

## Executive Summary

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Domestic oils and oilseeds markets of India witnessed a firm tone during the week in review. Bullish cues from global oils and oilseeds markets, depreciation of the Indian rupee and concerns of lower yields ruled the domestic market sentiments. Estimates of higher oilseed acreage and higher soybean production in the current season are likely to weigh on the market in the near term.

Soybean prices extended gains during the week as rainfall over regions of Madhya Pradesh, which is the largest producer of soybeans, continues to instill fear of crop damage. Worries about damage to the crop have helped push domestic soybean prices.

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. As per IMD, rainfall in the week ending Aug 28 was 29 percent below average compared with 26 percent above the previous week.

On the supply front, the latest official planting report (on 29 August, 2013) estimates the kharif oilseeds planting higher 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 106.83 lakh hectares last year.

In the US, soybean prices on the CBOT exchange featured gains on dry weather conditions during the week in the Midwest regions and indications of depleting yield potential in key production regions. 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.

Rapeseed/mustard seed prices in spot markets of Rajasthan and Gujarat featured firmness during the week, in tandem with soybean prices, as the arrival season approaches its close and supportive cues from BMD CPO. Further, improved demand was seen for oils due to upcoming festivities which also provided support to the domestic market.

Soy meal prices also depicted a rise in conjugation with the domestic soybean prices during the week in review. Continuing weakness seen in the Indian rupee leading to exports rise and gains in the domestic and international oilseeds market has led to this firm sentiment in the prices. Good demand is 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.

BMD CPO depicted firm sentiments during the week's trading. Palm oil futures witnessed a rise due to a weakening of the Malaysian ringgit and better exports figures. Weaker ringgit results in cheaper palm oil for overseas buyers which may likely boost demand. Further, BMD CPO was also supported by positive cues from gains in CBOT due to dry weather concerns.

## International Highlights

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- ❖ As per the latest USDA weekly exports sales report (for August 16-22, 2013), net weekly export sales for soybean was reported at 868,700 tons for the 2013-14 marketing year. As of August 22, cumulative sales stand at 52% of the USDA forecast for 2013-14 versus a 5 year average of 33%. Net meal sales were reported at 162,100 tons for the new crop year and net sales of 6,700 tons of soy oil for the coming marketing year and 17,900 tons for the next marketing year for a total of 24,600 tons.
- ❖ As per the latest crop progress report released by USDA, 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.
- ❖ As per the National Grain and Oil Trade Center, China has sold 393,600 tons of soybeans (79.3 percent of the total it offered) from its state reserves on Thursday. The soy stocks from the 2009 and 2010 harvests were sold at an average price of 4,080 yuan per ton.
- ❖ Agroconsult has projected that Brazil's 2013-14 soybean crop is likely to reach 88.4 million tons, up from 81.46 million tons in the 2012-13 season.
- ❖ 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.
- ❖ Indonesia's trade minister has indicated that Indonesia may remove its 5 per cent import duty on soybeans in order to cope with the domestic food price pressures. This could also boost shipments of the oilseed to the Southeast Asian nation.
- ❖ Exports of Malaysian palm oil products from Aug. 1-25 rose 7.1 percent to 1,162,884 tons from 1,085,392 tons shipped during July 1-25 - cargo surveyor Intertek Testing Services
- ❖ 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.
- ❖ Statistics Canada estimated that Canadian canola production would come in at 14.735 million tonnes, up from 13.219 in 2012.
- ❖ Indonesia has cut its export tax for crude palm oil to 9 percent for September down from 10.5 percent in August.
- ❖ 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.
- ❖ 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.

### Oil Meal Prices at Key Spot Markets:

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

Centers	Ex-factory rates (Rs/ton)		
	30.8.2013	23.8.2013	Parity To
Indore (MP)	33000-33500	32500-33000	Gujarat, MP
Kota	34000-35000	32800-33000	Rajasthan, Del, Punjab, Haryana
Akola	-	32000	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	-	-	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Nanded/Latur	36000	34600	Andhra, AP, Kar, TN
Dhulia/Jalna	34000	34000	Mumbai, Maharashtra
Nagpur (42/46)	-	-	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	34000	-	Local and South
Solapur	-	-	Local and South
Bundi	34000	33000	-

#### Soy DOC at Port

Centers	Port Price	
	30.8.2013	23.8.2013
Kandla (FOR) (INR/MT)	34750	33600
Kandla (FAS) (USD/MT)	522	519

#### International Soy DOC

Argentina FOB \$/MT	29.8.2013	22.8.2013	Change
Soybean Pellets	-	475	-
Soybean Cake Meal	-	475	-
Soybean Meal	-	483	-
Soy Expellers	-	483	-

