

Executive Summary

Mixed trend featured in the domestic oilseeds and oilmeals during the week in review. Soybean prices slightly improved on buying and gains in CBOT. However, soy meal edged-lower on weak export sales in association with poor domestic demand. Further, RM seed fell followed by continued pressure from weak Malaysian palm oil – BMD CPO.

Slow selling in both soybean and RM seed is featured due to lower quotes. Limited buying from solvent extractors/millers was witnessed followed by poor crushings due to steady to weak demand in edible oils and meals.

Soy meal prices featured mild losses due to lower overseas demand and weak demand from poultry feed industry due to lower poultry production this winter.

RM seed planting is underway and it is reported about 3 per cent compared to the corresponding period last year. We feel the final planting figure of RM seed to be higher by 3- 5 per cent from previous season.

The Mustard crop is at seed development stage in Rajasthan and it is in branching and flowering stage in Uttar Pradesh. There are no reports of crop loss or damage due to any adverse weather condition in the major growing states.

A Chinese agency released trade statistics during the wee and reported that domestic crushers bought a total of 1.8-1.98 million tonnes of soybeans from top three exporters in the last week compared to 1.2 million tonnes normally, proved bullish for soybean. However, favourable South American weather for soybean crop remained slightly bearish.

The Malaysian palm oil stock at end- December reached all-time high of 2.63 Mn T. China continued to be cautious in edible oil buying with strong food quality control measures consecutive second week. Further, the palm oil production estimates in Malaysia and Indonesia is above or near normal. Besides, India's announcement of imposing import tax of 2.5 per cent on crude edible oils remained negative for the palm oil exporters but positive for the domestic oilseeds.

Overall, the bearish factors have gripped the market and will continue to pressure the oilseeds and meal market in near-term.

International Highlights

- ❖ The Indian government has imposed an import duty of 2.5 per cent on crude edible oils. However, the import duty on refined edible oils has been kept unchanged at 7.5 per cent. The decision was taken to protect the farmer's interests as Malaysia, world's no.2 palm oil producer removed export duty on its crude palm oil from 1st Jan, 2013.
- ❖ World soybeans markets have softened over the month as early pressure from improved weather conditions in Argentina and Brazil was only partly offset by recent speculative fund buying, strong export demand and renewed concerns about dryness in parts of South America. Record crops in the region underpin the forecast for a recovery in global inventories – (Source: IGC).
- ❖ World soybean markets weakened in the past month with the GOI sub-Index posting a 6% m/m decline. – (Source: IGC).
- ❖ World soybean production is projected slightly higher, at a record 271m t, with the 14% y/y expansion entirely reflecting a heavy rise in South American output – (Source: IGC).
- ❖ The projected recovery in global end-season stocks will be led by increases in the major exporters, especially Brazil, while world trade is set to expand by 5%, driven by China – (Source: IGC).
- ❖ Global rapeseed/canola 2012/13 output is forecast to decline by 3% y/y to a four-year low; high prices and smaller export availabilities are expected to significantly restrict trade – (Source: IGC).
- ❖ December NOPA crush came in at 159.9 million bushels, which was slightly below market estimates of 161 but higher than the November estimate of 157.3. Crush for the same period last year totaled 145.42 million bushels
- ❖ Brazil's 2013/14 soybean production estimates are varying between 80.4 Mn T to 84.0 Mn forecasted by various analysts in recent days.
- ❖ Brazil's exports of soybeans and products were reportedly smaller in the first half of January owing to the very small stocks of old-crop soybeans. In Brazil soya meal consumption fell by 0.4 Mn T in calendar year 2012. Besides, the slow pace of farmer selling in Argentina is of concern for domestic crushers.

Oilseed Prices at Key Spot Markets:

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		18.01.2013	11.01.2013	
	Indore –Plant	3260-3320	3200-3260	+60
	Indore –Mandi	3170-3260	3100-3180	+80
	Nagpur-Plant	3250	3150	+100
	Nagpur – Mandi	3100-3200	3040-3125	+75
	Kota-Plant	3250	3250	Unch
	Kota – Mandi	3150-3200	3150	+50
	Bundi-Plant	3260-3290	3230-3250	+40
	Bundi-Mandi	3070-3160	3070-3100	+60
	Baran-Plant	3300	3200	+100
	Baran-Mandi	3200	3140-3150	+50
	Bhawani MandiJhalawar– Kota Plant Delivery	3300	3225	+75
	Jhalawar-Mandi	3175-3225	3125-3150	+75
Rapeseed/Mustard	Jaipur – C	4120-4125	4175-4180	-55
	Alwar – C	3950	4000	-50
	SriGanganagar(NC)	3690	3760	-70
	Delhi– C	4040-4045	4120-4125	-80
	Kota	3750	3750-3850	-100
	Neewai	4050	4150	-100
	Hapur (UP)	4110	4125	-15
Groundnut Seed	Rajkot	1050	1020	+30
	Junagarh	-	-	-
Sunflower Seed	Latur	3500-3600	3450-3600	Unch
	Solapur	3500-3600	3450-3600	Unch
	Gulbarga	3200-3500	3200-3300	+200

