

Executive Summary

The domestic oilseeds and oilmeals rebound on supportive international benchmark and fresh wedding buying during the week in review.

Renewed overseas soy meal demand and stronger US dollar against remained supportive for meal exporters and solvent extractors resulting boost in soybean crushing and eventually lending upward price support to the bean during the week.

Besides, weather stress in major soybean growing regions of South America raised concerns about the soy crop and lifted prices, widening its differential to palm oil. Palm oil is currently offered \$300-336/ton in the international market, cheaper to soyoil.

Rains over key Brazil's soybean growing regions have delayed the harvesting in association with reports of port congestion in Brazil remained bullish for the CBOT soybeans. However, soybean harvesting in Paraguay have proceeded well with 45% of the area done so far, as reported by Oil World.

Apart from it, the downward revision in Argentine soybean output this season from earlier estimates by various analysts due to unusually dry weather condition remained positive for the international bean market.

RM seed prices too edged-up tracking gains in Malaysian palm oil, the domestic oilseeds complex closely tracks the BMD CPO. Palm oil prices in the benchmark, BMD, were mostly higher during the week in review due to optimism that export demand could go up for the oil.

The vegetable oil's wide price discount to rival soyoil has encouraged "some substitution from expensive soy," a broker in Singapore said.

Market participants are looking forward to January crop data by the Malaysian Palm Oil Board, due Feb. 13. Stockpiles are tipped to ease a tad from December's all-time high of 2.63 million tons, as export demand has recovered.

Palm oil Inventories in Jan are likely to reached 2.60 million tons, a modest 1.1% drop from a month earlier, while overall palm oil output probably fell 15% to 1.51 million tons, in line with seasonally lower yields and as heavy rain slowed harvesting activities.

Weather stress in South America, which is leading to a harvest delay in Brazil due to rains in the key growing regions and decline in soybean yield potential in Argentina's crop will prove positive for the international soybeans. The scenario has already lead to shift in the soybean demand to US boosting the CBOT soy complex.

Besides, fresh overseas demand in soy meal and subsequently improved crushing in beans will be positive for domestic soybean. However, expected higher coverage in area under RM seed this season will be slightly bearish for the seed.

The USDA report is considered neutral to slightly negative against traded estimates as Brazil soybean production came in well above expectations, while Argentine production is trimmed in the report. Overall, mixed sentiments will keep the oilseeds complex range bound to slightly firm during the week.

International Highlights

- ❖ In the latest USDA report, the global oilseed production for 2012/13 is projected at 466.9 million tons, up 1.1 million from last month - USDA.
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- ❖ Global soybean production is raised fractionally to 269.5 million tons as improved production prospects in Brazil offset deteriorating conditions in Argentina - USDA.
- ❖
- ❖ Soybean production for Brazil is projected at a record 83.5 million tons, up 1 million from last month due to higher yields resulting from improved moisture in the center-west - USDA.
- ❖
- ❖ Prospects for the Argentina soybean crop have diminished in recent weeks due to an extended period of dry weather. As a result, the crop is projected at 53 million tons, down 1 million from last month. Global sunflowerseed production is projected at 36.4 million tons, up 0.5 million due to gains for Russia and Kazakhstan. Other changes include increased peanut and cottonseed production for China, and reduced cottonseed production for Pakistan, Mexico, and Turkey - USDA.
- ❖
- ❖ Global oilseed and product supply and use changes this month include reduced soybean crush and soybean meal exports for Argentina, reduced soybean meal imports for EU-27, increased rapeseed crush and rapeseed meal consumption for EU-27, and increased sunflowerseed crush in Russia. Global oilseed stocks are projected higher, mostly reflecting higher soybean stocks in Brazil. (Source: USDA)

Oilseed Prices at Key Spot Markets:

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		08.02.2013	01.02.2013	
	Indore –Plant	3325-3375	3290-3325	+50
	Indore –Mandi	3200-3280	3180-3260	+20
	Nagpur-Plant	3220	3250	-30
	Nagpur – Mandi	3050-3150	3100-3200	-50
	Kota-Plant	3325	3250	+75
	Kota – Mandi	3250	3175-3200	+50
	Bundi-Plant	3300-3325	3310-3315	+10
	Bundi-Mandi	3250-3260	3200	+60
	Baran-Plant	3330-3340	3260	+80
	Baran-Mandi	3215	3180-3190	+25
	Bhawani MandiJhalawar– Kota Plant Delivery	3325	3300	+25
	Jhalawar-Mandi	3225-3250	3175-3200	+50
Rapeseed/Mustard	Jaipur – C	3820-3825	3925-3930	-105
	Alwar – C	3600	3850	-250
	SriGanganagar(NC)	3310	3440	-130
	Delhi– C	3775	3875-3880	-105
	Kota	3550-3650	3500-3600	50
	Neewai	3800	3850	-50
	Hapur (UP)	3850	3950	-100
Groundnut Seed	Rajkot	1020	1030	-10
	Junagarh	-	-	-
Sunflower Seed	Latur	3500-3650	3500-3625	+25
	Solapur	3550-3650	3500-3625	+25
	Gulbarga	-	-	-