#### Sunflower Meal Rates

Centers	Ex-factory rates (Rs/ton)		
	30.8.2013	23.8.2013	Change
Adoni	19800	18800	+1000

Khamgaon	19300	18500	+800
Parli	19500	18800	+700
Latur	19300	18500	+800

#### Groundnut Meal

Groundnut Meal	30.8.2013	23.8.2013	Change
Basis 45% O&A, Saurashtra	Closed	-	-
Basis 40% O&A, Saurashtra	Closed	-	-
GN Cake, Gondal	Closed	-	-

#### Mustard DOC/Meal

Mustard DOC/Meal	30.8.2013	23.8.2013	Change
Jaipur (Plant Delivery)	13800	13200	+600
Kandla (FOR)	14600	14100	+500

## 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
<b>Total Oilseeds</b>	<b>188.15</b>	<b>167.13</b>	<b>12.6</b>

Source: GOI

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

## Soybean

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Soybean prices across major markets of India witnessed a firm tone during the week in review. Bullish cues from global oils and oilseeds markets, depreciation of the Indian rupee and concerns of lower yields ruled the domestic market sentiments. Estimates of higher oilseed acreage and higher soybean production in the current season are likely to weigh on the market in the near term.

Soybean prices extended gains during the week as rainfall over regions of Madhya Pradesh, which is the largest producer of soybeans, continues to instill fear of crop damage. Worries about damage to the crop have helped push domestic soybean prices. As per sources, there are preliminary reports of yield loss in regions of western Rajasthan and some parts of eastern Madhya Pradesh. In addition, a weak rupee, which helps the exports, also provided some support.

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. As per IMD, rainfall in the week ending Aug 28 was 29 percent below average compared with 26 percent above the previous week.

On the supply front, the latest official planting report (on 29 August, 2013) estimates the kharif oilseeds planting higher 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 106.83 lakh hectares last year.

In the US, soybean prices on the CBOT exchange featured gains on dry weather conditions during the week in the Midwest regions and indications of depleting yield potential in key production regions. 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. For soybeans, the proportion of the US crop rated as good or excellent dropped 4 points to 58%, a larger fall than investors had expected.

US traders are expecting another decline in the crop conditions in the next weekly update. Demand remains strong for the US new crop year and the sales tend suggests robust demand to continue from China. However traders remain cautious as there are forecasts of rainfall in the coming week which may provide resistance to the recent bullish trend.

Besides, the WASDE report for August released by USDA was considered bullish for the market and continues to be a near term bullish indicator. 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.

Brazil and Argentina are preparing for what appears to be a record crop in 2014. Higher returns from beans as compared to corn are likely to encourage farmers to expand soybean sowings for next year's crop. Also, weakness in the Brazilian currency – Real, means that export demand is supported going forward which will further support the growing sentiment.

Domestic soybean market is expected to continue in a steady to firm trend. Market may witness pressure from the higher production forecasts, both domestically and internationally. However, crop deterioration, weakness in the rupee and expected demand due to upcoming festivities will support the prices in the near term.

## Soy meal

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Soy meal prices also depicted a rise in conjugation with the domestic soybean prices during the week in review. Continuing weakness seen in the Indian rupee leading to exports rise and gains in the domestic and international oilseeds market has led to this firm sentiment in the prices.

Soy meal prices extended 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.

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%.

Good exports enquiries are currently being noticed. As per SOPA official, 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.

Internationally, in the European markets, 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. Recent positive economic data from China has built some long term bullish sentiment and good meal demand is expected to continue.

Soy meal prices are expected to feature a range-bound movement with a firm bias in the near term on steady exports demand and weakening of Indian currency.

As per the latest USDA weekly exports sales report (for August 16-22, 2013), net meal sales of 47,900 MT for 2012-13 and net sales of 162,100 MT for 2013-14 were reported. Exports of 63,600 MT were down 20 percent from the previous week and 46 percent from the prior 4-week average

During current Oil year, (October - September), India's total meal 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 a recent fall. Soy meal (Jul-Aug) export price, FOR Kandla exports was quoted between Rs 33,800-36,500/MT, lower as compared to 41,200-42,200/MT during the same period last year.

Week	FAS, Soy meal Kandla	FOB, Soy meal Argentina	Avg. Spread*
<b>24 Aug, 2013- 30 Aug, 2013</b>	517.00	524.00	<b>-7.00</b>
<b>17 Aug, 2013- 23 Aug, 2013</b>	467.00	489.00	<b>-22.00</b>

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

The average weekly soy meal price spread between FOB Argentina and FAS Kandla stood at 7.00 USD/MT, indicating a fall 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. However, recent improvements in soy meal exports and recent fall in value of Indian currency are likely to lend support to the market. 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 with a firm bias. FOR, Kandla is likely to be in the price band of Rs 33,200-35,000/MT.



