

## Executive Summary

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Domestic oilseeds and oil meals prices featured a firm tone during the week. Market was up over concerns of crop condition in the leading soybean producing regions of central India and bullish sentiments in international oils and oilseeds markets.

Soybean prices edged higher as incessant rainfall in the key soybean producing regions of Madhya Pradesh, Rajasthan and Maharashtra over the past weeks has led to widespread fears of damage to the standing crop in these regions. As per sources, there are preliminary reports of lower yields in regions of western Rajasthan.

There are forecasts of rainfall in the coming days which are increasing fears of crop getting affected. As per sources, the soybean crop is into its flowering stage and estimates of yield can be expected by end of August. Yield estimates will give a clearer picture of crop condition. Prices are likely to continue the slight uptrend in the coming days. However, sharp gains were restricted, primarily on government's estimates of higher soybean production this season and strong planting pace.

In the latest official planting report, the kharif oilseeds planting was reported higher than previous year, as on 14 August, 2013. Overall, the oilseed planting was reported up by 15.430 per cent at 183.36 lakh ha against 158.91 lakh ha during the same period last year. Internationally, soybean prices on CBOT featured strong gains primarily on bullish WASDE report for August. 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.

Soy meal witnessed steady to slightly firm tone in line with the soybean prices during the week in review. Weakening of the Indian rupee and strength in the oilseeds market supported the bullishness. According to the latest release by SOPA, the soy meal export during July 2013 was 1.070 lakh tons as compared to 1.683 lakh tons in the same period previous year, showing a decrease of approx. 36.4%.

Rapeseed/mustard seed prices in key spot markets of Rajasthan and Gujarat featured strong gains in tandem with soybean prices. As the arrivals season approaches its end, arrivals fell major spot markets of Rajasthan supporting the gains. Also, improved demand for oils due to upcoming festivities continues to provide some support to the domestic market. Gains were limited due to the widespread estimates of higher oilseeds acreage during the ongoing season.

BMD CPO depicted firm sentiments during the week's trading after the U.S. cut its forecast for the soybean crop, more than analysts expected, spurring a rally in the oilseed that can be crushed to produce an alternative oil. on bullish palm oil export data released for July and expected demand of oil from South East Asian countries. Malaysian palm oil exports for the August 1-15 period rose 17.7 percent from the same period a month ago to 644,589 tonnes, cargo surveyor Intertek Testing Services reported. Another surveyor, Societe Generale de Surveillance, reported an increase of 18.7 percent for the same period which also led to recovery in prices.

## International Highlights

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- ❖ 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.
- ❖ The USDA's weekly crop progress report rated 64 per cent of the soybean crop in good to excellent condition, unchanged from the previous week and in line with trade expectations.
- ❖ Lanworth has raised increased its outlook for U.S. soybean production view to 3.320 billion bushels from 3.310 billion previously but left world soybean production estimate unchanged at 283 million tons
- ❖ According to Oil World, global production of sunflower seeds is likely to rise 13 per cent to 40.2 million metric tons, up 1.5 million from the previous estimate, with the EU forecast raised to a record 8.6 million tons from 6.9 million tons last year.
- ❖ 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.
- ❖ According to data released by SEA of India, India's vegetable oil imports in July stood at 889,493 tons, down 6.1 percent from the previous month. India imported 874,703 tons of edible oils and 14,790 tons of non-edible oils last month. India's imports of refined palm oil fell in July on high domestic stocks and a weak rupee that made overseas purchases expensive.
- ❖ According to data released by the General Administration of Customs, China imported 7.2 million tons of soybeans in July '13, up 22.7 per cent from 5.87 million tons a year ago as delayed Brazilian shipments arrived and importers replenished stocks. Besides, China sold 89,928 tons of domestic soybeans from its reserves on Thursday.
- ❖ As per trade ministry, Indonesia has kept its export tax for crude palm oil unchanged at 10.5% for August.
- ❖ Brazilian analyst Agroconsult has projected that Brazil upcoming 2013/14 soybean crop is likely to reach 86 million tons, up 5.6 per cent from previous year, in line with most analysts' estimates so far.
- ❖ 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 India Meteorological Department, rainfall in the second half of the season i.e. August-September would be normal, but lower than in the first half (June-July), in sharp contrast to the previous year. Quantitatively, rainfall for the country as a whole during the period August-September 2013 is likely to be 96% of the long-period average.