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 (08/02/2013)	Week End (01/02/2013)	
	Madhya Pradesh	790000	675000	+115000
	Maharashtra	240000	230000	+10000
	Rajasthan	175000	100000	+75000
	Bundi (Raj)	3500	2500	+1000
	Baran (Raj)	18500	20500	-2000
	Jhalawar (Raj)	4800	7300	-2500
Rapeseed/Mustard	Rajasthan	235000	245000	-10000
*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 1.6 per cent.

Of the major *rabi* oilseeds crop rapeseed/mustard seed planting is up by around 2.2 per cent at 67.23 lha compared to 65.8 lakh hectares during the same period last year. Groundnut planting is reported up by 14.1 per cent at 8.74 lakh hectares compared to 7.66 lha, sunflower planting is up by 15.6 per cent at 5.12 lha compared to 4.28 lha during the same period last year.

Area in lakh hectares

Crop	As on 07 Jan 2013	As on 07 Jan 2012	% Change
Rapeseed/Mustard Seed	67.23	65.8	2.2
Groundnut	8.74	7.66	14.1
Safflower	1.52	1.94	-21.6
Sunflower	5.12	4.43	15.6
Sesamum	0.68	0.78	-12.8
Lineed	3.36	4.28	-21.5
Other Oilseeds	0.65	1.06	-38.7
Total Oilseeds	87.3	86.0	1.6

Source: GOI

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

Soybean

Soybean prices witnessed gains supported by improved crushings followed by fresh overseas soy meal demand. Besides, renewed wedding demand followed by improved edible oil usage lead to better solvent extractor's buying.

Weather stress in South America, which is leading to a harvest delay in Brazil due to rains in the key growing regions and decline in soybean yield potential in Argentina's soybean crop has proved positive for the international soybeans. The scenario has lead to shift in the soybean demand to US boosting the CBOT soy complex.

Besides, active Chinese soybean buying remained bullish for soybeans. China has reportedly imported 4.78 million tonnes of soybeans in January, up 3.8 percent year-on-year, but down 18.8 percent compared to December, revealed in the preliminary data from the country's customs authority.

China has imported 5.89 million tonnes in December 2012, the second highest on record, but many buyers cancelled cargoes at the end of the year because of poor margins, while port congestion was also thought to be behind the January decline.

However, the USDA demand and supply was considered neutral to slightly negative against traded estimates as Brazil soybean production came in well above expectations.

In the report, the global soybean production is raised fractionally to 269.5 million tons as improved production prospects in Brazil offset deteriorating conditions in Argentina.

Soybean production for Brazil is projected at a record 83.5 million tons, up 1 million from last month due to higher yields resulting from improved moisture in the center-west. Prospects for the Argentina soybean crop have diminished in recent weeks due to an extended period of dry weather. As a result, the crop is projected at 53 million tons, down 1 million from last month, in the report.

Better Chinese soybean buying, soybean harvest delay in Brazil coupled with port congestion and dry weather in Argentina which has negatively affected the yield output remained supportive factors for the soybeans and further lend support for short-term.

Soy meal - FAS Kandla Vs FOB Argentina (Spread)

Soy meal prices firmed-up on fresh overseas meal demand and gains in CBOT soy meal in recent days. News that India's soy meal export sales in January were higher, soy remained supportive for the domestic meal market during the week. Exports of soya meal increased contra-seasonally to a one-year high of an estimated 670 Thd T in January.

Delay in Brazilian soybean harvesting due to rains over key growing states continued during the week which disrupted the soy shipments out of Brazil and lead in demand shift towards US. Besides, dry weather in Argentina has hit the soybean yield potential leading to downward revision in the production estimates. These factors remained supportive for the CBOT soybeans.

India's exports of soy meal during January, 2013 was 6,20,133 tones as compared to 4,84,195 tones in January, 2012 showing an increase by 28.07% over the last year.

