

## Executive Summary

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Oilseeds and oil meals prices across major markets of India featured a weak tone during the week in review. Market witnessed a range bound movement in the international markets as well. Markets were pressured by better growing conditions in the key producing regions of India, improvement in the Indian rupee and higher spot arrivals. In the US, CBOT market mostly traded in a sideways tone during the shortened holiday week due to uncertainties over weather and yield estimates.

Reportedly, new crop arrivals have commenced in the mandis of Madhya Pradesh and Maharashtra although the moisture content is high. Arrivals are likely to pick up in the coming days. Prices also fell on account of receding rainfall and improved weather conditions over the growing regions. Also, no rainfall forecasts for the coming week have been released by the IMD, thereby supporting the bearish sentiment. Estimates of higher oilseed acreage and higher soybean production in the current season are likely to weigh on the market in the near term. Arrivals of new crop are likely to improve buying activities in the markets. However, as the harvesting pace picks up we expect the soybean prices to fall.

In the US, as expected by analysts, slight decline in crop condition was reported by USDA, but the crop is still better than last year. Less than expected rainfall over the past weekend led to surge in prices and there are fresh forecasts of drier days ahead. However, the recent increase in prices of soybeans and soy meal are likely to take correction in the near term.

The soybean planting season in Brazil is still some weeks away. However, it seems to be very likely that the area sown under soybeans will expand compared to last year due to the current soybean price levels relative to maize provided the weather remains favorable. South American supplies are depleting and exports are sharply higher compared to last year for the months of August and September.

Soybean market is expected to feature a range bound movement in the coming week with a weak bias.

Soy meal prices also depicted a fall in conjugation with the domestic soybean prices during the week in review. The mild recovery in the Indian rupee and fall in the international oil meals market has pressured the domestic market.

According to the latest release by SOPA, India's soy meal exports during August 2013 were 1.839 lakh tons as compared to 0.100 lakh tons in the same period of previous year and 1.070 lakh tons in July 2013. Iran, with 1.03 lakh tons, was the major exporter for the month of August. On a financial year basis, the export during April 2013 to August 2013 has been 7.023 lakh tons as compared to 8.342 lakh tons in the same period of previous year showing a decrease of approx. 15.81 percent.

Rapeseed/mustard seed markets of Rajasthan and Gujarat featured a steady to slightly weak trend during the week under consideration. Prices were range bound as there are limited supplies expected in the coming days upon the close of the season. However, weak cues from BMD CPO, flat demand from stockists and overall global bearishness restricted any gains.

## International Highlights

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- ❖ As per International Grain Council (IGC), a bumper crop is expected in South America which will raise the global soybean production by 4 percent to a new record of 280 million tons in 2013-14. The US soybean output is pegged at 88.6 million tons.
- ❖ Lanworth has trimmed its estimate for the US soybean harvest to 3.114 billion bushels, based on an average yield of 40.4 bushels per acre due to dry conditions and high temperatures across major production areas in the Midwest during the past month.
- ❖ FCStone has estimated the US 2013-14 soybean production at 3.146 billion bushels, with an average yield of 41.2 bushels per acre.
- ❖ As per the latest USDA weekly exports sales report (for August 23-29, 2013), net weekly export sales for soybean was reported at 844,100 tons for the 2013-14 marketing year, mainly for China(599,500 tons). Net meal sales were reported at 84,300 tons for the new crop year and 57,800 tons for 2012-13 marketing year. Net soy oil sales for the 2012-13 marketing year were at 9,200 tons.
- ❖ As per the latest crop progress report released by USDA, 54 percent of the crop was rated at Good to Excellent condition, down from 58 percent in the previous week. Soybeans setting pods was reported at 92 per cent which was up 8 percent from previous week but lower than 5 year average of 96 percent. The crop progress report was in line with market expectations.
- ❖ USDA attache in China has released the oilseeds production forecast for China for 2013-14. Soybean production is seen at 12 million tons, rapeseed at 13.2 million tons and peanuts at 16 million tons.
- ❖ As per the National Grain and Oil Trade Center, China has sold 393,600 tons of soybeans (79.3 percent of the total it offered) from its state reserves. The soy stocks from the 2009 and 2010 harvests were sold at an average price of 4,080 yuan per ton.
- ❖ The Commodity Weather Group (CWG) has lowered its forecast of the US 2013 soybean crop yield to 41.7 bushels per acre, down 2.4 bushels from its previous forecast primarily due to the dry conditions in the Midwest in the month of August.
- ❖ Oil World has estimated that in Brazil, soybean crushings have declined in 2013 as compared to previous year, while soybean exports are set to witness a level of at least 40.5 million tons.
- ❖ Malaysian palm oil products exports in August rose 6.5 percent to 1,498,755 tons from 1,406,935 tons shipped during July - cargo surveyor Intertek Testing Services. Better buying witnessed from China during August.
- ❖ Oil World has projected that the total South American soybean crop of a record 152.7 million tons for 2013-14, up 4.6% from 2012-13. Further, Safras and Mercado have also indicated that South American production could hit 160 million tons. Brazilian soybean production is forecast to rise 2.9 percent to 84 million tons in 2014 compared with a year earlier, Oil World said.
- ❖ Oil World has revised its estimate for the world production of 7 oilseeds at 478.4 million tons in 2013-14, an upward revision of 1.7 million tons. Also, Oilseed stocks at the end of the 2013/14 season are projected to increase to 86 million tons which is 12.4 million tons higher than previous year.

