

## Executive Summary

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The domestic soybean, meal and RM seed featured gains on weak supplies in the oilseeds and steady demand in the same during the month in review.

Soybean gained primarily due to thin supplies in the domestic cash markets and relatively steady buying in the same. Besides, downward revision in Brazil's soybean outturn by the some analysts like IMEA, Informa and Conab provided the catalyst for the upturn in soybean during the month.

However, cautious Chinese buying due to bird-flu concern and Chinese cancellation of soybean deals limited the upside in soybeans, during the month.

The weak supplies followed by slow farmer selling have eventually slowed-down in the domestic crushings and the crushing units are running at below their capacity. The soybean crushers have to struggle to cover the stock needed for their daily crushing as per their unit crushing capacity, hence operations of crushing units are off and on.

However, we feel the soybean prices are likely to boost with the fresh wedding demand in edible oils.

Soy meal prices featured gains during the month in review in conjunction with soybeans on lower supplies in beans. However, the gains were limited due to sluggish domestic poultry demand. Besides, the prices of other key feed ingredients like Bajra, Maize, mustard de-oiled cake, DCP, MBM, DRB continued to remain under pressure, consequently pressuring the soy meal.

Further, sluggish soy demand from China followed by bird-flu concern and competitive South American soy meal prices compared to the meal of Indian origin remained negative factors for the domestic soy meal.

India's soy meal export during April 2013 was 1.00 lac tones as compared to 3.36 lac tones in the same period of previous year showing a decrease of 70.15%. This widened the disparity in domestic crush margin during the period. Overall, global usage in soy meal remained weak during the month.

But, preference for meal of Indian origin (non-GMO), trade, logistic and freight advantage will continue to support shipments in the same and limit downward potential in near-term.

The monthly mustard seed prices slightly improved with easing seasonal supplies during the month. However, the gains were nominal due to lower than expected buying by the millers at the ruling price and in anticipation of fall in the seed prices, during the week in review. Sluggish mustard oil demand despite auspicious wedding dates and fall in BMD CPO remained negative factors for the mustard seed.

The seed supplies from Sri Ganganagar have increased in past couple of weeks, though week-on-week supplies in Rajasthan fell due to poor off-take.

We expect RM seed to gain on renewed buying to meet the fresh wedding demand.

Further, as per MPOB's report, Malaysian palm oil inventories for April fell 11 percent to 1.93 Mln. Tons from last month which will provide the catalyst for the upturn in palm oil and eventually RM seed.

Renewed edible oil demand and steady meal demand from feed industry is likely to push up the oilseeds in near-term. Besides, easing Malaysian palm oil inventories will prove positive factor for domestic oils and fats market in near-term.

We feel soybean, meal and rape/mustard seed to witness gains in the month of May with renewed buying in mustard seed by the stockists and fresh demand in edible oils with ongoing auspicious wedding dates. Besides, easing Malaysian palm oil inventories and better Chinese buying in soybean will prove positive factor for domestic oils and fats market in near-term.

## International

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- ❖ Brazil's 2012/13 soy crop estimate slightly declined from April's forecast but the country's corn crop is seen up from last month, the government's crop supply agency Conab said early in May. Brazil is nearing the soybean harvesting and expecting record 81.5 million tonnes of soy this season, Conab said in its monthly crop report, down from the 81.9 million tonnes forecast in early April.
- ❖ As per MPOB's report, Malaysian palm oil inventories for April fell 11 percent to 1.93 Mln. Tons from last month.
- ❖ Safras and Mercado reports that Brazil's farmers have harvested 97% of the soybean acreage by May 3, 2013, compared to 94% in the week before and 97% at the same time of last year. The average percentage for this time of the year is 95%.
- ❖ Malaysian palm oil products export for April fell 4.3 percent to 13.1 lakh tons from March. Better buying witnessed from Indian and European buyers. India and subcontinents imports 285,270 tons in April, up 37 percent from last month – ITS.
- ❖ World production of rapeseed and canola likely to increase by 1.6 Mn T in 2013/14, as reported by Oil World.
- ❖ Argentine soya oil exports figures are expected to be boosted to at least 530 Thd T in April and to probably 600 Thd T in May. India, China and Iran are considered to be the potential buyers.
- ❖ Sales of soybeans from Brazil's 2012/13 crop have behind previous year which have reached 66 percent of the expected harvest, reported Safras & Mercado, down from 75 percent of the crop a year ago. The harvesting pace slowed due to the port workers strike in previous month, which eventually hit the logistics.