Soybean Prices are in INR/Qtl. Mandi prices – Loose, Mustard Seed Prices are in INR/Qtl.C – Condition (42%),

*Groundnut seed inRs/20 kg, Sunflower Seed in Rs/Qtl

Oilseed Arrivals in Key Centers:

Commodity	Centre	Arrivals in Bags/Qtl		Chg
Soybean		Week End (18/01/2013)	Week End (11/01/2013)	
	Madhya Pradesh	675000	785000	-110000
	Maharashtra	250000	300000	-50000
	Rajasthan	95000	120000	-25000
	Bundi (Raj)	2300	4700	-2400
	Baran (Raj)	17000	28000	-11000
	Jhalawar (Raj)	2300	7300	-5000
Rapeseed/Mustard	Rajasthan	190000	252000	-62000
*Sum Arrivals during the week.				

Crop Progress, India

The *rabi* oilseeds planting is progressing and it is heading ahead previous year's pace. Overall, the oilseeds planting are up by 2.2 per cent.

Of the major *rabi* oilseeds crop rapeseed/mustard seed planting is up by around 2.8 per cent at 67.04 lha compared to 65.23 lakh hectares during the same period last year. Groundnut planting is reported up by 14 per cent at 7.64 lakh hectares compared to 6.71lha, sunflower planting is up by 15 per cent at 4.73 lha compared to 4.12 lha during the same period last year.

Area in lakh hectares

Crop	As on 17 Jan 2013	As on 17 Jan 2012	% Change
Rapeseed/Mustard Seed	67.04	65.23	2.8
Groundnut	7.64	6.71	13.9
Safflower	1.49	1.92	-22.4
Sunflower	4.73	4.12	14.8
Sesamum	0.57	0.65	-12.3
Lineed	3.29	4.14	-20.5
Other Oilseeds	0.61	0.74	-17.6
Total Oilseeds	85.4	83.5	2.2

Source: GOI

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

Soybean

Soybean prices slightly improved on decline in arrivals in the key market centers and supportive CBOT soybeans during the week in review. However, the gains were limited followed by weakness in Malaysian palm oil.

Slow farmer's selling was evident due to lower quotes in the absence of aggressive buying. Weak soy meal export sales and lower domestic soy meal usage is attributed to the weak crushings during the period.

Thoughts that China has secured additional cargos during the week helped to support along with a drier forecast for Argentina and Southern Brazil. Northern Brazil continues to see beneficial rainfall but scattered showers in Mato Grosso slightly delayed harvest activity during the week.

Strong domestic crush demand and explosive export sales data continues to add underlying support to the market. A Chinese agency released trade statistics overnight and reported that domestic crushers bought a total of 1.8-1.98 million tonnes of soybeans from the US, Brazil, and Argentina in the last week compared to 1.2 million tonnes normally. Stronger domestic crush margins helped to boost purchases from all the major world suppliers.

Scattered showers are forecast in areas of Northern Brazil. There is a chance for light showers in areas of Argentina during the week but confidence is low at this point. Harvest has begun in Mato Gross but light showers are delaying progress in some areas.

The domestic bean market is expected to feature range-bound movement during the week in view of mixed reaction and developments in the international soybean and weak soy meal export sales of Indian origin.

Soy meal- FAS Kandla Vs FOB Argentina (Spread)

Soy meal prices failed to move up despite some gains in soybean. Weak export sales in the meal of and lower domestic demand from the feed industry remained negative factors for the meal of Indian origin. The soy meal prices are likely to feature range-bound movement with weak bias, in near-term.

The soy meal prices of South America is getting competitive as compared to India's in the international market and eventually the demand shift towards Brazil and Argentina is evident, hurting the Indian meal exports.

Brazil has already started harvesting it's soybean crop and Argentina is expecting to harvesting it in February.

No active activity featured in the Indian ports for soy meal shipment, the activities were sluggish during the week.

India's exports of soy meal during December, 2012 was 5,10,698 tones as compared to 7,78,382 tones in December, 2011 showing a fall by 34.39% over the last year.

South and Far East Asian countries remained the major buyers of Indian soy meal.

However, India's Y-o-Y soy meal prices have witnessed gains. Soy meal (Jan-Feb) exports price, FOR Kandla exports was quoted between Rs 27,800 - 28,500/MT compared to 17,800-18,400/MT during the same period last year. Indian

C&F Indonesia was between US \$ 532-545/MT which was quoted between US \$376-378/MT during the same period last year.

