

## Executive Summary

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The domestic oilseeds and oilmeals featured weak tone pressured by global and domestic fundamentals during the week in review.

Soybean and meal prices featured mild losses due to weak export sales in soy meal cheaper availability of palm oil in the market. Expected higher soybean production in South America and overall forecast of favourable weather for soybean crop in the region restricted the gains in the international soybean market.

Besides, commencement of early mustard crop harvest in key growing regions of Uttar Pradesh and weak export sales in soy meal remained bearish for the bean, RM seed and soy meal during the period.

Weak overseas demand in soy meal of Indian origin, this season, continued to remain a negative factor for domestic soy meal and bean. The South American soy meal prices are getting competitive against the Indian meal with the commencement of Brazilian crop harvest and better output prospects this season. The international meal prices fell in recent weeks leading to price pressure on Indian soy meal.

The RM seed is reeling under pressure, this week mainly due to the commencement of new and early crop arrivals in some key growing belts of Uttar Pradesh, though the supplies are quite small which is likely to gradually pick-up in coming days. Besides, higher palm oil inventories with the key palm oil producing countries and lower export duty made the availability of palm oil cheaper in the international market.

Besides, the RM is planting is up by 3 per cent compared to the same period last year. Further, the standing crop is in good condition and there are no reports of crop damage or loss due to any adverse weather conditions. Mild losses were reported due to cold waves in some parts of Rajasthan and Uttar Pradesh.

However, dry weather in Argentina and harvesting delays in Brazil due to intermittent rains over key growing states will shift soybean demand to US and boost the soy prices in CBOT. Overall, the weather is favourable for South American soy crop.

Cargo surveyor Intertek Agri Services reported January palm oil exports fell 7% from a month earlier to 1.46 million tons while another surveyor SGS (Malaysia) Bhd, put shipments at 1.42 million tons, a decline of 6.4%.

However, Malaysian palm oil exports in the second half of Jan have improved significantly compared with the first 15 days of January. So it is likely, palm oil exports could recover in the coming weeks and help to flush out excess stockpiles (from Malaysia) next month.

In yet another development, India has allowed overseas sale of edible oils without any volume restrictions, a move taken to cater to the small expatriate appetite for cooking oils.

The minimum export price of these will be \$1,500 per tonne. The decision will pave the way for exports of cooking oils such as groundnut and sesame, but other oils, including coconut and sunflower, are currently selling below that level. The sale of cooking oils in branded small packs has been allowed until Sept. 30, 2013.

Overall, favourable weather condition for South American soybean crop, higher palm oil inventory with major palm oil producing countries and higher area coverage in RM seed and commencement of early crop supplies in the few cash markets will pressure the domestic oilseeds and meal market for short-term.

## International Highlights

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- ❖ Argentina's soybean crushings were reported at 1.96 Mn T for December, near Oil World's estimate and confirming a steep decline by 0.9 Mn T from a year earlier.
- ❖ As per reports of Safras & Mercado, Brazil's 2012/13 soy harvest, which is under way, should turn out around 84.7 million tonnes of the oilseed, raising their forecast from a December estimate of 84.3 million tonnes. The forecast is for 2 million tonnes more than the official government estimate of 82.7 million tonnes, but achieving either figure would mark a record and propel Brazil to rank as the top world soy grower, outpacing the United States.
- ❖ Weather outlook for Argentina continues to look dry over a couple of week weeks with the exception of a rain event at the end of this week which will be closely monitored. Brazil conditions continue to be mostly favorable but delays to the harvest in Mato Grosso is causing vessel lineups in the ports which could shift spot demand back to the US. This could be supportive short term to the market.
- ❖ According to the Oil World, the combined imports of soybeans and soya meal of China, Japan, South Korea and Thailand fell by 4.7% to 14.1 Mn T in Oct/Dec 2012.
- ❖ Argentine farmers have sold only an estimated 10% of their expected crop so far. The sales will pick up considering better Chinese buying this season.