**Oilseed Prices at Key Spot Markets:**

| Commodity        | Centre                                     | Prices (Rs/Qtl) |            | Change |
|------------------|--|-----------------|------------|--------|
| Soybean          |  | 30-04-2013      | 30-03-2013 |        |
|                  | Indore –Plant                              | 3950-4000       | 3650-3700  | +300   |
|                  | Indore –Mandi                              | 3840-3925       | 3500-3600  | +325   |
|                  | Nagpur-Plant                               | 3850            | 3615-3650  | +200   |
|                  | Nagpur – Mandi                             | 3700-3850       | 3500-3600  | +250   |
|                  | Kota-Plant                                 | 3975            | 3700-3725  | +250   |
|                  | Kota – Mandi                               | 3850            | 3650       | +200   |
|                  | Bundi-Plant                                | 3985            | 3700       | +285   |
|                  | Bundi-Mandi                                | 3950            | 3650       | +300   |
|                  | Baran-Plant                                | 3925-3950       | 3650       | +300   |
|                  | Baran-Mandi                                | -               | 3550       | -      |
|                  | BhawaniMandiJhalawar – Kota Plant Delivery | 3950            | 3700-3750  | +200   |
|                  | Jhalwar-Mandi                              | 3900            | 3600-3650  | +250   |
| Rapeseed/Mustard | Jaipur – C                                 | 3475-3480       | 3435-3440  | +40    |
|                  | Alwar – C                                  | 3350            | 3300       | +50    |
|                  | SriGanganagar                              | 2900            | 2870       | +30    |
|                  | Delhi– C                                   | 3380            | 3420-3425  | -45    |
|                  | Kota (Non-Condition)                       | 3000-3050       | 3100-3200  | -150   |
|                  | Neewai                                     | 3400            | 3400       | Unch   |
|                  | Hapur (UP)                                 | 3400            | 3385       | +15    |
| Groundnut Seed   | Rajkot                                     | 980             | 990        | -10    |
|                  | Junagarh                                   | -               | -          | -      |
| Sunflower Seed   | Gulbarga                                   | -               | -          | -      |
|                  | Latur                                      | Closed          | 3600-3750  | -      |
|                  | Solapur                                    | 3650-3800       | 3550-3725  | +75    |
| Sesame Seed      | Mumbai (White98/2/1 FM)                    | 10450           | 10450      | Unch   |
|                  | -  | -               | -          | -      |
|                  | -  | -               | -          | -      |

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          |
|---|----------------|----------------------|-------------------|-----------------|
| <b>Soybean</b>                                  |                | <b>30-04-2013</b>    | <b>30-03-2013</b> |                 |
|   | Madhya Pradesh | 827000               | 2030000           | <b>-1203000</b> |
|   | Maharashtra    | 69500                | 990000            | <b>-920500</b>  |
|   | Rajasthan      | 20400                | 274000            | <b>-253600</b>  |
|   | Bundi (Raj)    | 5000                 | 7700              | <b>-2700</b>    |
|   | Baran (Raj)    | 18700                | 50800             | <b>-32100</b>   |
|   | Jhalawar (Raj) | 11800                | 12800             | <b>-1000</b>    |
|   |                |                      |                   |                 |
| <b>Rapeseed/Mustard</b>                         | Rajasthan      | 7180000              | 4885000           | <b>+2295000</b> |
| *Soybean: 1 bag = 90 kg; RM Seed: 1 bag = 85 kg |                |                      |                   |                 |

## Rabi Sown Area - Oilseeds, India

In the last official planting report, the *rabi* oilseeds planting was reported ahead previous year's pace, as on 28 Mar 2013. Overall, the oilseeds planting were reported up by just 0.2 per cent.

