

Executive Summary

Oilseeds and oil meals prices featured a weak tone for the past week.

Soybean prices were lower due to weak demand in the spot markets and bearish trend in international markets. However, lower arrivals in the key spot markets of Madhya Pradesh restricted excessive fall. Internationally, soybeans on CBOT also witnessed a fall as pressure from South American sowing progress with record output estimates provided strong resistance to the prices.

In the US, soybeans on CBOT witnessed a weak trend during the past week. Pressure from higher output forecasts in South America and favorable weather conditions during the week in the key producing regions pressured the CBOT market. However, concerns of a tight supply situation in the US in the near term supported the market. 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, most analysts are expecting a record soybean crop output putting a bearish tone to the prices. The weather conditions are currently favorable in most areas. However, some regions have been impacted by heavy rainfall. Also, increased humidity and cases of soybean rust as well as caterpillar damage have been reported. These concerns may affect the market and yield/supply estimates may be revised. In Argentina, higher temperature and forecast of lower rainfall in the coming days is likely to impact the soybean plantation in key regions. The main producing regions are still witnessing favorable conditions but outlook for coming days is a concern for the growers and will be a key factor to watch out for.

Soy meal prices also depicted a weak trend during the week in review, in tandem with the domestic soybean prices, led by a weaker exports demand by overseas exporters. Meanwhile, lower arrivals during the current season have led to limited availability of high quality beans in the local markets supporting the prices. Also, weakness in the international markets pressured the domestic markets.

As per traders, India's soya meal exports are likely to decline more than a quarter to 3 million tons in the year to September 2014 as overseas buyers opt for cheaper supplies from South America. Due to the yield damage caused by excessive rainfall in the growing regions, supplies of soybeans have been affected. Lower supplies have raised the domestic prices, pulling down the exports demand.

Rapeseed/mustard seed prices in key spot markets extended decline during the past week on good 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. As per the Ministry of Agriculture, total area sown under rabi oilseeds (as on 26 December) was reported up at 81.42 lakh hectares as compared to 77.72 lakh hectares in the same period last year. Rabi mustard seed stood at 68.86 lakh hectares as on 26 Dec 2013, up from 64.48 lakh hectares in the corresponding period last 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 2013-14. Oil World has raised its estimate for rapeseed crushing to 62.8 million tons from 60.4 million tons previously, and up from 61.7 million tons in 2012-13. Expected higher crop yields in Canada and EU countries and higher crushing will put prices under pressure.

International Highlights

- ❖ According to Safras & Mercado, farmers in Brazil have sold about 33 percent of their 2013-14 soybeans, lower than the last year sales pace of 48 percent during the same period.
- ❖ As per the Chinese Ministry of Commerce, China is likely to import 6.67 million tons of soybean in December 2013, higher than its previous forecast of 6.34 million tons. Also, the soybean imports in January are projected to fall to 2.37 million tons.
- ❖ According to Argentina's Agriculture Ministry, farmers have planted 77 percent of this season's expected soy area (as on 19 December), advancing 7 percent during the week. The 2013-14 soybean planting area is projected at 20.80 million hectares.
- ❖ According to data released by cargo surveyor Societe Generale de Surveillance, exports of Malaysian palm oil products for Dec 1-25 fell 7.6 percent to 1,137,374 tons from 1,230,878 tons shipped during Nov. 1-25.
- ❖ As per the data released by General Administration of Customs of China. China imported 6.03 million tons of soybeans and 0.56 million tons of rapeseed in November 2013.
- ❖ As per Indonesian ministry, Indonesia kept its export tax for crude palm oil unchanged at 12 percent for January. 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.
- ❖ 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.
- ❖ 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 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.
- ❖ 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 s 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) | | |
|----------------|---------------------------|-------------|---|
| | 27.12.2013 | 20.12.2013 | Parity To |
| Indore (MP) | 32800-33500 | 33750 | Gujarat, MP |
| Kota | 32500-32800 | 32900 | Rajasthan, Del, Punjab, Haryana |
| Akola | 33500 | 33500 | Andhra, Chattisgarh, Orissa, Jharkhand, WB |
| Hingoli | 33500 | 33800 | Andhra, Chattisgarh, Orissa, Jharkhand, WB |
| Nanded/Latur | 33300-33500 | 33300-33500 | Andhra, AP, Kar, TN |
| Dhulia/Jalna | 34500 | 34800 | Mumbai, Maharashtra |
| Nagpur (42/46) | 33500-33700 | 33500-33700 | Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN |
| Sangli | 34500 | 34000-34700 | Local and South |
| Sholapur | 33800 | 33500 | Local and South |
| Bundi | 32500 | 32800 | - |