**Oilseed Prices at Key Spot Markets:**

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		6.9.2013	30.8.2013	
	Indore –Plant	3500-3600	3700-3750	-150
	Indore –Mandi	3400-3500	3550-3650	-150
	Nagpur-Plant	Closed	3500-3550	-
	Nagpur – Mandi	Closed	3500-3550	-
	Kota-Plant	3550	3650	-100
	Kota – Mandi	3400-3500	3500-3550	-50
	Bundi-Plant	3550-3565	3650	-85
	Bundi-Mandi	3450	3550	-100
	Baran-Plant	3560-3565	-	-
	Baran-Mandi	3450-3500	3450-3500	Unch
	Bhawani MandiJhalawar– Kota Plant Delivery	3525	3600-3650	-125
	Jhalawar-Mandi	3450	3500-3550	-100
Rapeseed/Mustard	Jaipur – C	3695-3700	3655-3660	+40
	Alwar – C	3550	3450	+100
	Sri Ganganagar(NC)	3100	Closed	-
	Delhi– C	3550	3500	+50
	Kota	3000-3100	3100-3200	-100
	Agra - C	3740-3750	3725-3825	-75
	Neewai	3550	3350	+200
	Hapur (UP)	3700	3500	+200
Groundnut Seed	Rajkot	690	Closed	-
Sunflower Seed	Gulbarga	-	-	-
	Latur	3250-3550	-	-
	Solapur	3600-3800	3650-3750	+50
Sesame Seed	Mumbai (White98/2/1 FM)	10950	11050	-100

Soybean Prices are in INR/Qtl. Mandi prices – Loose, Mustard Seed Prices are in INR/Qtl.C –Condition (42%),  
\*Groundnut seed in Rs/20 kg, Sunflower Seed in Rs/Qtl

### Oilseed Arrivals in Key Centers:

Commodity	Centre	Arrivals in Bags/Qtl		Chg
Soybean		Week End (6/9/2013)	Week End (30/8/2013)	
	Madhya Pradesh	580000	255000	+325000
	Maharashtra	65000	100000	-35000
	Rajasthan	75000	66500	+8500
	Bundi (Raj)	1900	1150	+750
	Baran (Raj)	17000	12500	+4500
	Jhalawar (Raj)	3500	4200	-700
Rapeseed/Mustard	Rajasthan	280000	176000	+104000

## Kharif Sown Area - Oilseeds, India

In the latest official planting report, the kharif oilseeds planting was reported higher than previous year, as on 5 September, 2013. Overall, the oilseed planting was reported up by 12.80 per cent at 191.64 lakh ha against 169.82 lakh ha during the same period last year.

Of the major kharif oilseeds crops, soybean planting stood up by around 14.40 per cent at 122.20 lakh ha compared to 106.83 lakh hectares during the same period last year on higher acreage in Madhya Pradesh, Maharashtra and Rajasthan due to favorable weather conditions. Groundnut planting was reported up by 12.70 per cent at 42.59 lakh ha compared to 37.78 lakh ha on higher area coverage in the state of Gujarat due to good rainfall in the state. Sunflower planting was up by 17.30 percent at 2.31 lakh ha compared to 1.97 lakh ha during the same period last year.