**Oilseed Prices at Key Spot Markets:**

Commodity	Centre	Prices (Rs/Qtl)		Change
<b>Soybean</b>		<b>01.02.2013</b>	<b>25.01.2013</b>	
	Indore –Plant	3290-3325	3275-3315	<b>+10</b>
	Indore –Mandi	3180-3260	3150-3250	<b>+10</b>
	Nagpur-Plant	3250	3240	<b>+10</b>
	Nagpur – Mandi	3100-3200	3075-3200	<b>Unch</b>
	Kota-Plant	3250	3300	<b>-50</b>
	Kota – Mandi	3175-3200	3200	<b>Unch</b>
	Bundi-Plant	3310-3315	3300	<b>+15</b>
	Bundi-Mandi	3200	3100-3220	<b>-20</b>
	Baran-Plant	3260	3340	<b>-80</b>
	Baran-Mandi	3180-3190	3200	<b>-10</b>
	Bhawani MandiJhalawar– Kota Plant Delivery	3300	3300	<b>Unch</b>
	Jhalawar-Mandi	3175-3200	3175-3200	<b>Unch</b>
<b>Rapeseed/Mustard</b>	Jaipur – C	3925-3930	4125-4130	<b>-200</b>
	Alwar – C	3850	3950	<b>-100</b>
	SriGanganagar(NC)	3440	3610	<b>-170</b>
	Delhi– C	3875-3880	3975-3980	<b>-100</b>
	Kota	3500-3600	3650-3700	<b>-100</b>
	Neewai	3850	4020	<b>-170</b>
	Hapur (UP)	3950	4115	<b>-165</b>
<b>Groundnut Seed</b>	Rajkot	1030	1050	<b>-20</b>
	Junagarh	-	-	-
<b>Sunflower Seed</b>	Latur	3500-3625	3500-3600	<b>+25</b>
	Solapur	3500-3625	3500-3600	<b>+25</b>
	Gulbarga	-	3200-3400	-

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 (01/02/2013)	Week End (25/01/2013)	
	Madhya Pradesh	675000	685000	-10000
	Maharashtra	230000	205000	+25000
	Rajasthan	100000	125000	-25000
	Bundi (Raj)	2500	5000	-2500
	Baran (Raj)	20500	21000	-500
	Jhalawar (Raj)	7300	4500	+2800
Rapeseed/Mustard	Rajasthan	245000	245000	Unch
*Sum Arrivals during the week.				

## Crop Progress, India

The *rabi* oilseeds planting is underway and it is progressing ahead previous year's pace. Overall, the oilseeds planting are up by 2 per cent.

Of the major *rabi* oilseeds crop rapeseed/mustard seed planting is up by around 3 per cent at 67.17 lha compared to 65.35 lakh hectares during the same period last year. Groundnut planting is reported up by 11.2 per cent at 8.11 lakh hectares compared to 7.29 lha, sunflower planting is up by 13 per cent at 4.89 lha compared to 4.32 lha during the same period last year.

Area in lakh hectares

Crop	As on 31 Jan 2013	As on 31 Jan 2012	% Change
Rapeseed/Mustard Seed	67.17	65.35	2.8
Groundnut	8.11	7.29	11.2
Safflower	1.51	1.93	-21.8
Sunflower	4.89	4.32	13.2
Sesamum	0.6	0.72	-16.7
Lineed	3.32	4.18	-20.6
Other Oilseeds	0.64	0.83	-22.9
<b>Total Oilseeds</b>	<b>86.2</b>	<b>84.6</b>	<b>1.9</b>

Source: GOI

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

## Soybean

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Soybean featured steady to weak tone during the week in review. Availability of cheaper palm oil in the international market and higher inventory in the same with the major exporting countries remained bearish for the beans.

But, harvesting delay in Brazilian soybean due to intermittent rains and demand shift to US along with improved edible oil buying in domestic market restricted the losses.

Further, concerns about dry weather in major soy exporter Argentina and talk that shipping issues in Brazil will likely limit the country's ability to ship soy supplies in the near term helped fuel gains in palm oil.

The USDA reported that US exporters sold a total of 395,000 tonnes of US soybeans to China, during the week, for the 2013/14 marketing year.

Net US weekly soybean export sales came in at 386,000 tonnes for the current marketing year and 867,000 for the next marketing year for a total of 1,253,000. The old crop sale pace is showing signs of slowing but the 2013/14 sales pace remains explosive which is helping the new crop soybean contracts gain on old crop. As of January 24th, cumulative soybean sales stand at 91% of the USDA forecast for the current marketing year vs. a 5 year average of 77%. Sales of 102,000 tonnes are needed each week to reach the USDA forecast.

No aggressive buying, in the cash market, reported in soybean by the solvent extractors and crushings remained steady in the absence of any fresh overseas meal demand.

However, expected improved wedding demand edible oil will push up the purchases in beans from solvent extractors. Government's levy of import duty on crude edible oils and slight delay in Brazilian soybean shipments will prove to be positive factors for short-term. However, bearish International palm oil outlook will limit the gains in domestic soybeans.

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

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Soy meal prices edged-lower followed by sluggish overseas meal demand and subsequently fall in crushings. Besides, the South American prices are getting competitive with the commencement of Brazilian soybean harvest and expected higher production in Latin America this season remained bearish for domestic soy meal exports.

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.

The market is expecting the January soy meal exports reports expected this week. India exported around 474,993 MT of soy meal in Jan 2012. India is unlikely to export the volume it shipped a year ago, mainly due to lower overseas demand.

