

## Executive Summary

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The domestic soybean and meal featured gains while RM seed edged-lower on weakness in BMD CPO during the month in review. However, cautious buying in the oilseeds was featured in domestic cash market in anticipation of fall in the prices and talks of further upward revision in import duty in edible oils in the budget.

Reports of unfavorable weather in South America mostly during February and prolonged port strike in Brazil remained bullish factors for the international soybeans. The bad weather initially delayed the Brazilian soybean harvesting, though it picked-up towards the end of the month in consideration.

Currently, the Brazilian soybean harvesting is picking up the pace and it is heading above historic average. Besides, the port strike has been called-off. The factors combined together are expected to pressure the soybean market.

The soybean benchmark, Indore, and few other major mandis of Madhya Pradesh remained closed followed by strike called on by the *hammals/labours* for nearly two weeks, reopened early in the first week of March. The soybean supplies were slightly hurt due to the strike and *Ravi Das Jayanti and Magh Poonima* during the period.

However, the RM seed prices fell in association with BMD CPO on weak palm oil exports and new domestic mustard seed supplies in key cash markets. The new crop arrivals are picking up the pace in Rajasthan, Uttar Pradesh, Madhya Pradesh and Gujarat.

Weak palm oil export demand fueled concern of stockpiles hovering near record levels in February in Malaysia. Inventories totaled 2.58 million metric tons at the end of January, from December's all-time high of 2.63 million tons, reported by Malaysian Palm Oil Board.

MPOB will publish February crop data on March 11.

Cargo surveyors Intertek Agri Services and SGS (Malaysia) Bhd. said the palm oil shipments fell in February by 9.1% and 8.8%, respectively, from a month earlier.

Planters and traders have met in Kuala Lumpur on 6 March 2013 to discuss the supply-demand outlook, and to hear price forecasts from oilseed analysts Godrej International trading head Dorab Mistry and LMC International Chairman James Fry. Overall, the outlook remained bearish for the international palm oil on higher inventories, likely increase in the oilseed supplies, globally and higher carry-over in palm oil in the history.

Further, the soy meal prices extended previous gains on better overseas demand and fresh domestic offtake from the poultry feed manufacturers. The meal gained despite fall in the soybeans during the period.

Besides, the government's decision to abolish 10 per cent exports duty on de-oiled rice bran oil cake will give a boost to the exports and make the domestic industry competitive in the world market.

Considering the factors, bears are dominant in the oilseeds complex and the oilseeds and oilmeals prices are expected to get slight pressure in short-term. Faster soybean harvesting pace in South America, excepted Malaysian palm oil stock in Feb near previous month level and gaining harvesting momentum in domestic mustard seed will keep the oilseeds market under pressure in medium-term (March-April).

## International

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- ❖ According to Safras & Mercado, the soybean harvest in Brazil has been completed in 28 per cent of the estimated area in the week ended February 22, from 15 per cent a week earlier. This is higher than 24 per cent in the year-ago comparative period and the historic average of 16 per cent. In Mato Grosso region, the harvest advanced to 49 per cent.
- ❖ The USDA has reported that US private exporters sold 120,000 tons of US soybeans to an unknown destination for the 2012-13 marketing year. Exporters also sold 120,000 tons of soybeans to China for the 2013-14 marketing year.
- ❖ Exports of Malaysian palm oil products for February fell 8.8 percent to 1,297,320 tonnes compared with 1,421,865 tonnes shipped during January, cargo surveyor Societe Generale de Surveillance said on late Thursday.
- ❖ As per Oil World, imports of 17 oils and fats exceeded expectations at 4.5 Mn T in Oct/Jan 2012/13 (up 31%). Oil World has pointed to a sharp increase in Chinese stocks of oils and fats and somewhat better than expected domestic consumption.
- ❖ Palm oil prices declined during the week in review but are currently still US-\$ 100-115 above the recent low of mid-Dec. Palm oil stocks declining in Malaysia and Indonesia owing to high exports. This indicates palm oil price should gradually move up in near-term.
- ❖ Global rapeseed/canola output in 2012/13 is forecast to decline to a four-year low as estimated by the IGC; a record crop is tentatively forecast for Canada in 2013/14, but stocks are nevertheless likely to change little y/y.
- ❖ World soybean production in 2012/13 is forecast slightly lower than before, but is still up 13% y/y on prospects for bumper South American crops - IGC.

