

## Executive Summary

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Soybean and soy meal prices at major spot markets featured registered gains for the week. However, rapeseed prices featured a decline during the week in review.

Soybean prices were up due to improved buying amid overall lower arrivals in the spot markets and weakness in the Indian rupee. Internationally, soybeans on CBOT also depicted gains on good Chinese demand although pressure from South American sowing progress and record output estimates provided strong resistance to the prices. The daily arrivals in the spot markets of Madhya Pradesh were up during the past week; however arrivals in other key states were still weak which proved supportive for the market.

Soybean production figures have mostly been revised downwards from the initial levels. A poor rate of crushing of soybean has affected soy meal quality and availability. However, good quality arrivals are expected to hit market in January easing the supply constraints. Also, estimates of higher soybean production in major producing nations of US and South America remain a negative force for the global markets and will be a factor to watch out in the coming month.

In the US, soybeans on CBOT witnessed a steady to firm tone during the past week. Pressure from higher output forecasts in South America and strong sowing activities in the key producing regions pressured the CBOT market. However, expected strong demand for the US soybeans and robust Chinese buying is providing strong support to the market sentiments. In Brazil, going by current indicators and analysts' estimates, a record Brazilian soy crop is on the cards. Also, farmers in Brazil are reportedly contemplating a second soybean crop this season instead of corn. Meanwhile, concerns of logistical congestions in the Brazilian ports are again being cited.

Rapeseed/mustard seed prices in key spot markets across Rajasthan and Gujarat extended losses during the past week on steady progress of sowing of the rabi oilseeds across major producing regions amid mostly favorable weather conditions. Higher sowing area has raised prospects for increased output. Further, steady trend in BMD CPO did not provide any supportive cues to the rapeseed markets. It is expected that the approaching winter season may uplift the demand for oils and is likely to lend some support to the market.

As per the Ministry of Agriculture, total area sown under rabi oilseeds (as on 19 December) was reported as 79.49 lakh hectares as compared to 76.29 lakh hectares in the same period last year. Rabi mustard seed stood at 67.53 lakh hectares as on 19 Dec 2013, up from 63.65 lakh hectares in the corresponding period last year.

Soy meal prices also witnessed a steady to firm tone during the week in review, which was in tandem with the domestic soybean prices. Moderate exports demand is reported amid limited availability of high quality beans in the local markets supporting the prices. Also, surge in exports of meal for the month of November has provided some fresh cues to the market. However, weakness in the international markets capped the gains.

Markets are expected to feel some pressure as US soybean harvest revealed higher production and yields as shipments start from the region. However, robust Chinese buying has supported the US prices. Higher US soybean projection and higher global oilseeds projections likely to pressure the market but indications of robust demand from China will help build up market sentiment in the coming days.

## International Highlights

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- ❖ According to Argentina's Agriculture Ministry, the 2013-14 soybean planting area is reported at 20.80 million hectares compared to its previous estimate of 20.70 million hectares.
- ❖ As per German government's statistics, the winter rapeseed sown area is reported at 1.43 million hectares, down from last year by 1.80 percent. As per Britain's farm ministry, the rapeseed production for the current year is estimated at 2.13 million tons, down from last year by 17 percent.
- ❖ Informa Economics has pegged the 2014 soybean plantings at 81.929 million acres, lower from its previous estimate by 1.9 million acres.
- ❖ As per Indonesian Palm Oil Association, Indonesia's crude palm oil and its derivatives exports rose 8 percent to 2.01 million tons in November compared with the previous month. Indian buyers imported 529,520 tons of palm oil products in November.
- ❖ The National Oilseed Processors Association (NOPA) has reported the soybeans crush at 160.145 million bushels in November '13, up from 157.063 million in October '13 and the highest since January 2010. Further, the US soy meal exports for November were reported at 813,323 tons, up from 701,802 tons in October.
- ❖ In Brazil's main soy growing areas, there is a rising concern of cases of Asian rust, a fungus that has caused losses in output in previous years. This is primarily due to a rainy December month mostly in the regions of Goias and Sao Paulo.
- ❖ As per USDA's latest weekly release, weekly export sales for soybeans came in at 1.108 million tons for the current marketing year and 413,900 tons for the next marketing year for a total of 1.522 million tons which was higher than trade estimates.
- ❖ As per the latest WASDE report, the 2013-14 ending soybean stocks were pegged at 150 million bushels as compared with the November estimate of 170 million bushels. Exports were increased by 25 million bushels to 1.475 billion bushels and crush was up by 5 million to 1.690 billion bushels. Brazil's production estimate was kept unchanged at 88 million tons.
- ❖ According to the latest report released by Argentina's Agriculture Ministry, soybean planting was reported at 66 percent, higher than 63 percent completion for the same period in the previous year.
- ❖ As per data released by the General Administration of Customs (GAC), China has imported 6.03 million tons of soybeans in November, a jump of 43.91 percent from the previous month. In the first 11 months of this year, China's soybean imports have totaled 55.97 million tons, up 6.6 percent y-o-y.
- ❖ As per data released by the Malaysian Palm Oil Board (MPOB), palm oil inventories rose 7.2 percent in November to 1.98 million tons. While, the palm oil production fell by 5.6 percent to 1.86 million tons in November. Exports also fell by 8.7 percent to 1.52 million tons from a month ago.
- ❖ As per Informa Economics, global rapeseed production for 2014-15 is projected at 68.5 million tons, down 0.5 million tons from last year. Output in Canada is forecast at 16.9 Mn t, EU at 21.1 Mn t, China at 14.1Mn t and India at 7.2 Mn t.