Delay in Brazilian soybean harvesting due to rains over key growing states during the week has disrupted the soy shipments out of Brazil and demand shift towards US was evident during the period lending support to CBOT soybeans.

However, India's Y-o-Y soy meal prices have witnessed gains. Soy meal (Feb-Mar) exports price, FOR Kandla exports was quoted between Rs 28,350- 28,500/MT compared to 18,300-18,600/MT during the same period last year.

C&F Indonesia was between US \$ 545-550/MT which was quoted between US \$395-400/MT during the same period last year.

Week	FAS, Soy meal Kandla	FOB, Soy meal Argentina	Avg.*Spread
<b>26 Jan – 01 Feb</b>	519	511	<b>8</b>
<b>19 – 25 Jan</b>	517	498	<b>19</b>

\*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 \$8/MT compared to US \$19/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 feature range-bound movement between the price band of Rs.28300-28500/MT.*

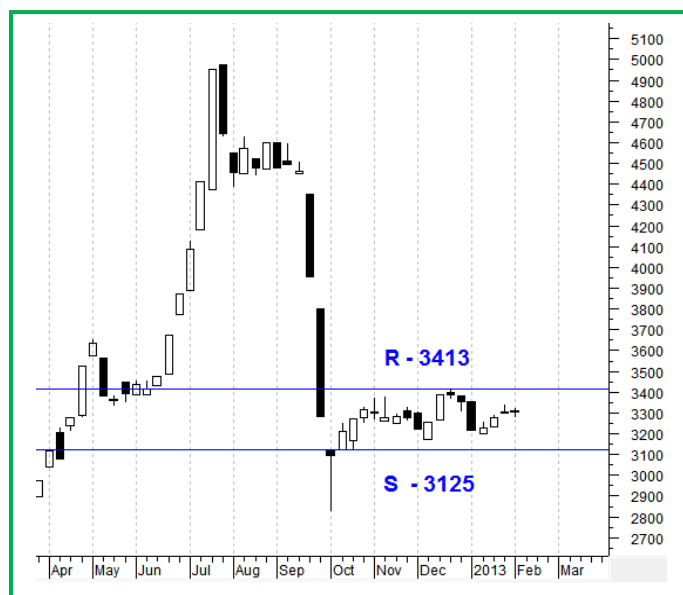
India's the exports are unlikely to pick-up due to competitive South American soy meal prices but the meal prices are likely feature mild gains on improved wedding buying in soybean boosting the it's prices.

## Technical Analysis:

### NCDEX Soybean Futures



### Soybean Spot, Indore



### Supports & Resistances NCDEX Mar Soybean

S2	S1	PCP	R1	R2
3108	3045	3254.5	3315	3367

- The soybean prices witnessed gains during the week.
- The prices closed above 9-day and 18-day EMA, indicating firm tone in near-term.
- Further, RSI and stochastic are 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 – Mar) – 1 Week:** BUY between 3240-3250 levels.T1 – 3300; T2 –3350 ; SL -3217.

**Trade Recommendation Soybean Spot:** We feel the soybean prices to feature steady tone in near-term - WEEK. The prices are likely to move within the price band of 3290-3340 levels (Indore, Plant basis).

## Rapeseed - Mustard Seed

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The RM seed plunged on weak buying from millers during the week in review. Expected higher area coverage under RM seed and better production prospects this season remained bearish for the seed this week. Besides, sluggish demand in mustard oil has weighed on the seed prices during the week.

The RM seed planting is ahead previous year's pace. The planting is up about 3 per cent compared to the corresponding period last year. Area coverage under rapeseed/mustard seed (as on 31 Jan 2013) stood at 67.17 lha compared to 65.35 lakh hectares during the same period last year.

In yet another development, India has allowed overseas sale of edible oils without any volume restrictions, a move taken to cater to the small expatriate appetite for cooking oils.

The minimum export price (MEP) of these will be \$1,500 per tonne. The decision will pave the way for exports of cooking oils such as groundnut and sesame, but other oils, including coconut and sunflower, are currently selling below that level. The sale of cooking oils in branded small packs has been allowed until Sept. 30, 2013.