**Oilseed Prices at Key Spot Markets:**

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		28-02-2013	31-01-2013	
	Indore –Plant	3325-3365	3310-3335	+30
	Indore –Mandi	3200-3300	3180-3260	+40
	Nagpur-Plant	3230	3250	-20
	Nagpur – Mandi	3100-3220	3100-3150	+70
	Kota-Plant	3325	3300	+25
	Kota – Mandi	3275	3150-3220	+55
	Bundi-Plant	3325	3300	+25
	Bundi-Mandi	3175-3200	3200	Unch
	Baran-Plant	3300	3350	-50
	Baran-Mandi	3200-3225	3200	+25
	BhawaniMandiJhalawar – Kota Plant Delivery	3350	3300	+50
	Jhalwar-Mandi	3250-3300	3175-3200	+100
Rapeseed/Mustard	Jaipur – C	3640-3645	3915-3920	-275
	Alwar – C	3600	3750	-150
	SriGanganagar	3150	3480	-330
	Delhi– C	3675	3850	-175
	Kota (Non-Condition)	3200-3300	3550-3600	-300
	Neewai	3550	3800	-250
	Hapur (UP)	3425	3950	-525
Groundnut Seed	Rajkot	1020	1030	-10
	Junagarh	-	-	-
Sunflower Seed	Gulbarga	-	3200-3400	-
	Latur	3500-3600	3500-3625	-25
	Solapur	3500-3600	3500-3625	-25
Sesame Seed	Mumbai (White98/2/1 FM)	10500	9750	+750
	-	-	-	-
	-	-	-	-

Soybean Prices are in INR per Qtl ,Arrivals(1 bag=90 kg). Mandi prices – Loose, Mustard Seed Prices are in INR per Qtl, Arrival (1 bag=85 kg) C – Condition (42%), \*Groundnut seed inRs/20 kg, Sunflower Seed in Rs/qtl.

**Oilseed Arrivals in Key Centers**

Commodity	Centre	Arrivals in Bags/Qtl		Change
		28-02-2013	31-01-2013	
<b>Soybean</b>				
	Madhya Pradesh	2605000	3100000	<b>-495000</b>
	Maharashtra	1005000	1115000	<b>-110000</b>
	Rajasthan	555000	475000	<b>+80000</b>
	Bundi (Raj)	11660	15300	<b>-3640</b>
	Baran (Raj)	74500	95000	<b>-20500</b>
	Jhalawar (Raj)	16800	25100	<b>-8300</b>
<b>Rapeseed/Mustard</b>	Rajasthan	1694000	1020000	<b>+674000</b>
*Soybean: 1 bag = 90 kg; RM Seed: 1 bag = 85 kg				

## Crop Progress, India

The *rabi* oilseeds planting is reported ahead previous year's pace in the last report. Overall, the oilseeds planting were reported up by 1.5 per cent.

Of the major *rabi* oilseeds crop rapeseed/mustard seed planting stood up by around 2.4 per cent at 67.46 lha compared to 65.89 lakh hectares during the same period last year. Groundnut planting was reported up by 10.8 per cent at 9.34 lakh hectares compared to 8.43 lha, sunflower planting was up by 10 per cent at 5.16 lha compared to 4.69 lha during the same period last year.

Area in lakh hectares

Crop	As on 28 Feb 2013	As on 28 Feb 2012	% Change
Rapeseed/Mustard Seed	67.46	65.89	<b>2.4</b>
Groundnut	9.34	8.43	<b>10.8</b>
Safflower	1.53	1.95	<b>-21.5</b>
Sunflower	5.16	4.69	<b>10.0</b>
Sesamum	0.84	1.09	<b>-22.9</b>
Lineed	3.93	4.29	<b>-8.4</b>
Other Oilseeds	0.65	1.23	<b>-47.2</b>
<b>Total Oilseeds</b>	<b>88.9</b>	<b>87.6</b>	<b>1.5</b>

Source: GOI

However, linseed, sesamum and safflower planting continued to lag behind compared to the previous year.