### Oil Meal Prices at Key Spot Markets:

#### **Soy DOC Rates at Different Centers**

Centers	Ex-factory rates (Rs/ton)		
	16.8.2013	8.8.2013	Parity To
Indore (MP)	30500-31500	29000	Gujarat, MP
Kota	30700-31200	28700	Rajasthan, Del, Punjab, Haryana
Akola	31500	29500	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	-	31000	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Nanded/Latur	34000	32000	Andhra, AP, Kar, TN
Dhulia/Jalna	33200	31500	Mumbai, Maharashtra
Nagpur (42/46)	-	-	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	-	-	Local and South
Solapur	-	-	Local and South
Bundi	-	28700-28800	-

#### **Soy DOC at Port**

Centers	Port Price	
	16.8.2013	8.8.2013
Kandla (FOR) (INR/MT)	31800	30750
Kandla (FAS) (USD/MT)	514	503

#### **International Soy DOC**

Argentina FOB \$/MT	15.8.2013	7.8.2013	Change
Soybean Pellets	468	437	+31
Soybean Cake Meal	468	437	+31
Soybean Meal	476	445	+31
Soy Expellers	476	445	+31

#### **Sunflower Meal Rates**

Centers	Ex-factory rates (Rs/ton)		
	16.8.2013	8.8.2013	Change
Adoni	18000	18000	Unch
Khamgaon	17800	17800	Unch

Parli	18200	18200	Unch
Latur	17800	17800	Unch

### Groundnut Meal

Groundnut Meal	16.8.2013	8.8.2013	Change
Basis 45% O&A, Saurashtra	23300	-	-
Basis 40% O&A, Saurashtra	20300	-	-
GN Cake, Gondal	23000	-	-

### Mustard DOC/Meal

Mustard DOC/Meal	16.8.2013	8.8.2013	Change
Jaipur (Plant Delivery)	-	12500	-
Kandla (FOR)	-	13500	-

## Kharif Sown Area - Oilseeds, India

In the latest official planting report, the kharif oilseeds planting was reported higher than previous year, as on 14 August, 2013. Overall, the oilseed planting was reported up by 15.430 per cent at 183.36 lakh ha against 158.91 lakh ha during the same period last year.

Of the major kharif oilseeds crops, soybean planting stood up by around 14.00 per cent at 121.31 lakh ha compared to 106.41 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 16.30 per cent at 39.96 lakh ha compared to 34.35 lakh ha on higher area coverage in the state of Gujarat due to good rainfall in the state. Sunflower planting was up by 42.9 percent at 2.10 lakh ha compared to 1.47 lakh ha during the same period last year.

(Area in lakh hectares)

Crop	As on 14 Aug 2013	As on 14 Aug 2012	% Change
Groundnut	39.96	34.35	16.3
Soybean	121.31	106.41	14.0
Sunflower	2.1	1.47	42.9
Sesamum	13.15	11.86	10.9
Niger	1.14	1.21	-5.8
Castor	5.7	3.61	57.9
<b>Total Oilseeds</b>	<b>183.36</b>	<b>158.91</b>	<b>15.4</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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Domestic soybean prices featured a firm tone during the week. Market was up over concerns of crop condition in the leading soybean producing regions of central India and bullish sentiments in international oils and oilseeds markets. However, estimates of higher oilseed acreage and expected higher soy production in the current season continue to weigh on the market restricting strong gains.

Soybean prices edged higher as incessant rainfall in the key soybean producing regions of Madhya Pradesh, Rajasthan and Maharashtra over the past weeks has led to widespread fears of damage to the standing crop in these regions. As per sources, there are preliminary reports of lower yields in regions of western Rajasthan. Soybean arrivals were up in the spot markets of Rajasthan and Madhya Pradesh during the week. In addition, continued weakness in the Indian rupee also lent some support to the market.

There are forecasts of rainfall in the coming days which are increasing fears of crop getting affected. As per sources, the soybean crop is into its flowering stage and estimates of yield can be expected by end of August. Yield estimates will give a clearer picture of crop condition. Prices are likely to continue the slight uptrend in the coming days. However, sharp gains were restricted, primarily on government's estimates of higher soybean production this season and strong planting pace.

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Internationally, soybean prices on CBOT featured strong gains primarily on bullish WASDE report for August. Weather conditions in the US remain positive for price direction in the coming week. Traders are starting to feel concerned about the potential for an early frost or freeze which could significantly impact the total production potential of the crop. This is providing some support to the prices in addition to the export demand which remains extremely strong for the new crop year. Demand from China continues to look strong and sales for new crop continued to be reported by the USDA.

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. The first survey-based soybean yield forecast of 42.6 bushels per acre is 1.9 bushels below last month's projection but 3 bushels above last year's drought-reduced yield. Soybean ending stocks are projected at 220 million bushels, down 75 million from last month. Lower soybean production projected for the United States is partly offset by an increase for India where higher harvested area more than offsets reduced yields caused by excessive July rainfall.

Reportedly, profit margins of farmers have been squeezed significantly for the next crops in Argentina and Brazil due to the recent plunge in soybean prices amid higher stock positions. Still, farmers in these countries are likely to expand soybean sowings for next year's crop at the expense of corn due to relatively better profit margins.

Soybean market is mostly expected to continue in a steady to firm trend. Prices will be pressured by the on-going bearishness in domestic and global markets due to higher supplies and production forecasts. However, crop deterioration and 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 steady to slightly firm tone in line with the soybean prices during the week in review. Weakening of the Indian rupee and strength in the oilseeds market supported the bullishness. According to the latest release by SOPA, the soy meal export during July 2013 was 1.070 lakh tons as compared to 1.683 lakh tons in the same period 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 lakh tons in the same period of previous year showing a decrease of approx. 37.1%.