Week	FAS, Soy meal Kandla	FOB, Soy meal Argentina	Avg.*Spread
12 – 18 Jan	509	500	9
05 – 11 Jan	508	497	11

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

The average weekly soy meal price spread between FAS Kandla and FOB Argentina stood at US at \$09/MT compared to US \$11/MT a week ago, indicating a widening gap in prices between Indian and Argentine 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.

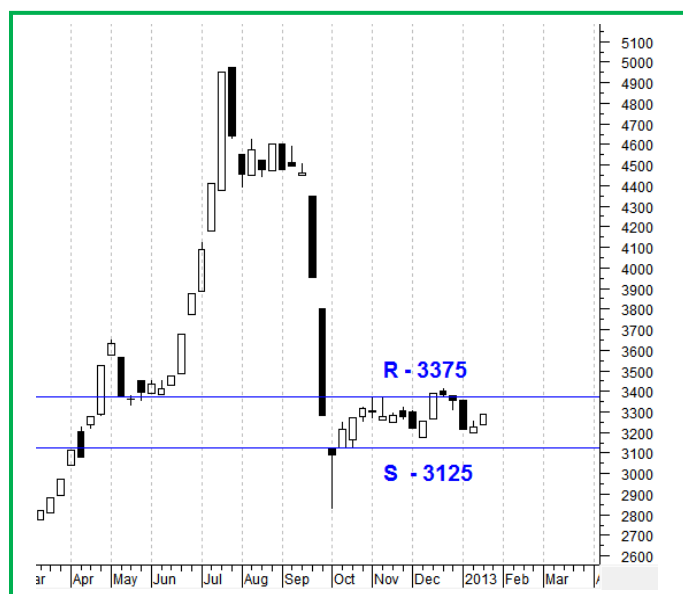
Recommendation: The Indian meal exporters are advised to aggressively market their meal to the countries in vicinity including traditional South and Far-East Asian destinations to materialize the freight and logistics advantage. The prices are expected to feature range-bound movement on weak bias due to decline in overseas and domestic demand. FOR, Kandla is likely to be between 28300-29500/MT.

Technical Analysis:

NCDEX Soybean Futures



Soybean Spot, Indore



Supports & Resistances NCDEX Feb Soybean				
S2	S1	PCP	R1	R2
3070	3130	3238	3288	3336

- The soybean prices witnessed gains during the week.
- However, the prices closed below 9-day and 18-day EMA, indicating weakness in near-term.
- Further, RSI is heading upwards in neutral region, supporting the gains.
- MACD is rising in negative territory, indicating bullish tone.
- Prices are expected to gain during the week.
- **Trade Recommendation (NCDEX Soybean – Feb) – 1 Week:** BUY between 3210-3220 levels.T1 – 3260; T2 –3280 ; SL -3192.

Trade Recommendation Soybean Spot: We feel the soybean prices to feature mild recovery in the prices. The prices are likely to move within the price band of 3280-3360 levels (Indore, Plant basis).

Rapeseed - Mustard Seed

RM seed extended losses on weak demand from crushers and bearish international palm oil outlook, during the week in review. Announcement of zero export duty by Malaysia on crude palm oil consecutive second month and slash in export duty in the same by Indonesia to 7.5 per cent from 9 per cent have made palm oil imports cheaper and thus leading pressure on domestic Rape/Mustard seed.

Slow farmer's selling followed by lower quotes and weak millers demand in anticipation of further fall in the prices lead to limited buying in the seed.

The RM seed planting is ahead previous year's pace. The planting is up 3 per cent compared to the corresponding period last year. Reportedly, rapeseed/mustard seed sowing (as on 17 Jan 2013) at 67.04 lha compared to 65.23 lakh hectares during the same period last year.