(Area in lakh hectares)

Crop	As on 5 Sep 2013	As on 5 Sep 2012	% Change
Groundnut	42.59	37.78	12.7
Soybean	122.20	106.83	14.4
Sunflower	2.31	1.97	17.3
Sesamum	14.09	13.14	7.2
Niger	1.51	1.68	-10.1
Castor	8.94	8.42	6.2
<b>Total Oilseeds</b>	<b>191.64</b>	<b>169.82</b>	<b>12.8</b>

Source: GOI

Further, sesamum seed sowing was also ahead of the previous year's planting pace. However, Niger seed sowing was lower than last year.

## Soybean

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Soybean prices across major markets of India featured a weak tone during the week in review. Market witnessed a range bound movement in the international markets as well. Markets were pressured by better growing conditions in the key producing regions of India, improvement in the Indian rupee and higher spot arrivals. In the US, CBOT market mostly traded in a sideways tone during the shortened holiday week due to uncertainties over weather and yield estimates.

Soybean prices declined during the first week of September after depicting strong gains during the month of August. Reportedly, new crop arrivals have commenced in the mandis of Madhya Pradesh and Maharashtra. Arrivals are likely to pick up in the coming days. Prices also fell on account of receding rainfall and improved weather conditions over the growing regions. Reportedly, key areas of Madhya Pradesh are receiving good sunlight which is essential for the crop during this stage. Also, no rainfall forecasts for the coming week have been released by the IMD, thereby supporting the bearish sentiment. Estimates of higher oilseed acreage and higher soybean production in the current season are likely to weigh on the market in the near term.

As per the India Meteorological Department (IMD), rainfall in Gujarat has crossed the 100% mark and some more rain is expected from September 10 to 12. Also there are prospects of renewed rainfall activity in the Konkan and the central Maharashtra. However, Rajasthan and Madhya Pradesh are likely to remain mostly dry over the coming week.

As per sources, good sunlight in key producing regions of Madhya Pradesh over the past week has helped the development of soybean crop. Soybean arrivals in the state have commenced, although the moisture content is high, and it is expected that the pace will pick up in the next 15 days. Incessant rainfall in the month of August has led to concerns of crop damage but it is expected that damage will be restricted to not more than 10-12 percent. Hence, the soybean output for this season is likely to be at around 12 million tons, as per early estimates. Arrivals of new crop are likely to improve buying activities in the markets. However, as the harvesting pace picks up we expect the soybean prices to fall.

On the supply front, the latest official planting report (on 5 September, 2013) estimates the kharif oilseeds planting higher by 12.80 per cent at 191.64 lakh ha against 169.82 lakh ha during the same period last year. Of the major kharif oilseeds crops, soybean planting stood up by around 14.40 per cent at 122.20 lakh ha compared to 106.83 lakh hectares during the same period last year.

In the US, as expected by analysts, slight decline in crop condition was reported by USDA, but the crop is still better than last year. Less than expected rainfall over the past weekend led to surge in prices and there are fresh forecasts of drier days ahead. However, the recent increase in prices of soybeans and soy meal are likely to take correction in the near term.

The US is experiencing tightness in the old crop soybean supplies which has resulted in robust US import figures. Meanwhile, the new crop Chinese buying is believed to remain strong which is supportive for the market. Further support is being provided by lower estimates of soybean yields by various private analysts. Price volatility is being considered to be indicative of the uncertainty about future price direction. Market is also awaiting the monthly WASDE report, due to be released on September 12, for fresh cues.

The soybean planting season in Brazil is still some weeks away. However, it seems to be very likely that the area sown under soybeans will expand compared to last year due to the current soybean price levels relative to maize provided the weather remains favorable. South American supplies are depleting and exports are sharply higher compared to last year for the months of August and September. Therefore, increased acreage for 2013-14 in Brazil will help reduce the demand burden from the US which might be needed given the questionable supply outlook.

As per IGC, 2013-14 world soybean stocks are likely to expand for the second consecutive year, up by 22 percent, and trade (Oct/Sep) is set to rise by 9 percent y-o-y, mainly due to robust demand from China.