## **Technical Analysis:**

### **NCDEX Soybean Futures-Weekly Chart**



### **Soybean Spot, Indore**



### **Support & Resistance NCDEX Oct Soybean**

S2	S1	PCP	R1	R2
3225	3327	3469	3580	3650

- Soybean prices depicted firm trend during the week in review.
- The prices closed above 9-day and 18-day EMA, indicating an upward tone in the near-term.
- RSI is easing which indicates correction in prices in the coming days.
- Prices are expected to witness a firm tone during the coming week.
- **Trade Recommendation (NCDEX Soybean – Oct) Week:** BUY between 3420-3440. Levels: Target – 3525; SL -3350.

**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 3650-3800 levels (Indore, Plant basis).



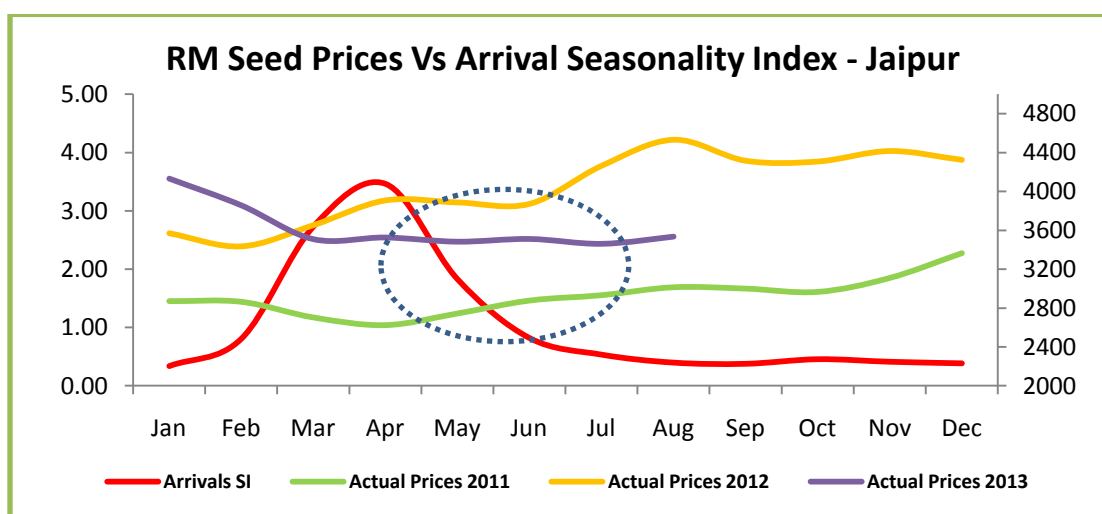
## Rapeseed - Mustard Seed

Rapeseed/mustard seed prices in spot markets of Rajasthan and Gujarat featured firmness during the week, in tandem with soybean prices, as the arrival season approaches its close and supportive cues from BMD CPO. Further, improved demand was seen for oils due to upcoming festivities which also provided support to the domestic market.

BMD CPO depicted firm sentiments during the week's trading. Palm oil futures witnessed a rise due to a weakening of the Malaysian ringgit and better exports figures. Weaker ringgit results in cheaper palm oil for overseas buyers which may likely boost demand. Further, BMD CPO was also supported by positive cues from gains in CBOT due to dry weather concerns.

Internationally, rapeseed prices have been under pressure recently due to higher production estimates in Ukraine and several EU member countries such as Germany where the rapeseed output will be higher by 17 percent at 5.6 million tons. Rapeseed crop estimate for the European Union is projected to exceed 20 million tons. Harvest of the crop has almost completed in Germany.

Higher global rapeseed production estimates and higher domestic oilseed acreage 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 soybean prices are expected to move the market in the positive zone in the coming days.



### RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Weekly Arrivals	Week Ago	Corresponding Week Last Year
176,000	170,000	165,000

### Technical Analysis:

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



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



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

S2	S1	PCP	R1	R2
3365	3450	3538	3655	3700

- Candlestick chart pattern reveals uptrend in mustard seed prices.
- Prices closed above 9-day and 18-day EMA, indicating firm tone in near-term.
- RSI is moving higher in the neutral zone indicating a firm movement.
- **Trade Recommendation (NCDEX RM SEED - Sep) Week:** BUY between 3500-3525 for a target – 3600; SL -3450.

**Trade Recommendation RM Seed Spot (Jaipur basis):** In spot the RM seed prices are expected to feature range bound movement in the coming days. The prices are likely to witness 3600-3700 Rs/mtl level in near term.

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