Of the major rabi oilseeds crop rapeseed/mustard seed planting stood up by around 2.5 per cent at 67.53 lha compared to 65.9 lakh hectares during the same period last year. Groundnut planting was reported down by 2.2 per cent at 10.88 lakh hectares compared to 11.12 lha, sunflower planting was up by 13.6 per cent at 5.34 lha compared to 4.7 lha during the same period last year.

Area in lakh hectares

| Crop                  | As on 28 Mar 2013 | As on 28 Mar 2012 | % Change     |
|-----------------------|-------------------|-------------------|--------------|
| Rapeseed/Mustard Seed | 67.53             | 65.9              | <b>2.5</b>   |
| Groundnut             | 10.88             | 11.12             | <b>-2.2</b>  |
| Safflower             | 1.53              | 1.95              | <b>-21.5</b> |
| Sunflower             | 5.34              | 4.7               | <b>13.6</b>  |
| Sesamum               | 2.64              | 2.71              | <b>-2.6</b>  |
| Lineed                | 3.38              | 4.3               | <b>-21.4</b> |
| Other Oilseeds        | 0.69              | 1.13              | <b>-38.9</b> |
| <b>Total Oilseeds</b> | <b>92.0</b>       | <b>91.8</b>       | <b>0.2</b>   |

Source: GOI

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

## Soybean

Soybean gained primarily due to thin supplies in the domestic cash markets and relatively steady buying in the same. Besides, downward revision in Brazil's soybean outturn by the some analysts like IMEA, Informa and Conab provided the catalyst for the upturn in soybean during the month.

However, cautious Chinese buying due to bird-flu concern and Chinese cancellation of soybean deals limited the upside in soybeans, during the month.

The weak supplies followed by slow farmer selling have eventually slowed-down in the domestic crushings and the crushing units are running at below their capacity. The soybean crushers have to struggle to cover the stock needed for their daily crushing as per their unit crushing capacity, hence operations of crushing units are off and on.

However, we feel the soybean prices are likely to boost with the fresh wedding demand in edible oils.

## 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)

Soy meal prices featured gains during the month in review in conjunction with soybeans on lower supplies in beans. However, the gains were limited due to sluggish domestic poultry demand. Besides, the prices of other key feed ingredients like Bajra, Maize, mustard de-oiled cake, DCP, MBM, DRB continued to remain under pressure, consequently pressuring the soy meal.

Further, sluggish soy demand from China followed by bird-flu concern and competitive South American soy meal prices compared to the meal of Indian origin remained negative factors for the domestic soy meal.

According to the figures of the SOPA, India's soy meal export during April 2013 was 1.00 Lac tones as compared to 3.36 lac tones in the same period of previous year showing a decrease of 70.15%. This widened the disparity in domestic crush margin during the period. Overall, global usage in soy meal remained weak during the month.