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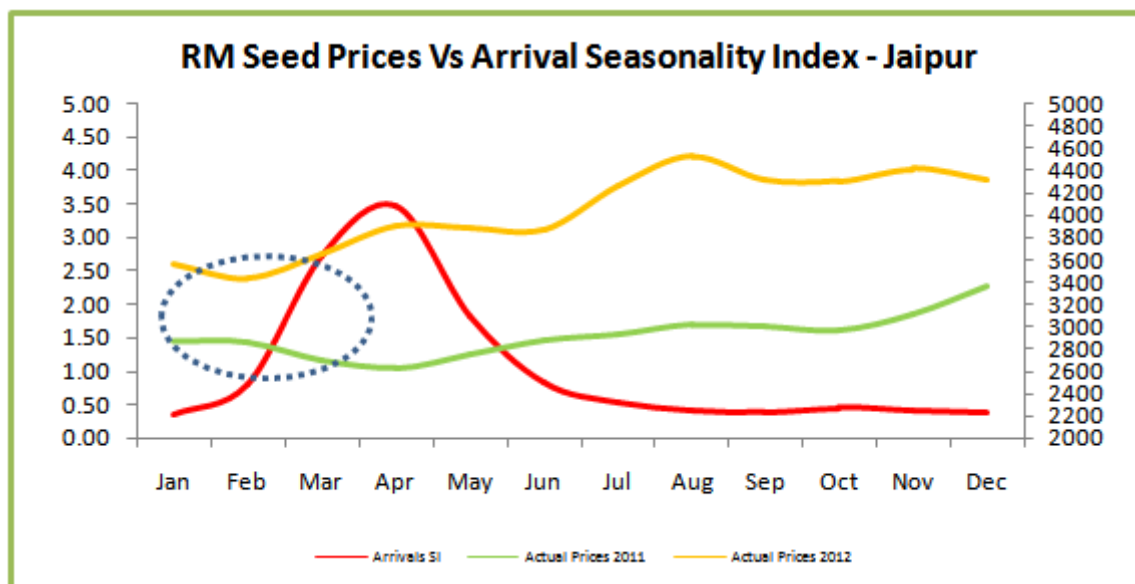
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In Rajasthan the mustard crop is in seed development stage and low intensity of aphids in mustard crop was noticed. The crop is in flowering and pod formation stage in western Uttar Pradesh, aphids in the crop noticed. The crop is in pod development stage in Madhya Pradesh, Punjab and Gujarat. In West Bengal the crop is in pod maturity to development stage. No major pests/diseases were noticed or crop loss/damage reported due to adverse weather.

Higher coverage area under RM seed and expected bumper mustard crop this season is likely to pressure the seed market in near-term. Any bullish news in Malaysian palm oil especially on exports will lend support to the BMD CPO and eventually spillover support to the domestic RM seed, which closely tracks BMD CPO. We feel the Malaysian palm oil exports to improve in the month of February and lend some support to the domestic RM seed.





### RM Seed Supply, Rajasthan

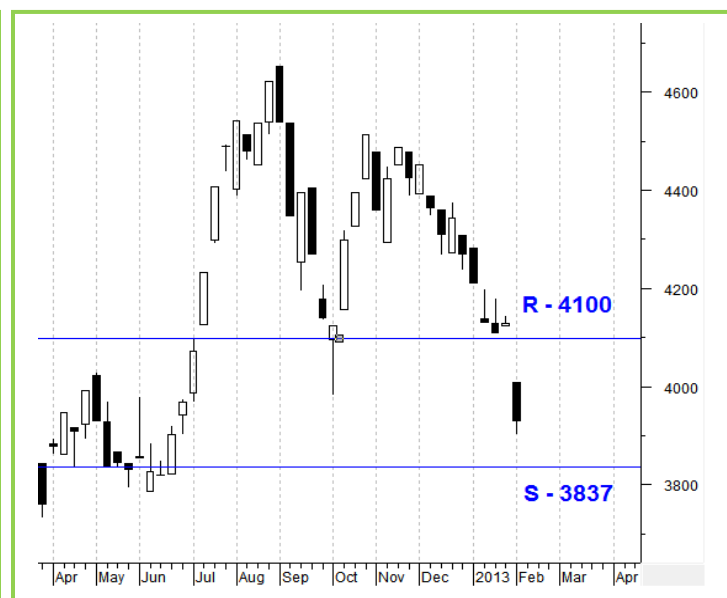
RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Weekly Arrivals	Week Ago	Corresponding Week Last Year
2,45,000	2,45,000	1,53,000

### Technical Analysis:

#### NCDEX RM Seed Futures



#### RM Seed Spot, Jaipur



Supports & Resistances NCDEX Apr RM Seed				
S2	S1	PCP	R1	R2
3402	3438	3472	3518	3562

- Candlestick chart pattern reveals side-ways movement in the prices.
- Prices closed below 9-day and 18-day EMA, indicating weakness in near term.
- RSI is flattering while stochastic is easing in neutral region, pointing indecision in the market.
- **NCDEX RM SEED - Apr) – 1 Week:** BUY between 3465- 3475 levels. T1 – 3510; T2 –3550; SL -3490.

**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, on early crop arrival and higher Malaysian palm oil stocks and estimated rise in the palm oil output this season. The prices are likely get pressure and are likely to witness 3900 – 3920 level in near term.

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