Domestic soybean market is expected to feature a range bound movement in the coming week with a weak bias. Market is likely to witness arrival pressure from the new soybean crop and higher production estimates, both domestically and internationally in addition to improved weather conditions. However, decline in yield, weakness in the rupee and weather driven international market scenario may support the prices in the near term.

## Soy meal

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Soy meal prices also depicted a fall in conjugation with the domestic soybean prices during the week in review. The mild recovery in the Indian rupee and fall in the international oil meals market has pressured the domestic market.

Soy meal prices witnessed fall on higher supplies of beans in the local markets and slight appreciation in the Indian rupee during the week. Besides, weak tone in the meal prices on CBOT also pressured the domestic market. The trend is likely to persist in the coming days on soybean new crop arrival pressure and mostly favorable weather prospects in the coming week.

According to the latest release by SOPA, India's soy meal exports during August 2013 were 1.839 lakh tons as compared to 0.100 lakh tons in the same period of previous year and 1.070 lakh tons in July 2013. Iran, with 1.03 lakh tons, was the major exporter for the month of August. On a financial year basis, the export during April 2013 to August 2013 has been 7.023 lakh tons as compared to 8.342 lakh tons in the same period of previous year showing a decrease of approx. 15.81 percent.

Good exports enquiries are currently being seen. Notably, India had made deals for 350,000 to 400,000 tons of new crop soy meal at \$440 to \$480 per ton, (FOB basis) for shipment between October and December and the buyers are South East Asian countries and Iran.

Internationally, in the European markets, soy meal was mostly tracking the weak CBOT soy meal futures following concerns of dry weather in the US Midwest impacting crop yield. South American soy meal also remained range bound following the trend in CBOT soy meal futures. Recent positive economic data from China has built some long term bullish sentiment and good meal demand is expected to continue.

Soy meal prices are mostly expected to feature a range-bound movement in the near term on stable demand and fall of Indian currency supporting the exports.

As per the latest USDA weekly exports sales report (for August 23-29, 2013), net meal sales of 57,800 MT were reported for 2012-13 and 84,300 MT for 2013-14 marketing year. Exports of 158,500 MT were up noticeably from the previous week and 66 percent from the prior 4-week average. The primary destinations were the Philippines (52,500 MT), Mexico (42,900 MT), Guatemala (22,200 MT), Canada (15,600 MT), and Nicaragua (11,300 MT).

During current Oil year, (October - September), total Indian meal exports during October 2012 to August, 2013 are 32.992 lakh tons as against 36.200 lakh tons last year, showing a decrease by 8.86 percent. The y-o-y fall in the India's soy meal export sales 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 a fall during the past week. Soy meal (Sep-Oct) export price, FOR Kandla exports was quoted between Rs 32,750-34,000/MT, lower as compared to 41,500-42,000/MT during the same period last year.

Week	FAS, Soy meal Kandla	FOB, Soy meal Argentina	Avg. Spread*
31 Aug, 2013- 6 Sep, 2013	493.00	533.50	-40.00
24 Aug, 2013- 30 Aug, 2013	517.00	524.00	-7.00

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

The average weekly soy meal price spread between FOB Argentina and FAS Kandla stood at -40.00 USD/MT, indicating a noticeable fall in the price spread between Indian and Argentine meal prices.

**Recommendation:** The domestic soy meal is competing with the competitive South American soy meal prices as shipments are arriving from the region. South American prices have gained where as Indian meal prices are comparatively lower. Recent buying interest in soy meal exports and recent fall in value of Indian currency are likely to lend support to the market. 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 with a firm bias. FOR, Kandla is likely to be in the price band of Rs 32,000-33,500/MT.



## Technical Analysis:

**NCDEX Soybean Futures-Weekly Chart**



**Soybean Spot, Indore**



### Support & Resistance NCDEX Oct Soybean

S2	S1	PCP	R1	R2
3241	3317	3472	3576	3650

- Soybean prices depicted weak trend during the week in review.
- The prices closed between 9-day and 18-day EMA, indicating a sideways tone in the near-term.
- RSI is easing which indicates fall in prices in the coming days.
- Prices are expected to witness a range bound tone with a weak bias during the coming week.
- **Trade Recommendation (NCDEX Soybean – Oct) Week:** SELL between 3425-3445. Levels: Target – 3300; SL -3500.