On a financial year basis, the export during April 2012 to January 2013 is 25,36,062 MT as compared to 30,82,267 MT in the same period of previous year showing a decrease of 17.72%.

During current Oil year, (October - September), exports during October 2012 to January 2013 is 16,98,984 MT as against 19,53,415 MT last year, showing a decrease by 13%, said SOPA.

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 28,950-29,400/MT compared to 18,300-18,400/MT during the same period last year.

C&F Indonesia was between US \$ 554-560/MT which was quoted between US \$395-405/MT during the same period last year.

Week	FAS, Soy meal Kandla	FOB, Soy meal Argentina	Avg.*Spread
02 – 09 Feb	535	508	27
26 Jan – 01 Feb	519	511	8

*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 \$27/MT compared to US \$8/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 mixed sentiments. FOR, Kandla is likely feature range-bound movement between the price band of Rs.26800-27200/MT.

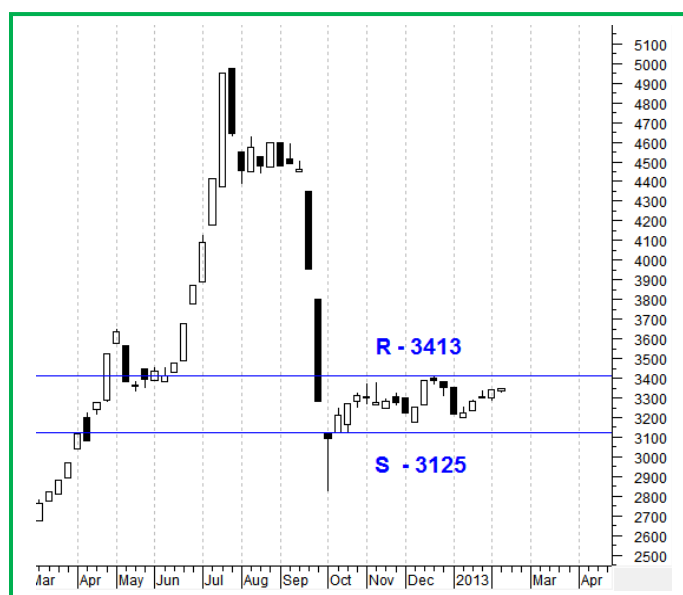
India's soy meal prices are facing stiff price competition to South American soy meal as the harvesting in Brazil is underway and it is expected in Argentina in coming days.

Technical Analysis:

NCDEX Soybean Futures



Soybean Spot, Indore



Supports & Resistances NCDEX Mar Soybean

S2	S1	PCP	R1	R2
3108	3164	3233.5	3360	3417

- The soybean prices featured side-ways movement during the week.
- The prices closed above 9-day EMA, indicating firm tone in near-term.
- Further, RSI is flatter in neutral region while stochastic is heading upwards in neutral zone, supporting uptrend in the market.
- 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 3225-3230 levels. T1 – 3270; T2 – 3300; SL – 3205.

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

The RM seed prices rebound tracking gains in BMD CPO and improved buying in the seed in cash market during the week in review. Besides, the seed arrivals in the key cash market centers fell during the period.

Fresh wedding demand in mustard oil eventually improved the seed crushing thus leading to miller demand in recent days.

However, firmer BMD remained the key factor which helped in boosting the domestic mustard seed price. The domestic oilseeds complex closely tracks the BMD CPO. Palm oil prices in the benchmark, BMD, were mostly higher during the week in review due to optimism that export demand could go up for the oil.

The vegetable oil's wide price discount to rival soyoil has encouraged "some substitution from expensive soy," a broker in Singapore said.