## Soybean

The soybean prices gained followed by short-term bullish international developments which include Brazilian port strike and unfavorable weather conditions for the soybean crop in South America, mostly during the period. Chinese soybean purchases for 2013/14 delivery during the month well supported the benchmark soybeans, further lending support to the domestic beans.

Currently, the Brazilian soybean harvesting is picking up the pace and it is heading above historic average. Besides, the port strike has been called-off. The factors combined together are expected to pressure the soybean market.

The soybean benchmark, Indore, and few other major mandis of Madhya Pradesh remained closed followed by strike called on by the *hammals/labours* for nearly two weeks, reopened early in the first week of March. The soybean supplies were slightly hurt due to the strike and *Ravi Das Jayanti* and *Magh Poonima* during the period.

Government's recent imposition of import duty of 2.5 per cent on the crude edible oils and upwards revision in the export duty in palm oil by Malaysia and Indonesia will make India's imports of palm oils slightly expensive.

However, gaining momentum in the soybean harvesting in South America, sluggish exports in the palm oil and easing Brazilian port congestion after workers called off their strike will pressure the soybean market in near-term.

## Balance Sheet – Soybean, India

Fig. in MnT

Oil Year (Oct-Sep)	2008-09	2009-10	2010-11	2011-12	2012-13
<b>Carry In</b>	0.49	0.45	1.12	0.37	0.40
<b>Production</b>	<b>9.60</b>	<b>9.67</b>	<b>10.10</b>	<b>12.00</b>	12.50
Imports	0.00	0.00	0.00	0.00	0.00
<b>Total Availability</b>	<b>10.09</b>	<b>10.12</b>	<b>11.22</b>	<b>12.37</b>	<b>12.90</b>
Crush	9.64	9.00	10.85	11.97	12.58
Exports	0.00	0.00	0.00	0.00	0.00
Total Usage	9.64	9.00	10.85	11.97	12.58
<b>Carry Out</b>	<b>0.45</b>	<b>1.12</b>	<b>0.37</b>	<b>0.40</b>	<b>0.32</b>
Monthly Use	0.80	0.75	0.90	1.00	1.05
Stock/Consumption Ratio	0.05	0.12	0.03	0.03	0.03
Stock to Month Use Ratio	0.56	1.49	0.41	0.40	0.31

Source: Agriwatch

- Higher crushing due to good meal demand lead to lower carry-in in 2012/13

- India's 2012/13 soybean output is lowered from 13 Mn T to 12.5 Mn T due to crop loss in Madhya Pradesh.
- We expect 2012/13 soybean crush at 12.58 Mn T owing to higher production compared to previous years. India's soy meal prices have to compete with the meal prices of South America, which will eventually make the crushing more viable depending on its exports.

## Soy meal- FAS Kandla Vs FOB Argentina (Spread)

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The soy meal prices extended previous gains on better overseas demand and fresh domestic offtake from the poultry feed manufacturers. The meal gained despite fall in the soybeans during the period.

Besides, the Indian government's decision to abolish 10 per cent exports duty on de-oiled rice bran oil cake will give a boost to the exports and make the domestic industry competitive in the world market.

India produces 4 million tonnes of de-oiled rice bran cake, which is mainly used for cattle feed. India exports around 2 lakh tonnes. Vietnam is the major country where India exports de-oiled rice bran cake.

In the period April 2012 to January 2013, India had exported 2 lakh tonnes of de-oiled rice bran oil cake whose value is estimated at Rs 175 crore.

However, India's soy meal prices are getting stiff competition from South American prices due to the commencement of soybean crop harvesting and improved crushings. Besides, the port strike in Brazil has ended which will further boost the soy supplies.

India's soy meal shipments are likely suffer in coming days due to demand shift towards South America followed by competitive meal price of the region. However, preference of the meal of Indian origin mainly by the South-Eastern countries due to logistic and freight advance and demand for non-GMO meal will lend support to the domestic soy meal.