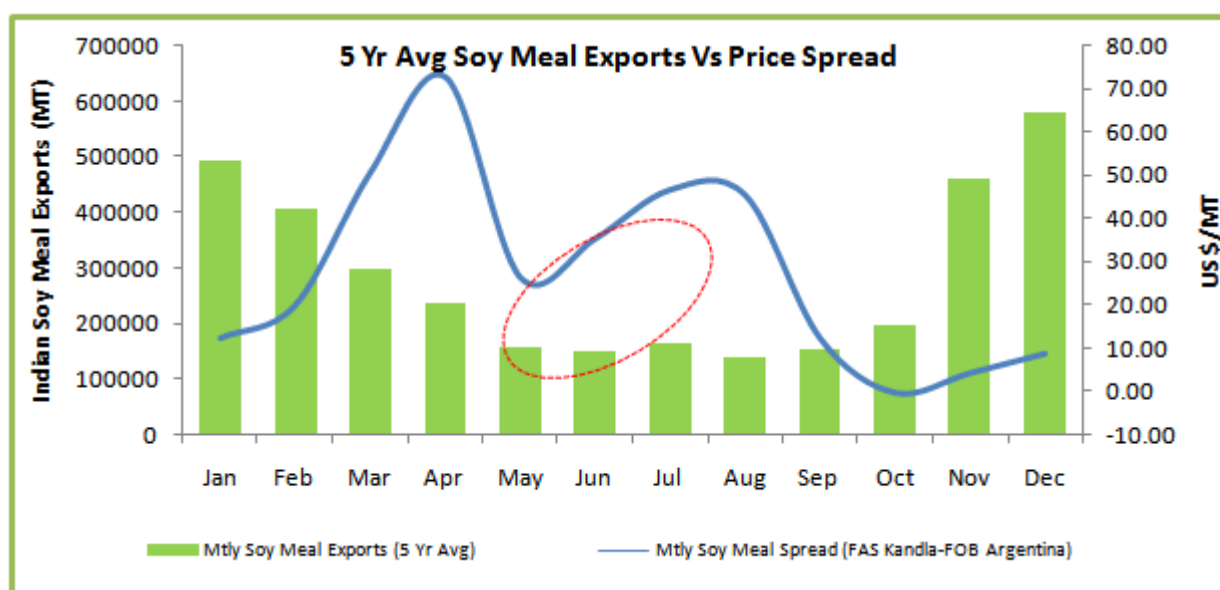
Overall demand of Soybean Meal is poor all across the world.

Indian Soybean Meal prices are not competitive in comparison to International rates. Hence, decline in exports.

During current Oil year, (October - September), exports during October 2012 to April, 2013 were 26.97 Lac tones as against 31.21 Lac tones last year, showing a decrease by 13.60%. (Source: SOPA).

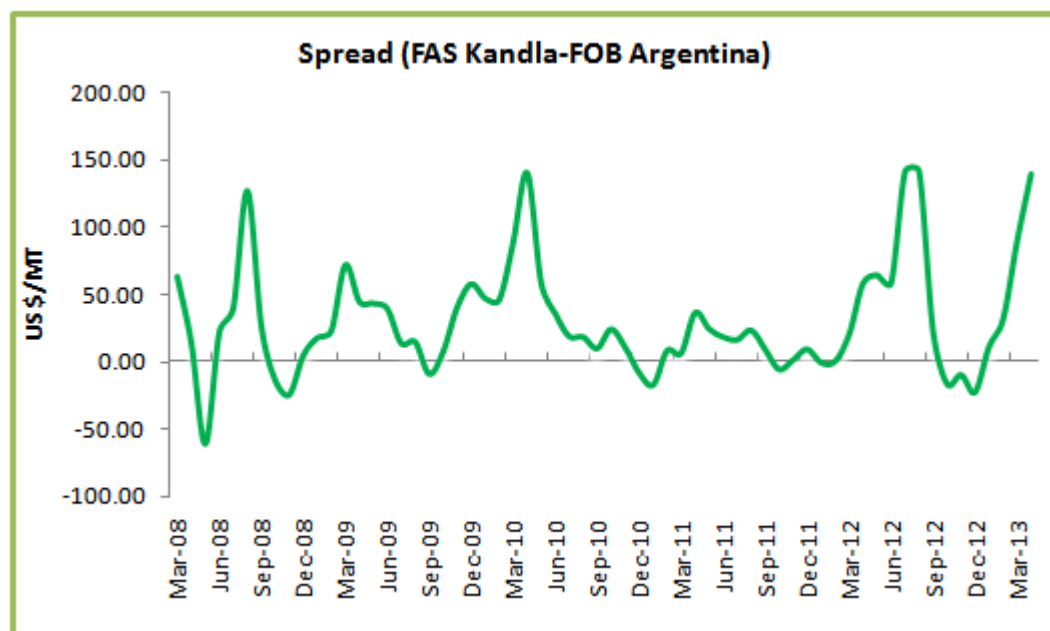
India's soy meal prices continued to get stiff competition from South American prices due to the peak supply period and improved crushings.

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.



The y-o-y fall in the India's soy meal export sales in the month of May 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 gains. Soy meal (Apr-May) exports price, in the last week of April, FOR Kandla was quoted between Rs 35,000-36,000/MT compared to 29,000-30,450/MT during the same period last year.



