

Executive Summary

Domestic oilseeds and oil meals prices witnessed a range bound movement during this week. Market was up on concerns of crop damage in the leading production areas of central India. However, gains were capped by estimates of higher oilseed production in the current season due to increased acreage. Besides, weakness in global oils and oilseeds markets continue to put pressure on the prices during the week.

Gains were restricted, primarily on government's 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 favorable weather conditions prevailing over key belts.

Soybean prices began the week on a surge as incessant rainfall in the key soybean producing regions of Madhya Pradesh, Rajasthan and Maharashtra led to fears of damage to the standing crop in these regions. Further, arrivals were affected in the spot markets during the week across all states. In addition, weakness in the Indian rupee also lent support to the domestic market.

In its 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 timely onset of monsoon and widespread distribution of rainfall in oilseeds growing regions.

Soy meal witnessed gains in line with the oilseed prices during the week in review. Weakening of the Indian rupee over the last few days and strength in the oilseeds market support the bullishness. 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. Internationally, US market attempts to grapple with the questionable meal export demand going forward and processors seem to have a steady supply stream of soybeans for now.

Mustard seed in key mandis across Rajasthan and Gujarat featured firm sentiments in line with domestic soybean prices. Arrivals were low across major spot markets of Rajasthan as compared to last week which also supported the prices. Also, improved demand for oils due to upcoming festivities also supported the prices. Also positive cues from slightly bullish palm oil export figures and weaker ringgits helped support prices of Malaysian palm oil to some extent, which in turn aided RM seed.

International Highlights

- ❖ 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 EU's 2013 rapeseed harvest to 20.50 million tons from 20.40 million tons previously and up from 19.41 million tons in 2012.
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- ❖ 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.
- ❖ 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 Reuters' survey, Malaysia's palm oil stocks for July likely to ease and may fall 3 percent to 1.6 million tons from previous month owing to higher rate of consumption against normal production. However, expectation of better soybean harvest could raise soybean oil supply and shift demand away from palm oil.
- ❖ As per India Meteorological Department, 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.
- ❖ As per trade ministry, Indonesia has kept its export tax for crude palm oil unchanged at 10.5% 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) | | |
|----------------|---------------------------|-------------|---|
| | 2.8.2013 | 26.7.2013 | Parity To |
| Indore (MP) | 29300-3000 | 27800-28200 | Gujarat, MP |
| Kota | 29400-29600 | 27800-30000 | Rajasthan, Del, Punjab, Haryana |
| Akola | 30200-30500 | 28500-28800 | Andhra, Chattisgarh, Orissa, Jharkhand, WB |
| Hingoli | 30000-31000 | 30500 | Andhra, Chattisgarh, Orissa, Jharkhand, WB |
| Nanded/Latur | 32000 | 31000 | Andhra, AP, Kar, TN |
| Dhulia/Jalna | 31000 | 30300 | Mumbai, Maharashtra |
| Nagpur (42/46) | - | - | Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN |
| Sangli | - | - | Local and South |

| | | | |
|---------|-------|-------|-----------------|
| Solapur | - | 30300 | Local and South |
| Bundi | 29000 | 27800 | - |

Soy DOC at Port

| Centers | Port Price | |
|-----------------------|------------|-----------|
| | 2.8.2013 | 26.7.2013 |
| Kandla (FOR) (INR/MT) | 31000 | 30200 |
| Kandla (FAS) (USD/MT) | 510 | 513 |

International Soy DOC

| Argentina FOB \$/MT | 1.8.2013 | 25.07.2013 | Change |
|---------------------|----------|------------|--------|
| Soybean Pellets | 465 | 469 | -4 |
| Soybean Cake Meal | 465 | 469 | -4 |
| Soybean Meal | 473 | 477 | -4 |
| Soy Expellers | 473 | 477 | -4 |

Sunflower Meal Rates

| Centers | Ex-factory rates (Rs/ton) | | |
|----------|---------------------------|-----------|--------|
| | 2.8.2013 | 26.7.2013 | Change |
| Adoni | 18000 | 16500 | +1500 |
| Khamgaon | 17800 | 16300 | +1500 |
| Parli | 18200 | 16500 | +1700 |
| Latur | 17800 | 16300 | +1500 |

Groundnut Meal

| Groundnut Meal | 2.8.2013 | 26.7.2013 | Change |
|---------------------------|----------|-----------|--------|
| Basis 45% O&A, Saurashtra | 23500 | 26000 | -2500 |
| Basis 40% O&A, Saurashtra | 20500 | 23000 | -2500 |
| GN Cake, Gondal | 23000 | 20000 | +3000 |

Mustard DOC/Meal

| Mustard DOC/Meal | 2.8.2013 | 26.7.2013 | Change |
|-------------------------|----------|-----------|--------|
| Jaipur (Plant Delivery) | 13800 | 12500 | +1300 |
| Kandla (FOR) | 14400 | 13500 | +900 |

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 |
| Total Oilseeds | 173.21 | 144.9 | 19.6 |

Source: GOI

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

Soybean

Domestic oilseeds and oil meals prices witnessed a range bound movement during this week. Market was up on concerns of crop damage in the leading production areas of central India. However, gains were capped by estimates of higher oilseed production in the current season due to increased acreage. Besides, weakness in global oils and oilseeds markets continue to put pressure on the prices during the week.

Soybean prices began the week on a surge which continued till mid-week. Incessant rainfall in the key soybean producing regions of Madhya Pradesh, Rajasthan and Maharashtra led to fears of damage to the standing crop in these regions. Further, arrivals were affected in the spot markets during the week across all states. In addition, weakness in the Indian rupee also lent support to the domestic market.

Cautious buying was seen in the spot market due to better oilseed sowing adding to the pressure to the market sentiments. Gains were reduced, primarily on government's 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 favorable weather conditions prevailing over key belts.