Exports of Soybean meal during February, 2013 was 5,77,589 tones as compared to 3,70,524 tones in February, 2012 showing a increase by 55.88% over the last year, said SOPA.

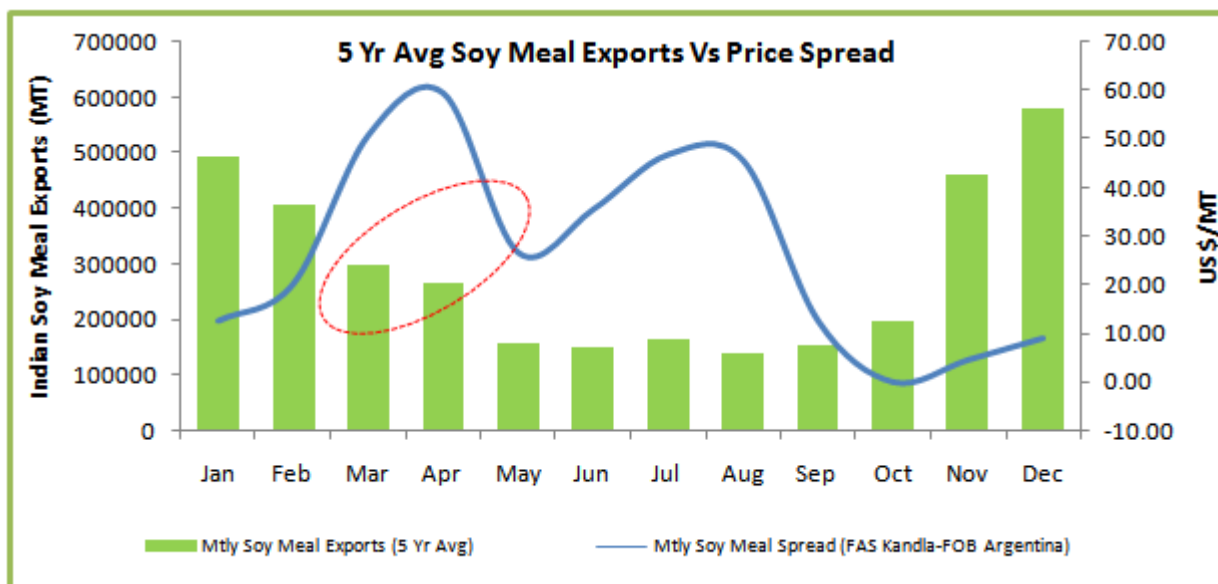
On a financial year basis, the export during April 2012 to February 2013 is 31,13,651 MT as compared to 34,52,791 MT in the same period of previous year showing a decrease of 9.82%.

During current Oil year, (October – September), exports during October 2012 to February 2013 is 22,76,573 MT as against 23,23,939 MT last year, which is marginally lower by 2%.

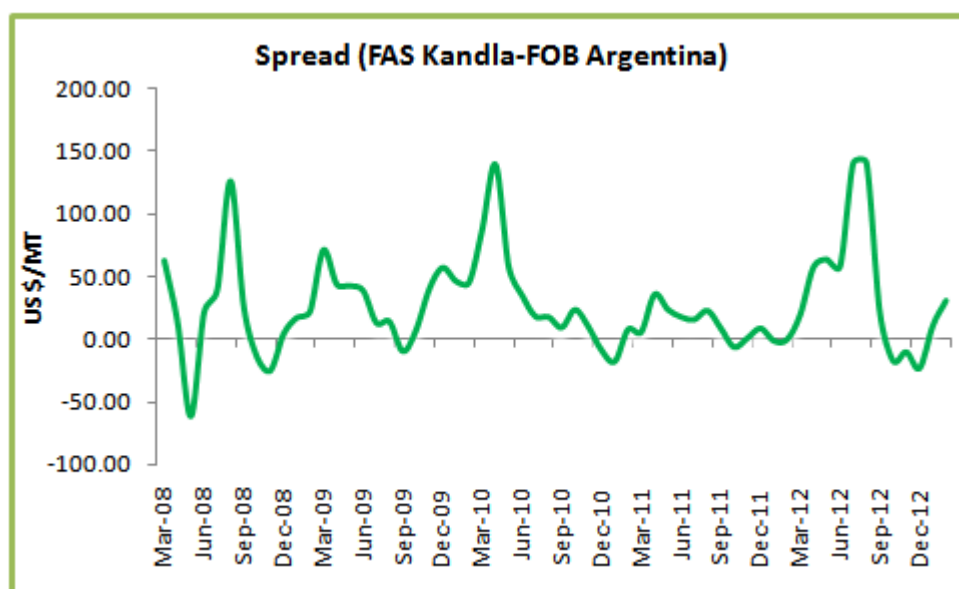
Iran, Yemen, Japan and Belgium were the largest buyers of soy meal of Indian origin in the month of January 2013.