Internationally, US market attempts to grapple with the uncertain meal export demand going forward and processors seem to have a steady supply stream of soybeans. Positive economic data from China has built some long term bullish sentiment and good meal demand is expected to emerge. Soy meal prices are expected to feature a range-bound movement in the near term on steady exports demand and weakening of Indian currency.

During current Oil year, (October - September), total exports during October 2012 to July, 2013 are 31.152 lakh tones as against 36.100 lakh tons last year, showing a decrease by 13.7%. 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 30,500-31,500/MT, lower as compared to 41,000-43,000/MT during the same period last year.

Week	FAS, Soy meal Kandla	FOB, Soy meal Argentina	Avg. Spread*
<b>10 Aug, 2013- 16 Aug, 2013</b>	442.33	470.50	<b>-28.17</b>
<b>03 Aug, 2013- 09 Aug, 2013</b>	435.20	446.75	<b>-11.55</b>

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

The average weekly soy meal price spread between FOB Argentina and FAS Kandla stood at 28.17 USD/MT, indicating a rise in the price spread between Indian and Argentine meal prices.

**Recommendation:** The domestic soy meal is competing with the competitive South American soy meal prices as shipments are arriving from the region and soybean prices witness a weakness. 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 31,200-32,500/MT.

## Technical Analysis:

**NCDEX Soybean Futures-Weekly Chart**



**Soybean Spot, Indore**



### Support & Resistance NCDEX Oct Soybean

S2	S1	PCP	R1	R2
2917	2979	3061	3131	3200

- Soybean prices featured upward movement during the week in review.
- The prices closed below 9-day and 18-day EMA, indicating weak tone in the near-term.
- RSI is moving up indicating rise in prices in the coming days.
- Prices are expected to witness range bound movement with a firm bias during the coming week.
- **Trade Recommendation (NCDEX Soybean – Oct) Week:** BUY between 3060-3080. Levels: T1 – 3175; SL -3000.

**Trade Recommendation Soybean Spot:** We feel the soybean prices to feature range bound trend with firm bias on weather concerns in domestic market and weakness in global factors in the near-term - WEEK. The prices are likely to witness the 3450-3575 levels (Indore, Plant basis).



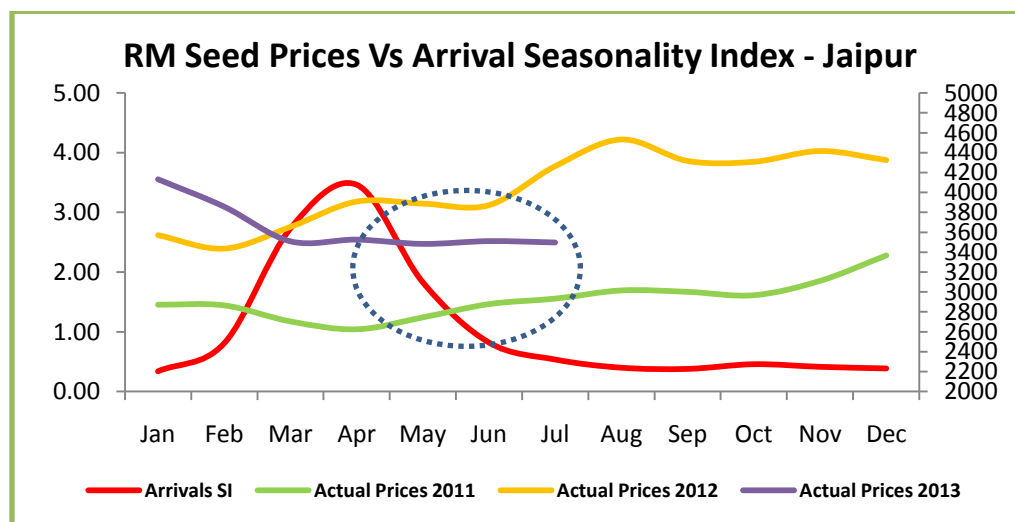
## Rapeseed - Mustard Seed

Rapeseed/mustard seed prices in key spot markets of Rajasthan and Gujarat featured strong gains in tandem with soybean prices. As the arrivals season approaches its end, arrivals fell major spot markets of Rajasthan supporting the gains. Also, improved demand for oils due to upcoming festivities continues to provide some support to the domestic market. Gains were limited due to the widespread estimates of higher oilseeds acreage during the ongoing season.

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Internationally, rapeseed prices have been under pressure recently due to increasing new-crop arrivals and reports about higher than expected production in Ukraine and several EU member countries such as Germany. Rapeseed crop estimate for the European Union is projected to exceed 20 million tons. Harvest of the crop has commenced in some regions ahead of schedule.

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
144,000	170,000	189,000



### Technical Analysis:

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



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



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

S2	S1	PCP	R1	R2
3075	3181	3389	3345	3419

- Candlestick chart pattern reveals recovery in mustard seed prices.
- Prices closed above 9-day and 18-day EMA, indicating firm tone in near-term.
- RSI is moving steady in the neutral zone indicating sideways movement.
- **Trade Recommendation (NCDEX RM SEED - Sep) Week:** BUY between 3340-3360 for a target – 3450; SL -3375.

**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 3500-3600 level in near term.

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