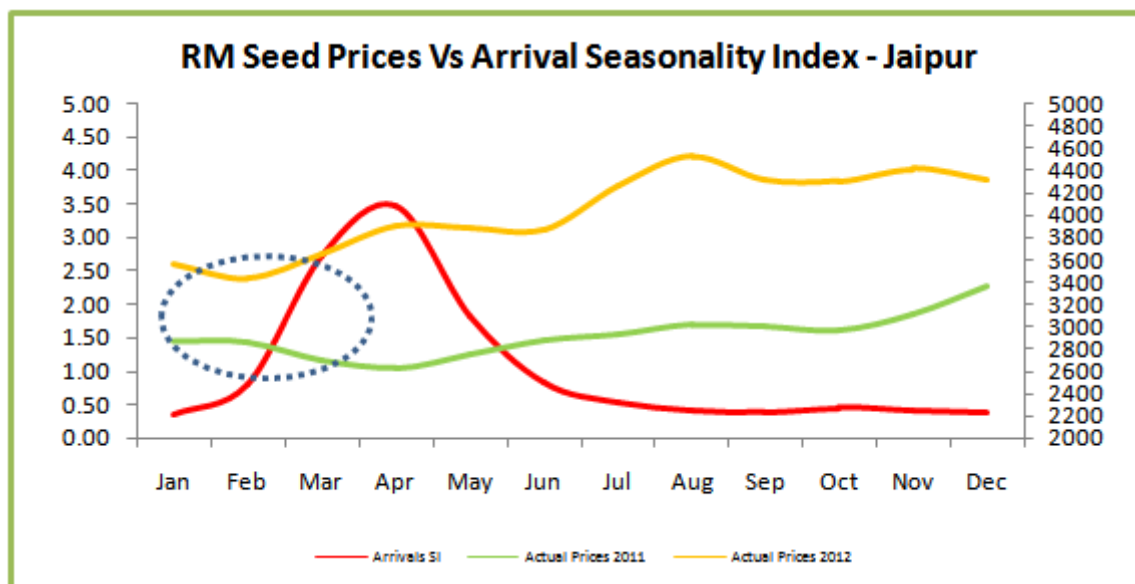
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The RM seed planting is ahead previous year's pace. The planting is up about 2.2 per cent compared to the same period last year. Area coverage under rapeseed/mustard seed (as on 07 Feb 2013) stood at 67.23 lha compared to 65.8 lakh hectares during the same period last year.

In Rajasthan the mustard crop is in seed development stage and moderate intensity of aphids in mustard crop was noticed. The crop is in flowering and pod formation stage in Uttar Pradesh, aphids in the crop noticed. The crop is in pod development stage in Madhya Pradesh. It is in flowering stage in Punjab and harvesting stage depending upon the sowing time in Gujarat. The crop is in pod formation stage in Haryana. 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.

Expected better palm oil buying, soybean harvesting delay in South America and active Chinese soybean buying will lend support to the domestic mustard seed prices but new RM seed crop arrivals in some of the key producing region of Rajasthan and Uttar Pradesh will pressure the market in near-term.



RM Seed Supply, Rajasthan

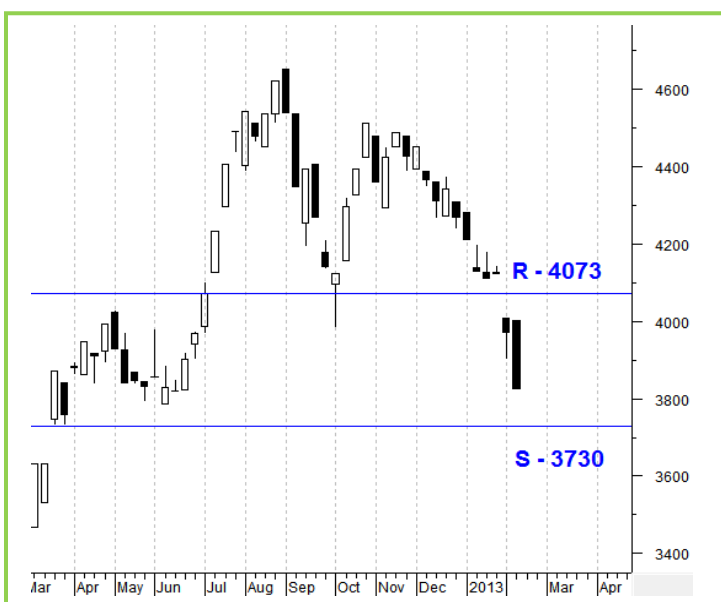
RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Weekly Arrivals	Week Ago	Corresponding Week Last Year
2,35,000	2,45,000	2,08,000

Technical Analysis:

NCDEX RM Seed Futures



RM Seed Spot, Jaipur



Supports & Resistances NCDEX Apr RM Seed

S2	S1	PCP	R1	R2
3231	3319	3391	3533	3658

- Candlestick chart pattern reveals selling pressure in the market.
- Prices closed below 9-day and 18-day EMA, indicating weakness in near and medium-term.
- RSI is easing in neutral region while stochastic is easing in oversold zone, pointing weakness in the market.
- **NCDEX RM SEED - Apr) – 1 Week:** SELL between 3400- 3410 levels. T1 – 3350; T2 –3320; SL -3433.

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 new crop arrival and higher palm oil inventories in key producing countries and estimated rise in the palm oil output this season. The prices are likely get pressure and are likely to witness 3750–3800 level in near term.

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