**Trade Recommendation Soybean Spot:** We feel the soybean prices to feature range bound trend with weak bias on approaching arrival season pressure in domestic market and weakness in global factors in the near-term - WEEK. The prices are likely to witness the 3400-3650 levels (Indore, Plant basis).



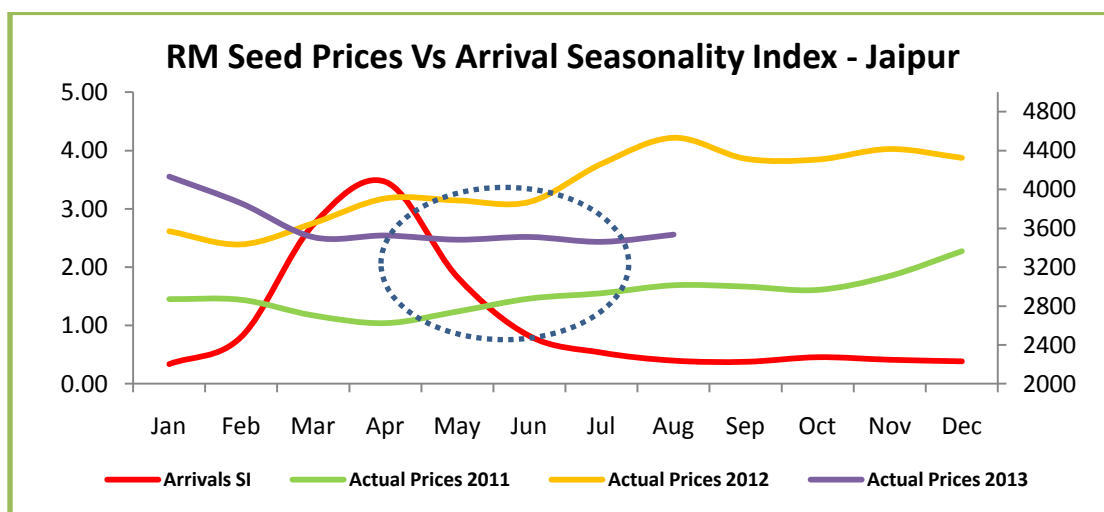
## Rapeseed - Mustard Seed

Rapeseed/mustard seed markets of Rajasthan and Gujarat featured a steady to slightly weak trend during the week under consideration. Prices were range bound as there are limited supplies expected in the coming days upon the close of the season and supportive cues from BMD CPO supported market sentiments. However, flat demand from stockists and overall global bearishness restricted any gains.

On the supply side, higher overall kharif oilseeds crop prospects on higher acreage will continue to pressurize the markets as domestic stockpiles of oilseeds are expected to be on the higher side compared to previous year. World rapeseed/canola output is forecast up 4 percent y-o-y in 2013/14; but tight supplies are likely to limit demand; end-season stocks are set to rise only modestly, and for the first time in four years.

Internationally, rapeseed prices have been under pressure recently as global supplies of rapeseed are likely to rise. USDA has raised its production estimate of rapeseed in several countries including Canada and the EU, where sufficient moisture and favorable temperatures have helped the yield prospects. Rapeseed production forecasts are also raised for China and Ukraine.

Higher global rapeseed production estimates and higher domestic oilseed acreage in the current season are likely to put slight pressure on the rapeseed markets. However, dwindling supplies in the spot markets, seasonal demand and gains in soybean prices are likely to impart a sideways direction to the market in the coming days.



### RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Weekly Arrivals	Week Ago	Corresponding Week Last Year
176,000	170,000	165,000

### Technical Analysis:

#### **NCDEX RM Seed Futures**



#### **RM Seed Spot, Jaipur**



#### **Support & Resistance NCDEX RM Seed Oct**

S2	S1	PCP	R1	R2
3365	3400	3572	3655	3700

- Candlestick chart pattern reveals weakness in mustard seed prices.
- Prices closed above 9-day and 18-day EMA, indicating a firm tone in near-term.
- RSI is easing in the neutral zone indicating a weak trend.
- **Trade Recommendation (NCDEX RM SEED - Sep) Week:** SELL between 3525-3550 for a target – 3425; SL -3600.

**Trade Recommendation RM Seed Spot (Jaipur basis):** In spot the RM seed prices are expected to feature range bound movement in the coming days. The prices are likely to witness 3600-3750 Rs/qrtl level in near term.

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