809 lac tones in the same period of previous year showing a increase of approx. 18%. On a financial year basis, the export during April 2013 to June 2013 has been 4.113 Lac tons as compared to 6.558 Lac tons in the same period of previous year showing a decrease of about 37%.

As per latest weekly sales report released by USDA (for July 12-18, 2013) net soybean meal sales were reported at 184,000 tons for the current marketing year and 145,600 tons for the next marketing year for a total of 329,600 tons. Net sales were up noticeably from the previous week and from the prior 4-week average indicating improved demand for the near term.

During current Oil year, (October - September), total exports during October 2012 to June, 2013 are 30.082 lakh tons as against 34.417 Lac tons last year, showing a decrease by 12.59%.

The y-o-y fall in the India's soy meal export sales 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.

However, India's Y-o-Y soy meal prices have witnessed decline. Soy meal (Jul-Aug) exports price, FOR Kandla exports was quoted between Rs 33,750-30,200/MT compared to 43,500-46,000/MT during the same period last year.

Week	FAS, Soy meal Kandla	FOB, Soy meal Argentina	Avg. Spread*
20 Jul - 26 Jul, 2013	476.4	512.7	-36.3
13 Jul - 19 Jul, 2013	577.5	517.6	59.9

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

The average weekly soy meal price spread between FOB Argentina and FAS Kandla stood at 36.3 USD/MT, indicating a sharp decline in the price spread between Indian and Argentine meal prices.

**Recommendation:** The domestic soy meal is under pressure due to competitive South American soy meal prices with shipments picking up from the region and fall in the beans. However, recent improvements in soy meal exports may lend support to some extent. 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 decline on weak overall sentiments. FOR, Kandla is likely to feature bearish tone due to weakness in the price band of Rs 29,500-31,000/MT.

## Technical Analysis:

**NCDEX Soybean Futures-Weekly Chart**



**Soybean Spot, Indore**



### Support & Resistance NCDEX Oct Soybean

S2	S1	PCP	R1	R2
2758	2829	2931	3001	3075

- Soybean featured decline during the week.
- The prices closed below 9-day and 18-day EMA, indicating bearish tone in the near-term.
- RSI is moving down in oversold zone which might take correction in short run.
- Prices are expected to witness weak movement during the coming week.
- **Trade Recommendation (NCDEX Soybean – Oct) Week:** SELL below 2955. Levels: T1 – 2790; SL - 3070.

**Trade Recommendation Soybean Spot:** We feel the soybean prices to feature sluggish tone on bearish global factors in the near-term - WEEK. The prices are likely to witness the 3025-3100 levels (Indore, Plant basis).

## Rapeseed - Mustard Seed

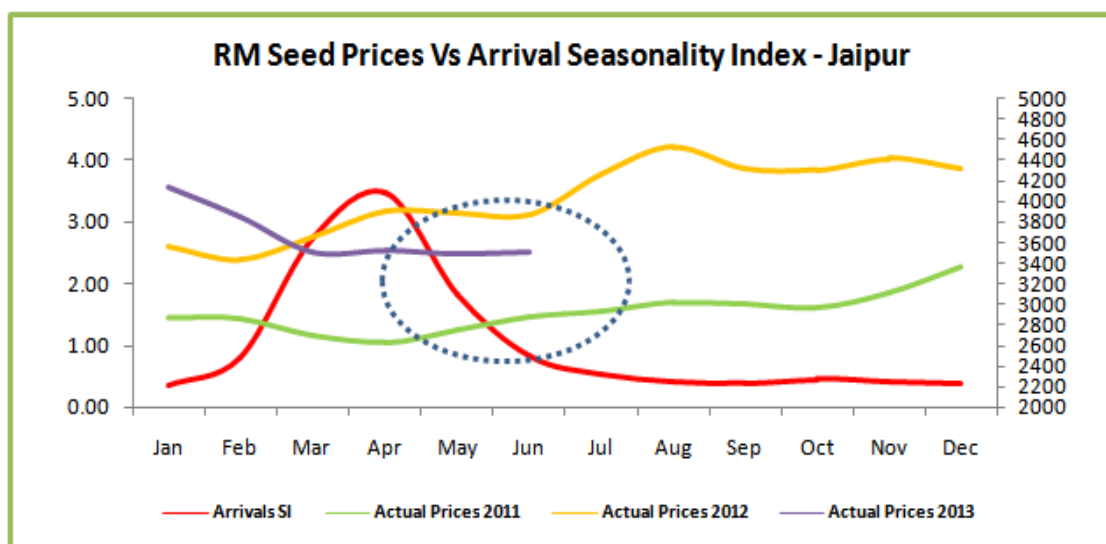
Mustard seed in key mandis across Rajasthan and Gujarat are likely to feature steady to weak tone due to higher overall kharif oilseeds crop prospects and dull demand for oils in the cash market. However, expected demand due to festivities of Ramadan may limit excessive losses in the coming days. Arrivals of RM seed in the major spot markets are now witnessing a decline as the peak season gets over.

Internationally, harvesting of the rapeseed crop is expected to start in Germany next week. 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. Toepfer International has reported that Germany's rapeseed production would reach 6.04 million tons, up from 4.82 million tons in 2012.

Oil World also 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.

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 may restrict losses.



### RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Weekly Arrivals	Week Ago	Corresponding Week Last Year
295,000	348,000	314,000



### Technical Analysis:

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



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



#### **Supports & Resistances NCDEX Aug RM Seed**

S2	S1	PCP	R1	R2
2955	3001	3107	3215	3295

- Candlestick chart pattern reveals losses in mustard seed.
- Prices closed below 9-day and 18-day EMA, indicating weak tone in near-term.
- RSI is moving down in oversold zone indicating likely correction.
- **Trade Recommendation (NCDEX RM SEED - Aug) Week:** SELL below 3075 for a target – 2965-2975; SL -3035.

**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, The prices are likely to witness 3200-3275 level in near term.

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