In its 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 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.

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.

Soy meal - FAS Kandla Vs FOB Argentina (Spread)

Soy meal witnessed gains in line with the oilseed prices during the week in review. Weakening of the Indian rupee over the last few days and strength in the oilseeds market support the bullishness. 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.

According to the latest release by SOPA, the export during June 2013 was 2.134 Lac tones as compared to 1.809 lakh 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%.

Internationally, US market attempts to grapple with the questionable meal export demand going forward and processors seem to have a steady supply stream of soybeans for now. As per latest weekly sales report released by USDA (for July 19-25, 2013) net soybean meal sales were reported at 11,100 tons for the current marketing year and 320,300 tons for the next marketing year for a total of 331,400 tons. Net sales were up slightly from the previous week.

Soy meal prices are expected to feature a range-bound to weak movement in 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) export price, FOR Kandla exports was quoted between Rs 29,800-31,000/MT compared to 41,500-43,500/MT during the same period last year.

| Week | FAS, Soy meal Kandla | FOB, Soy meal Argentina | Avg. Spread* |
|-----------------------|----------------------|-------------------------|--------------|
| 27 Jul - 02 Aug, 2013 | 446.16 | 472.80 | -26.64 |
| 20 Jul - 26 Jul, 2013 | 476.40 | 512.70 | -36.30 |

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

The average weekly soy meal price spread between FOB Argentina and FAS Kandla stood at 26.64 USD/MT, indicating a 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 and fall in exports price of Indian meal 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 30,300-31,300/MT.*

Technical Analysis:

NCDEX Soybean Futures-Weekly Chart



Soybean Spot, Indore



Support & Resistance NCDEX Oct Soybean

| S2 | S1 | PCP | R1 | R2 |
|-------------|-------------|-------------|-------------|-------------|
| 2801 | 2859 | 2939 | 3051 | 3123 |

- Soybean featured range bound movement 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 range bound movement with a weak bias during the coming week.
- **Trade Recommendation (NCDEX Soybean – Oct) Week:** SELL below 2970. Levels: T1 – 2900; SL - 3020.

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 3175-3250 levels (Indore, Plant basis).

Rapeseed - Mustard Seed

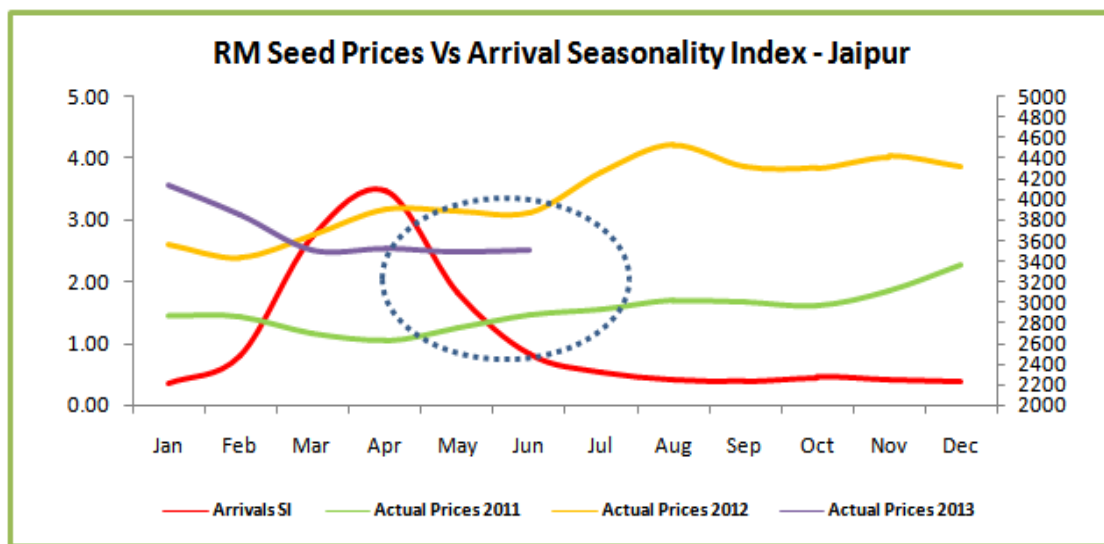
Mustard seed in key mandis across Rajasthan and Gujarat featured firm sentiments in line with domestic soybean prices. Arrivals were low across major spot markets of Rajasthan as compared to last week which also supported the prices. Also, improved demand for oils due to upcoming festivities also supported the prices.

Also positive cues from slightly bullish palm oil export figures and weaker ringgits helped support prices of Malaysian palm oil to some extent, which in turn aided RM seed.

Internationally, harvesting of the rapeseed crop is expected to start in Germany next week. 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. However, rapeseed production will fall in France and Britain on low production yields due to dry weather.

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 slight pressure on the rapeseed markets. However, dwindling supplies in the spot markets, seasonal demand and gains in oilseeds 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 |
| 242,000 | 295,000 | 301,000 |

Technical Analysis:

NCDEX RM Seed Futures



RM Seed Spot, Jaipur



Support & Resistance NCDEX RM Seed Sep

| S2 | S1 | PCP | R1 | R2 |
|------|------|------|------|------|
| 3075 | 3161 | 3243 | 3345 | 3429 |

- Candlestick chart pattern reveals recovery in mustard seed prices.
- Prices closed below 9-day and 18-day EMA, indicating weak tone in near-term.
- RSI is rising in oversold zone indicating likely correction.
- **Trade Recommendation (NCDEX RM SEED - Sep) Week:** BUY above 3250 for a target – 3345; SL - 3190.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot the RM seed prices are expected to feature range bound movement with firm bias, in near term. The prices are likely to witness 3450-3525 level in near term.

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