However, India's Y-o-Y soy meal prices have witnessed gains. Soy meal (Mar-Apr) exports price, FOR Kandla exports was quoted between Rs 29,500-29,750/MT compared to 18,600-19,000/MT during the same period last year.

C&F Indonesia was between US \$ 536-542/MT which was quoted between US \$386-402/MT during the same period last year.



Indian soy meal have started facing stiff price competition from South American soy meal followed by commencement of Brazil's soybean harvest and likely harvest of Argentina in coming weeks. The Domestic meal prices are likely to feature range-bound movement with weak bias during the month.



\*FAS, Kandla less FOB Argentina

The average monthly soy meal price spread between FAS Kandla and FOB Argentina fell and recorded at US \$ 32/MT in Feb compared to US \$ -12/MT Jan which translates that the Indian soy meal prices are getting competitive against Argentina's meal prices. *India's soy meal exports is at the optimum levels during the period,*

October thru January, at the considered spread between Indian vs Argentine meal price between US \$8/MT and US \$15/MT. (\* Spread - FAS Kandla less FOB Argentina).

**Recommendation:** FOR, Kandla was quoted between Rs 29500- 29750/MT towards the end of the month - Feb. The Indian meal exporters are advised to aggressively market their meal to the countries in vicinity including traditional South and Far-East Asian destinations. Indian soy meal have started facing stiff price competition from South American soy meal followed by commencement of Brazil's soybean harvest and likely harvest of Argentina in coming weeks. The Domestic meal prices are likely to feature range-bound movement with firm bias during the month with the fresh overseas and domestic demand. FOR, Kandla is expected to face downward pressure and witness **30,000-35,000 during Mar and early Apr.**

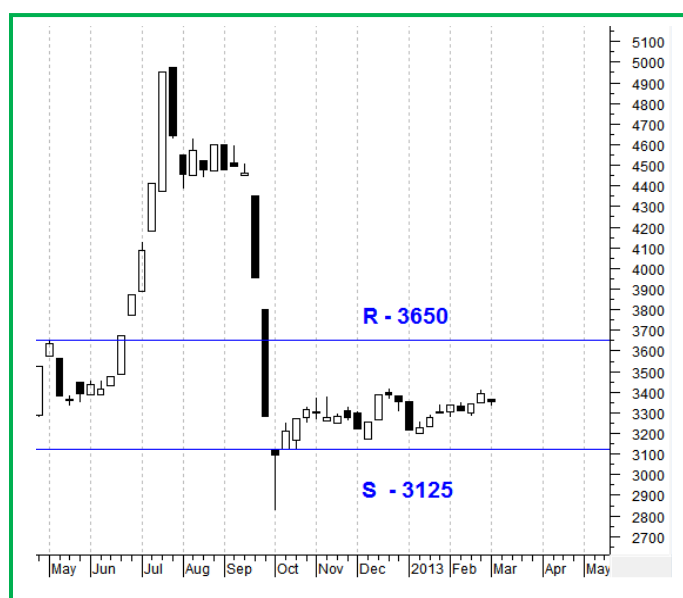
## Soybean Crush Margin

Avg Crush Margin – Feb 2013	Avg Crush Margin Jan 2012	Avg Crush Margin – Feb 2012	Avg Crush Margin – Feb 2011
-859	-536	-828	-873