\*FAS, Kandla less FOB Argentina

The average monthly soy meal price spread between FAS Kandla and FOB Argentina fell and recorded at US \$ 90/MT in Mar compared to US \$32/MT Feb which translates that the Argentine soy meal prices are getting competitive against Indian meal prices. *India's soy meal exports are 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 35,000- 37,000/MT during the month -May. 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 days. 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 witness range bound movement with firm bias and witness **35000-37,500 during May and early Jun.**

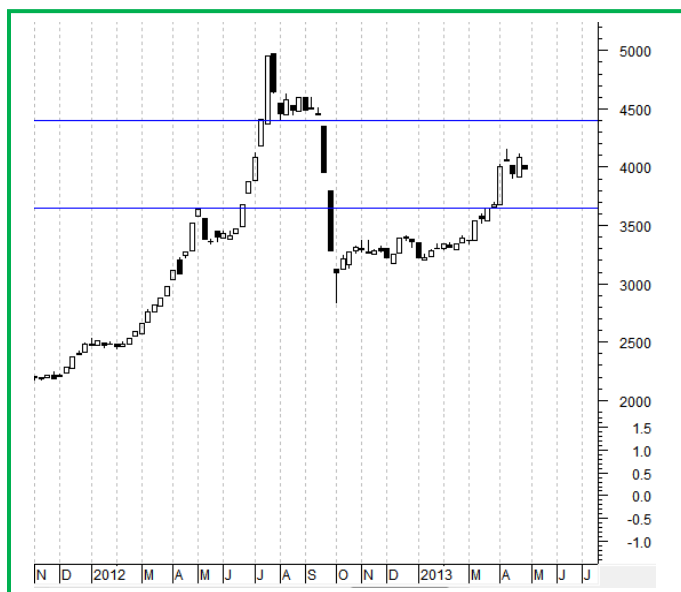
## Soybean Crush Margin

| Avg Crush Margin –<br>Apr 2013 | Avg Crush Margin<br>Mar 2013 | Avg Crush Margin –<br>Apr 2012 | Avg Crush Margin –<br>Apr 2011 |
|--------------------------------|------------------------------|--------------------------------|--------------------------------|
| -918                           | -484                         | -722                           | -876                           |

## Technical Analysis: NCDEX Soybean Futures



## Soybean Spot, Indore



\*In Rs/MT

### Supports & Resistances NCDEX Jun Soybean

| S2   | S1   | PCP  | R1   | R2   |
|------|------|------|------|------|
| 3277 | 3557 | 3837 | 4325 | 4605 |

- The candlestick chart pattern, Jun contract, points continued gain in the soybeans.
- Prices closed above 9-day and 18-day EMA, supporting the gains.
- RSI and stochastic are heading upwards in neutral zone. Indicating bullish momentum.
- MACD is rising in positive region.
- The soybean prices are expected to gain during the month.
- **Trade Recommendation (NCDEX Soybean - Jun) – 1 Month:** BUY between 3780–3800 levels.T1 – 4000; T2 - 4100; SL - 3580.

**Trade Recommendation Soybean Spot:** Prices are expected to feature range-bound movement with firm bias followed by weak domestic supplies. The prices are likely to witness 3950-4150 levels (Indore, Plant basis) during the month.

Soybean harvesting in Brazil is underway and it is ahead historical average. Besides, harvesting in Argentina is underway; this may restrict the gain in beans during May.