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

Centers	Ex-factory rates (Rs/ton)		
	20.12.2013	13.12.2013	Parity To
Indore (MP)	33750	33300	Gujarat, MP
Kota	32900	33300	Rajasthan, Del, Punjab, Haryana
Akola	33500	33300	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	33800	33500	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Nanded/Latur	33300-33500	33500	Andhra, AP, Kar, TN
Dhulia/Jalna	34800	34700	Mumbai, Maharashtra
Nagpur (42/46)	33500-33700	33500	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	34000-34700	35000	Local and South
Sholapur	33500	34000	Local and South
Bundi	32800	33000	-

**Soy DOC at Port**

Centers	Port Price	
	20.12.2013	13.12.2013
Kandla (FOR) (INR/MT)	35750	35500
Kandla (FAS) (USD/MT)	574	571

**International Soy DOC**

Argentina FOB \$/MT	19.12.2013	12.12.2013	Change
Soybean Pellets	547	536	+11
Soybean Cake Meal	547	536	+11
Soybean Meal	555	544	+11
Soy Expellers	555	544	+11

**Sunflower Meal Rates**

Centers	Ex-factory rates (Rs/ton)		
	20.12.2013	13.12.2013	Change
Adoni	20600	20800	-200

Khamgaon	20000	20100	-100
Parli	20200	20500	-300
Latur	20300	20300	Unch

#### Groundnut Meal

Groundnut Meal	20.12.2013	13.12.2013	Change
Basis 45% O&A, Saurashtra	23500	23500	Unch
Basis 40% O&A, Saurashtra	-	-	-
GN Cake, Gondal	23500	22000	+1500

#### Mustard DOC/Meal

Mustard DOC/Meal	20.12.2013	13.12.2013	Change
Jaipur (Plant Delivery)	13600	13900	-300
Kandla (FOR)	14600	15000	-400

## Progress of Sown Area – Rabi Oilseeds, India

As per the official *Rabi* oilseeds planting (as on 19 December 2013), the area coverage under Rabi oilseeds is reported at 79.49 lakh hectares, up 4.20 percent from previous year. Of the major oilseeds, rapeseed/mustard seed sowing is reported up by 6.10 percent compared to last year.

Crop	As on 19 Dec 2013	As on 19 Dec 2012	% Change
Rapeseed/Mustard	67.53	63.65	6.10
Groundnut	3.44	3.67	-6.30
Safflower	1.64	1.37	19.70
Sunflower	3.23	4.13	-21.80
Sesamum	0.43	0.41	4.90
Linseed	2.86	2.71	5.50
Others	0.36	0.35	2.90
<b>Total Oilseeds</b>	<b>79.49</b>	<b>76.29</b>	<b>4.20</b>

(Area in lakh hectares) Source: GOI

## Soybean

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Soybean prices at major spot markets featured a range bound tone and registered mild gains for the second consecutive week. Soybean prices were up due to improved buying amid overall lower arrivals in the spot markets and weakness in the Indian rupee. Internationally, soybeans on CBOT also depicted gains on good Chinese demand although pressure from South American sowing progress and record output estimates provided strong resistance to the prices.

The daily arrivals in the spot markets of Madhya Pradesh were up during the past week; however arrivals in other key states were still weak which proved supportive for the market. Adverse affect on the yields and quality of soybeans has resulted in less than normal supply of good quality soybeans. However, expectations of improvements in supply situation in the coming days led to slight pressure in the market and capped the gains.

Soybean production figures have mostly been revised downwards from the initial levels. A poor rate of crushing of soybean has affected soy meal quality and availability. However, good quality arrivals are expected to hit market in January easing the supply constraints. Also, estimates of higher soybean production in major producing nations of US and South America remain a negative force for the global markets and will be a factor to watch out in the coming month.