### Technical Analysis: NCDEX Soybean Futures



### Soybean Spot, Indore



\*In Rs/MT

### Supports & Resistances NCDEX Apr Soybean

S2	S1	PCP	R1	R2
2909	3008	3259	3458	3584



- The monthly – Apr candle points gain in the soybeans.
- Prices closed above 9-day and 18-day EMA, supporting the gains.
- RSI is rising in neutral region while stochastic are heading upwards in oversold zone. Indicating bullish momentum.
- MACD is easing in positive region.
- The soybean prices are expected to gain during the month.
- **Trade Recommendation (NCDEX Soybean - Apr) – 1 Month:** BUY between 3250–3260 levels. T1 – 3400; T2 - 3450; SL - 3182.

**Trade Recommendation Soybean Spot:** Prices are expected to feature range-bound movement and witness 3350-3500 levels (Indore, Plant basis) during the month. Soybean harvesting in Brazil is underway and it is ahead historical average. Besides, harvest in Argentina is expected in March in sync with domestic mustard seed harvesting may restrict the upside during the March.

## Rapeseed - Mustard Seed

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The RM seed prices fell in association with BMD CPO on weak palm oil exports and new domestic crop supplies in key cash markets. The new crop arrivals are picking up the pace in Rajasthan, Uttar Pradesh, Madhya Pradesh and Gujarat.

The harvesting of the seed is gradually picking up in the major growing regions.

In the official planting progress report the rapeseed/mustard seed planting is reported up by around 2.4 per cent at 67.46 lha compared to 65.89 lakh hectares during the same period last year.

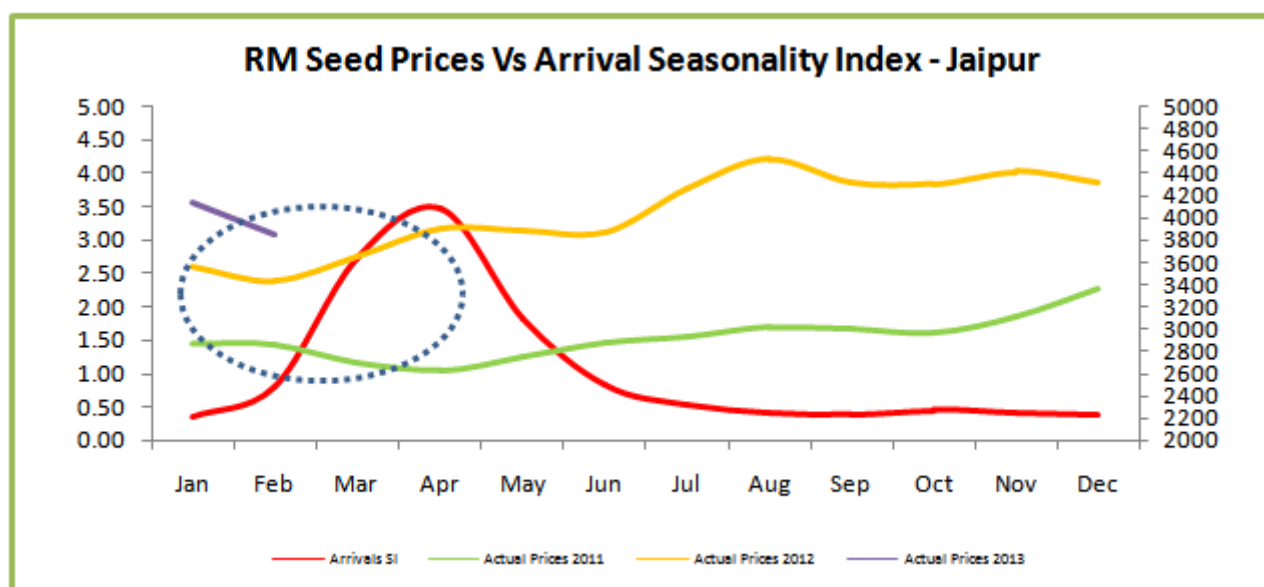
Weak palm oil export demand fueled concern of stockpiles hovering near record levels in February in Malaysia. Inventories totaled 2.58 million metric tons at the end of January, from December's all-time high of 2.63 million tons, reported by Malaysian Palm Oil Board.