## Rapeseed - Mustard Seed

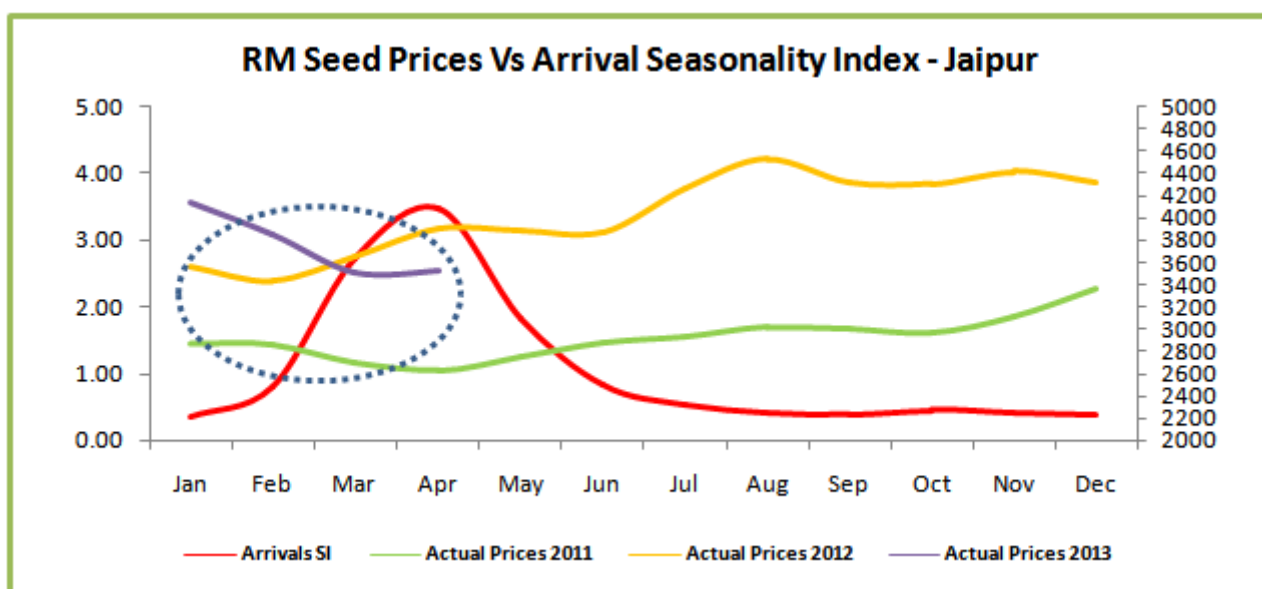
The monthly mustard seed prices slightly improved with easing seasonal supplies during the month. However, the gains were nominal due to lower than expected buying by the millers at the ruling price and in anticipation of fall in the seed prices, during the week in review. Sluggish mustard oil demand despite auspicious wedding dates and fall in BMD CPO remained negative factors for the mustard seed.

The seed supplies from Sri Ganganagar have increased in past couple of weeks, though week-on-week supplies in Rajasthan fell due to poor off-take.

We expect RM seed to gain on renewed buying to meet the fresh wedding demand.

Further, as per MPOB's report, Malaysian palm oil inventories for April fell 11 percent to 1.93 Mln. Tons from last month which will provide the catalyst for the upturn in palm oil and eventually RM seed.

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



The seed prices are expected to gain on active buying support.

### RM Seed Supply, Rajasthan

| RM Seed Arrivals in Rajasthan in Bags (85 kg each). |             |                                |
|---|-------------|--------------------------------|
| Monthly Arrivals–Apr                                | 1 Month Ago | Corresponding Period Last Year |
| 71,80,000   | 48,85,000   | 31,65,000                      |

The RM seed supplies improved in April compared to March, besides, they were higher compared to the corresponding period last year.

## 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 Jun RM Seed

| S2   | S1   | PCP  | R1   | R2   |
|------|------|------|------|------|
| 3254 | 3380 | 3505 | 3673 | 3840 |

- Candlestick chart pattern, Jun contract, reveals volatility in the market.
- Prices closed below 9-day and 18-day EMA.
- MACD is easing in positive territory.
- RSI and stochastic are slightly easing in neutral zone, supporting the losses.
- Trade Recommendation (NCDEX RM SEED – Jun) – 1 Month: SELL between 3550–3560 levels. T1 – 3420; T2 - 3370; SL - 3623.

**Trade Recommendation RM Seed Spot (Jaipur basis):** In spot the RM seed prices are expected to feature range-bound movement with weak-bias on sluggish buying in May and market to trade in the 3400– 3600 levels during the month.

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