In the US, soybeans on CBOT witnessed a steady to firm tone during the past week. Pressure from higher output forecasts in South America and strong sowing activities in the key producing regions pressured the CBOT market. However, expected strong demand for the US soybeans and robust Chinese buying is providing strong support to the market sentiments. China's Ministry of Commerce has projected that China is likely to witness 6.34 million tonnes of soybean imports in December 2013. This is likely to be a bullish factor in the near term. However, it is being feared that China may have overbooked soybeans and will finish their booking needs from the US once shipments from Brazil commence.

In Brazil, going by current indicators and analysts' estimates, a record Brazilian soy crop is on the cards. Also, farmers in Brazil are reportedly contemplating a second soybean crop this season instead of corn. Due to low prices of corn and left over stocks, farmers may plant more soy in January. A rainy December in Brazil's main soy growing areas (mostly in Goias and Sao Paulo) has led to cases of Asian rust. Meanwhile, concerns of logistical congestions in the Brazilian ports are again being cited. Logistics and infrastructure issues are likely to remain a big challenge for Brazil in the coming season.

Domestic soybean market is expected to feature a steady to slightly firm movement in the coming days on improved buying in the domestic markets after the recent price correction and firm cues from international markets. However, bearish South American supply sentiments and higher US crop yield is likely to pressure global soy markets restricting the upside.

## Soy meal

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Soy meal prices also witnessed a steady to firm tone during the week in review, which was in tandem with the domestic soybean prices. Moderate exports demand is reported amid limited availability of high quality beans in

the local markets supporting the prices. Also, surge in exports of meal for the month of November has provided some fresh cues to the market. However, weakness in the international markets capped the gains.

Markets are expected to feel some pressure as US soybean harvest revealed higher production and yields as shipments start from the region. However, robust Chinese buying has supported the US prices. Higher US soybean projection and higher global oilseeds projections likely to pressure the market but indications of robust demand from China will help build up market sentiment in the coming days.

Domestically, yield damage to the soybean crop has led to slight downward revision of soy meal export projections by traders. High prices and lower quality have led to poor crushings of soybeans affecting soy meal availability. This has impacted its export and traders may have switched from India to other origins for fulfilling their commitments. It was reported that since the moisture content was higher than stipulated level some of the cargoes faced rejection, thereby resulting in problems in fulfilling export commitments on time. Exports are likely to improve once better quality supplies are available in the market.

According to the latest release by SOPA, the exports of soybean meal during November 2013 was 5.19 lakh tons as compared to 5.17 lakh tons in November, 2012. On a financial year basis, the export during April'2013 to November'2013 is 15.90 lac tons as compared to 14.05 lakh tons in the same period of previous year showing an increase of 13.16%.

During current Oil year, (October – September), total exports during October 2013 to November, 2013 are 7.14 Lac tones as against 5.68 Lac tones last year, showing an increase by 25.70%. Iran, France and Japan were the major destinations for Indian soybean meal exports for the month.

The soy meal prices are expected to feature steady movement with a weak bias in the near term. Prices expected to depict weakness during the week. However, demand for new crop soy meal and tightness in the good quality beans supply in the domestic markets is likely to provide some support to the prices in the near-term. India's soy meal prices continue to get competition from South American meal. Indian meal is competitively priced currently and market is about to enter the seasonally higher exports period. Also, soybeans exports from South America are diminishing which is likely to aid India's exports.

Further, preference of the meal of Indian origin mainly by the South-East countries due to logistic and freight advance and demand for non-GMO meal will lend support to the domestic soy meal. During the current Oil year Iran, Japan, Europe, Thailand, Vietnam, Indonesia and South Korea are the major destinations for Indian soybean meal exports.

However, India's Y-o-Y soy meal prices have witnessed a steady trend during the past week. Soy meal (Dec-Jan) export price, FOR Kandla exports was quoted between Rs 35,500-35,650/MT, higher compared to last year.

**Recommendation:** Indian soy meal faces price competition from South American soy meal but higher prices have restricted exports lately. India is in the seasonally higher exports period and South American supplies are likely to remain weak. 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. FOR, Kandla is likely to be in the price band of Rs 34,500-36,500/MT.

## Technical Analysis:

**NCDEX Soybean Futures-Weekly Chart**



**Soybean Spot, Indore**



### Support & Resistance NCDEX Soybean – Jan contract

S2	S1	PCP	R1	R2
3700	3750	3831	3941	4000

- Soybean prices depicted an upwards movement during the week in review.
- RSI is edging higher in the neutral zone which indicates strength in the market in the coming days.
- Prices are expected to witness a steady to firm tone during the coming week.
- **Trade Recommendation (NCDEX Soybean – Jan) Week: Buy** between 3830-3850. Levels: Target – 3950; SL -3775.

**Trade Recommendation Soybean Spot:** We feel the soybean prices to feature range bound trend in the near-term - WEEK. The prices are likely to witness 3825-4000 levels (Indore, Plant basis).