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Planters and traders have met in Kuala Lumpur on 6 March 2013 to discuss the supply-demand outlook, and to hear price forecasts from oilseed analysts Godrej International trading head Dorab Mistry and LMC International Chairman James Fry. Overall, the outlook remained bearish for the international palm oil on higher inventories, likely increase in the oilseed supplies, globally and higher carry-over in palm oil in the history.

Upward revision in export duty by Indonesia and re-imposition of the duty by Malaysian from March (after 2 consecutive months of nil duty) will make the palm oil imports expensive for India. However, new RM seed crop arrivals in some of the key producing region of Rajasthan, Gujarat, Madhya Pradesh and Uttar Pradesh will limit the gains in near-term.

**RM Seed Prices Vs Arrivals –Jaipur (Rajasthan)**


The seed prices are expected to further decline with the gaining harvesting momentum in the key growing regions of Uttar Pradesh and Rajasthan. In addition, the soybean harvesting in South America will further pressure the international oils and fats market.

**RM Seed Supply, Rajasthan**

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Monthly Arrivals–Feb	1 Month Ago	Corresponding Period Last Year
16,94,000	10,20,000	15,55,000

The RM seed supplies fell in Jan compared Dec as the marketing season is getting over in March.

## Balance Sheet – Rapeseed-Mustard Seed, India

Fig in MnT

Marketing Year (Mar-Feb)	2009-2010	2010-11	2011-12	2012-13	2013-14
<b>Carry In</b>	<b>0.45</b>	<b>0.75</b>	<b>0.75</b>	<b>1.25</b>	<b>0.28</b>
Production	6.2	6	7	6.5	7.95
Imports	0	0	0	0	0
<b>Total Availability</b>	<b>6.65</b>	<b>6.75</b>	<b>7.75</b>	<b>7.75</b>	<b>8.23</b>
Crush	5.9	6	6.5	7.47	8.07
Exports	0	0	0	0	0
Total Usage	5.9	6	6.5	7.47	8.07
<b>Carry Out/Ending Stock</b>	<b>0.75</b>	<b>0.75</b>	<b>1.25</b>	<b>0.28</b>	<b>0.16</b>
Monthly Use	0.49	0.50	0.54	0.62	0.67
<b>Stock/Consumption Ratio</b>	<b>0.13</b>	<b>0.13</b>	<b>0.19</b>	<b>0.04</b>	<b>0.02</b>
Stock to Month Use Ratio	1.53	1.50	2.31	0.45	0.24

Source: Agriwatch

- Our preliminary Projection for India's 2013/14 RM seed Outturn stands at 7.95 Mn T. The production has surpassed the previous season's production followed by higher yield potential with favourable weather for the crop.
- The carry-in stands at 0.28 Mn T which is lower than previous year figure, as crushings were lower in 2011/12. Besides, 2012/13 RM seed production declined as compared to 2011/12.
- We have revised the 2012/13 RM seed output upwards to 6.5 Mn T compared to 6.0 Mn T estimated in April 2012. However the 2012/13 production stood lower compared to 2011/12. Lower coverage in RM seed area by 7% in 2011/12, missing winter rains and frost damage hampered the productivity.

**Technical Analysis: NCDEX RM Seed Futures**
**RM Seed Spot, Jaipur**

**Supports & Resistances NCDEX Apr RM Seed**

S2	S1	PCP	R1	R2
3215	3293	3388	3545	3592

- The RM seed prices featured losses during the month.
- Prices closed below 9-day and 18-day EMA.
- MACD is easing in positive territory.
- RSI slightly heading upwards in neutral zone while stochastic is easing in oversold region, supporting the losses.
- Trade Recommendation (NCDEX RM SEED – Apr) – 1 Month: SELL between 3390–3400 levels. T1 – 3350; T2 - 3300; SL - 3418.

**Trade Recommendation RM Seed Spot (Jaipur basis):** In spot the RM seed prices are expected ease on higher area coverage under RM seed and likely higher output this season. The seed prices are expected to ease and witness 3300– 3400 levels during the month.

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