Soy DOC at Port

| Centers | Port Price | |
|-----------------------|------------|------------|
| | 27.12.2013 | 20.12.2013 |
| Kandla (FOR) (INR/MT) | 35300 | 35750 |
| Kandla (FAS) (USD/MT) | 569 | 574 |

International Soy DOC

| Argentina FOB \$/MT | 27.12.2013 | 19.12.2013 | Change |
|---------------------|------------|------------|--------|
| Soybean Pellets | 544 | 547 | -3 |
| Soybean Cake Meal | 544 | 547 | -3 |
| Soybean Meal | 552 | 555 | -3 |
| Soy Expellers | 552 | 555 | -3 |

Sunflower Meal Rates

| Centers | Ex-factory rates (Rs/ton) | | |
|---------|---------------------------|------------|--------|
| | 27.12.2013 | 20.12.2013 | Change |
| Adoni | 20600 | 20600 | Unch |

| | | | |
|----------|-------|-------|------|
| Khamgaon | 20000 | 20000 | Unch |
| Parli | 20200 | 20200 | Unch |
| Latur | 20300 | 20300 | Unch |

Groundnut Meal

| Groundnut Meal | 27.12.2013 | 20.12.2013 | Change |
|---------------------------|------------|------------|--------|
| Basis 45% O&A, Saurashtra | 23500 | 23500 | Unch |
| Basis 40% O&A, Saurashtra | NA | - | - |
| GN Cake, Gondal | 23500 | 23500 | Unch |

Mustard DOC/Meal

| Mustard DOC/Meal | 27.12.2013 | 20.12.2013 | Change |
|-------------------------|------------|------------|--------|
| Jaipur (Plant Delivery) | 13600 | 13600 | Unch |
| Kandla (FOR) | 14600 | 14600 | Unch |

Progress of Sown Area – Rabi Oilseeds, India

As per the official *Rabi* oilseeds planting (as on 26 December 2013), the area coverage under Rabi oilseeds is reported at 81.42 lakh hectares, up 4.80 percent from previous year. Of the major oilseeds, rapeseed/mustard seed sowing is reported up by 6.80 percent compared to last year.

| Crop | As on 26 Dec 2013 | As on 26 Dec 2012 | % Change |
|-----------------------|-------------------|-------------------|-------------|
| Rapeseed/Mustard | 68.86 | 64.48 | 6.80 |
| Groundnut | 3.59 | 4.10 | -12.40 |
| Safflower | 1.69 | 1.31 | 29.00 |
| Sunflower | 3.35 | 4.28 | -21.70 |
| Sesamum | 0.43 | 0.48 | -10.40 |
| Linseed | 3.14 | 2.62 | 19.80 |
| Others | 0.36 | 0.45 | -20.00 |
| Total Oilseeds | 81.42 | 77.72 | 4.80 |

(Area in lakh hectares) Source: GOI

Soybean

Soybean prices at major spot markets featured a steady to weak tone for the past week. Soybean prices were lower due to weak demand in the spot markets and bearish trend in international markets. However, lower arrivals in the key spot markets of Madhya Pradesh restricted excessive fall. Internationally, soybeans on CBOT also witnessed a fall as pressure from South American sowing progress with record output estimates provided strong resistance to the prices.

The daily arrivals in the spot markets of Madhya Pradesh were lower during the past week which provided supportive cues to 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. Demand for soy meal is reported slightly weak which is resulting in a cautious buying in the domestic soybeans markets.

A poor rate of crushing of soybean has affected soy meal availability. Even quality concerns are there in the market. 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 days.

In the US, soybeans on CBOT witnessed a weak trend during the past week. Pressure from higher output forecasts in South America and favorable weather conditions during the week in the key producing regions pressured the CBOT market. However, strong demand for the US soybeans and robust Chinese buying is provided support to the market sentiments limiting the fall. The USDA reported better than expected weekly export sales of soybeans which buoyed the market. Also concerns of a tight supply situation 8in the Us in the near term supported the market. 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, most analysts are expecting a record soybean crop output putting a bearish tone to the prices. The weather conditions are currently favorable in most areas. However, some regions have been impacted by heavy rainfall. Also, increased humidity and cases of soybean rust as well as caterpillar damage have been reported. These concerns may affect the market and yield/supply estimates may be revised. 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. Meanwhile, logistics and port infrastructure issues are likely to remain a big challenge for Brazil in the coming season.

In Argentina, higher temperature and forecast of lower rainfall in the coming days is likely to impact the soybean plantation in key regions. The main producing regions are still witnessing favorable conditions but outlook for coming days is a concern for the growers and will be a key factor to watch out for.