## Rapeseed - Mustard Seed

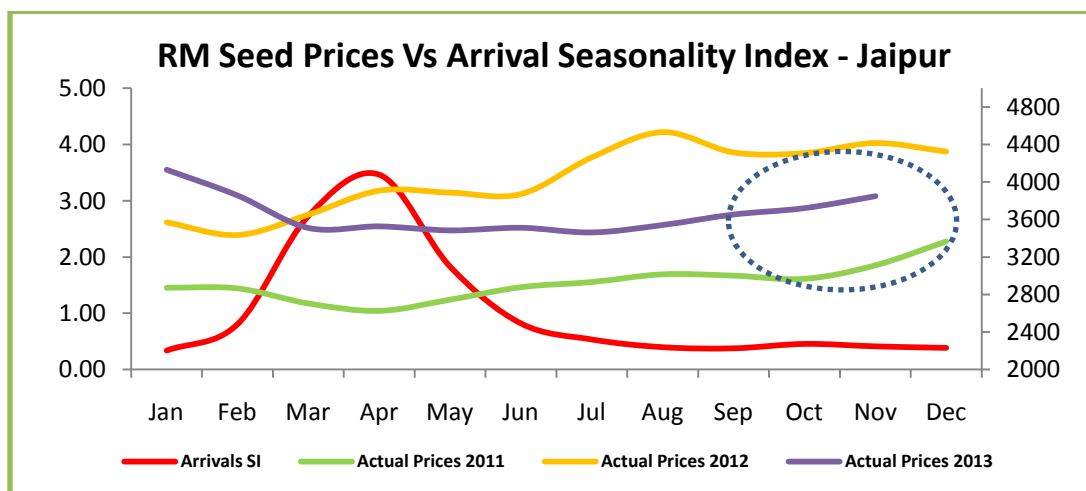
Rapeseed/mustard seed prices in key spot markets across Rajasthan and Gujarat extended losses during the past week on steady progress of sowing of the rabi oilseeds across major producing regions amid mostly favorable weather conditions. Higher sowing area has raised prospects for increased output. Further, steady trend in BMD CPO did not provide any supportive cues to the rapeseed markets. Rapeseed prices are facing pressure currently as demand for oils is moderate which has led to weak RM seed buying from stockists and mills. It is expected that the approaching winter season may uplift the demand for oils is and is likely to lend some support to the market.

As per the Ministry of Agriculture, total area sown under rabi oilseeds (as on 19 December) was reported as 79.49 lakh hectares as compared to 76.29 lakh hectares in the same period last year. Rabi mustard seed stood at 67.53 lakh hectares as on 19 Dec 2013, up from 63.65 lakh hectares in the corresponding period last year. Traders expect India's rapeseed acreage to be up by 4.5 percent to 7 million hectares and output of rapeseed to reach 6.7 million tons from 6.4 million as farmers are likely to take advantage of monsoon-soaked land to grow the rapeseed crop.

As per SEA of India, rapeseed meal exports of India declined to 27,993 tons in November '13 compared to 143,848 tons in October '13 and 66966 tons in November '12. France and Taiwan were the major buyers importing 12,600 and 8,100 tons respectively. Total rapeseed meal exports for the April – November 2013 period have reached 589,509 tons, up from 558,962 tons for the previous year.

On the international front, Oil World has estimated that the global production of rapeseed and canola may reach an all-time high 67.7 million tons in the 2013-14 season, including 21.01 million tons from the European Union and 16.5 million tons in Canada, spurring a jump in exports from the largest supplier of rapeseed to the European Union. Expected higher crop yields in Canada and EU countries will put prices under pressure. Strategie Grains has further pegged a 2.40 percent rise in rapeseed output in EU in 2014-15.

Overall, higher global production estimates for rapeseed and higher domestic oilseed acreage and output estimates in the current season are likely to weigh down on the rapeseed markets. However, limited RM seed supplies in the spot markets and seasonal buying may provide some support.





## Technical Analysis:

### NCDEX RM Seed Futures



### RM Seed Spot, Jaipur



### Support & Resistance NCDEX RM Seed - Jan contract

S2	S1	PCP	R1	R2
3525	3600	3673	3800	3900

- Candlestick chart pattern reveals a bearish tone in rapeseed prices during the week.
- RSI is moving down in the neutral zone indicating weakness in prices in the near term.
- **Trade Recommendation (NCDEX RM SEED - Jan) Week: SELL** between 3650-3660 for a target – 3600; SL -3700.

**Trade Recommendation RM Seed Spot (Jaipur basis):** In spot, the RM seed prices are expected to feature a range bound movement with a weak bias in the coming days on rabi sowing progress and higher acreage estimates. The prices are likely to witness 3600-3750 Rs/ql level in near term.

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