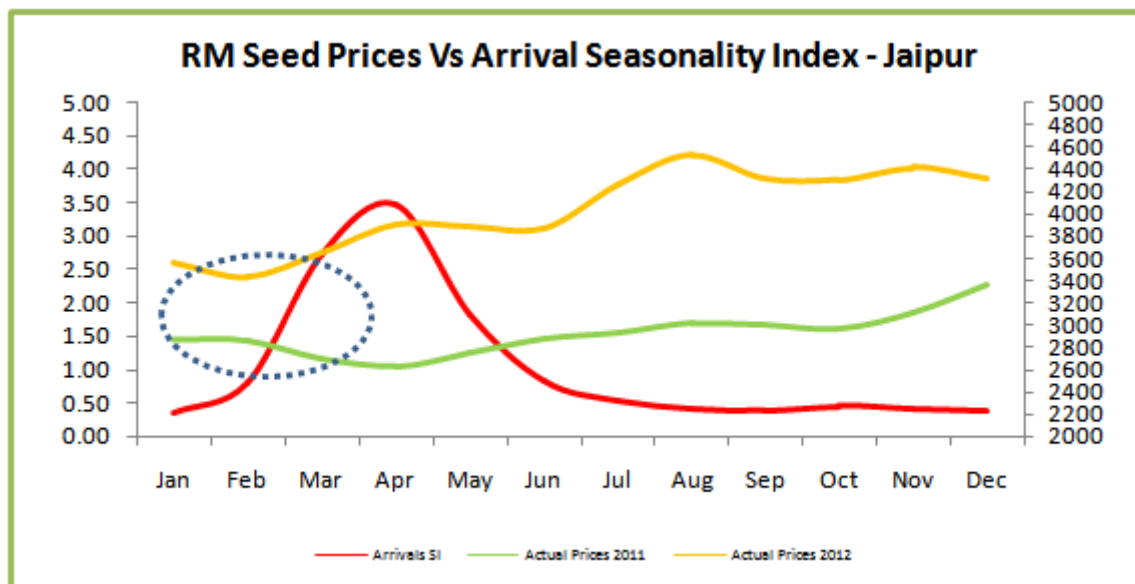
In Rajasthan the mustard crop is in seed development stage, it is in branching and flowering stage in western Uttar Pradesh. The crop is in pod development stage in Madhya Pradesh, Punjab and Gujarat. In West Bengal the crop is in flower to pod formation stage.

Indian palm oil purchases reached 628,618 tons in December, an increase of 44% from a year earlier, whereas refined palm purchases rose 28% to 137,475 tons after a decline in prices stoked demand, the Solvent Extractors Association of India said in a statement.

Reportedly, the edible oil stocks at Indian ports totaled 1.46 million tons as of Jan. 1.

Though India's announcement of import duty of 2.5 per cent on crude palm oils will slightly discourage the CPO imports and lent support to the domestic RM seed, but it is expected to be for short-term, as the palm oil prices in

international market will be still cheaper to import. Besides, Malaysian palm oil stockpiles at end-December reached an all-time high of 2.63 million tons will still be bearish for domestic oilseeds and oils in near-term



RM Seed Supply, Rajasthan

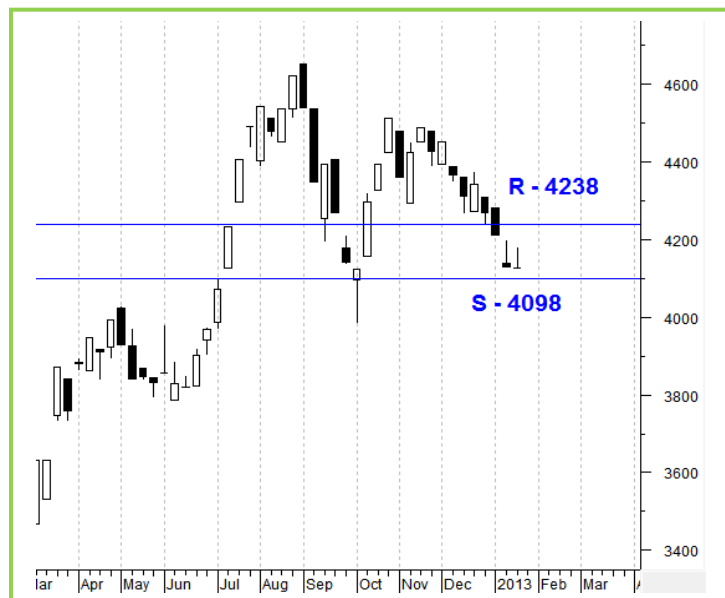
RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Weekly Arrivals	Week Ago	Corresponding Week Last Year
1,90,000	2,52,000	2,05,000

Technical Analysis:

NCDEX RM Seed Futures



RM Seed Spot, Jaipur



Supports & Resistances NCDEX Apr RM Seed				
S2	S1	PCP	R1	R2
3387	3420	3454	3490	3527

- Candlestick chart pattern reveals continued fall.
- Prices closed below 9-day and 18-day EMA, indicating weakness in near term.
- RSI is easing in neutral region, supporting the losses.
- MACD is easing in positive territory, indicating persistence of weakness. The prices are likely to ease during the week.
- **Trade Recommendation (NCDEX RM SEED - Jan) – 1 Week:** SELL between 3465- 3475 levels. T1 – 3420; T2 –3380; SL -3495.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot the RM seed prices are expected to feature range bound movement with weak bias, in near term. Higher Malaysian palm oil stocks and estimated rise in the palm oil output this season. The prices are likely to move between price bands of 4120 – 4180 level in near term.

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