Domestic soybean market is expected to feature a steady movement with a weak bias in the coming days on moderate buying in the domestic and mostly weak cues from international markets. Bearish South American supply sentiments and higher US soy crop yields are likely to pressure global soy markets restricting the upside.

Soy meal

Soy meal prices also depicted a weak trend during the week in review, in tandem with the domestic soybean prices, led by a weaker exports demand by overseas exporters. Meanwhile, lower arrivals during the current season have led to limited availability of high quality beans in the local markets supporting the prices. Also, weakness in the international markets pressured the domestic markets.

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.

As per traders, India's soya meal exports are likely to decline more than a quarter to 3 million tons in the year to September 2014 as overseas buyers opt for cheaper supplies from South America. Due to the yield damage caused by excessive rainfall in the growing regions, supplies of soybeans have been affected. Lower supplies have raised the domestic prices, pulling down the exports demand.

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.

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 to weak movement 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 priced higher than the South American meal currently and market is about to enter the seasonally higher exports period. Also, soybeans exports from South America are likely to increase once harvesting of the new crop begins.

However, 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 35,300-35,900/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 steady to weak movement. FOR, Kandla is likely to be in the price band of Rs 34,000-36,000/MT.*

Technical Analysis:

NCDEX Soybean Futures-Weekly Chart



Soybean Spot, Indore



Support & Resistance NCDEX Soybean – Jan contract

| S2 | S1 | PCP | R1 | R2 |
|------|------|------|------|------|
| 3630 | 3700 | 3789 | 3900 | 4000 |

- Soybean prices depicted a weak movement during the week in review.
- RSI is edging lower in the neutral zone which indicates weakness in the market.
- Prices are expected to witness a steady to weak tone during the coming week.
- **Trade Recommendation (NCDEX Soybean – Jan) Week: Buy** between 3790-3800. Levels: Target – 3700; SL -3850.

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 3800-4000 levels (Indore, Plant basis).

Rapeseed - Mustard Seed

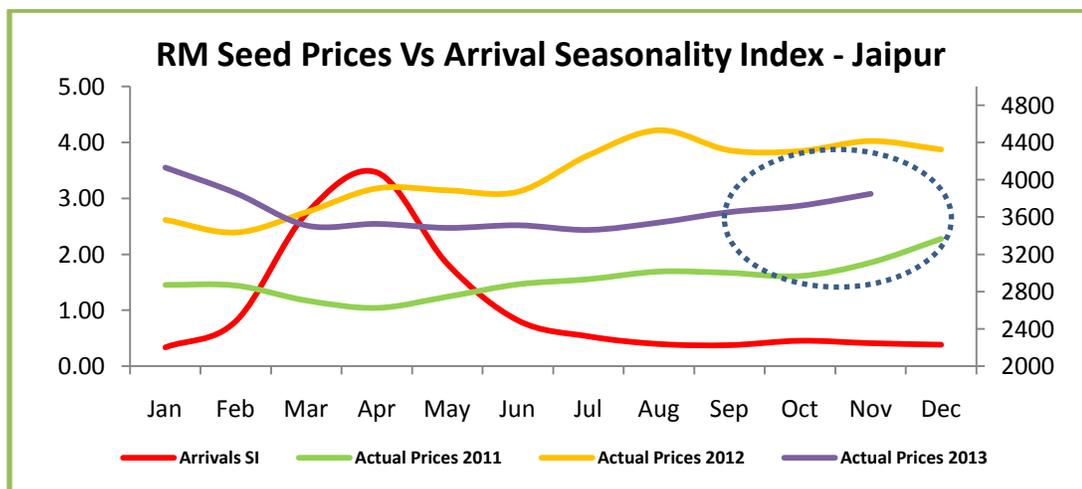
Rapeseed/mustard seed prices in key spot markets across Rajasthan and Gujarat extended decline during the past week on good progress of sowing of the rabi oilseeds across major producing regions amid mostly favorable weather conditions. Higher sowing area has raised prospects for increased output. Further, 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 26 December) was reported up at 81.42 lakh hectares as compared to 77.72 lakh hectares in the same period last year. Rabi mustard seed stood at 68.86 lakh hectares as on 26 Dec 2013, up from 64.48 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 2013-14. Oil World has raised its estimate for rapeseed crushing to 62.8 million tons from 60.4 million tons previously, and up from 61.7 million tons in 2012-13. Expected higher crop yields in Canada and EU countries and higher crushing will put prices under pressure.

Overall, higher global production estimates for rapeseed and increased 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 |
|------|------|------|------|------|
| 3400 | 3475 | 3529 | 3600 | 3700 |

- 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 3540-3550 for a target – 3470; SL -3390.

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 3550-3700 Rs/qty level in near term.

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