

Executive Summary

Overall, soybean, soy meal posted gains and rapeseed/mustard fell during the month in review (Feb).

Domestic soybean market rebound primarily on bullish supply estimates in global soybeans and palm oil in the month of Feb. Besides, supportive world oils and fats market, falling bean supplies in the key domestic physical markets in last couple of weeks, 40,000-50,000 vs 1.0-1.15 lakh bags in early Feb.

South American weather concern including Brazil, which experienced too hot and dry conditions and Argentina too wet conditions has pushed up the global soybeans which further provided spillover support to the domestic market. Further, reports of severe dryness in Malaysia, Thailand and Indonesia are expected to hit the palm oil production in near to medium-term.

Situation raised concern towards the soybean crop in the region leading to downward revision of South America and world soybean stocks previous weeks by the major analysts.

There are already reports of crop damage in several parts of southern Brazil, parts of Argentina, Paraguay and Uruguay (Damage by 7.8 Mn T).

Besides, US soybean shipments were unusually large at 6.9 Mn T in January and a record 32.0 Mn T in Sept/Jan, with China as the largest buyer, boosted the global soybean market.

Soy meal edged-up tracking gains in global oils and fats market during the period in review. Downward revision in the South American soybean production due to crop damage after adverse weather for the crop pointed out less than expected availability in soy meal during the season.

The medium-term fundamental of the meal are weak. The soy meal exports remained sluggish this season due to lower crushing. The export enquiries were weak during season and weak shipments were noticed y-o-y, financial and oil year basis.

India's exports of soy meal during January, 2014 was 3.64 lac tons as compared to 6.20 lt in January, 2013 pointing a fall by 41.29% over the same period of last year.

This decline in the shipments is primarily due to lower supplies of soybean leading to lower crushing.

On a financial year basis, India's soy meal shipments during April'2013 to January'2014 stood at 24.25 lt as compared to 25.36 lt during the corresponding period last year, showing a marginal decrease of 4.37%.

During current Oil year, (Oct - Sep), total exports during October 2013 to January, 2014 are 15.49 lt as against 16.99 lt last year, showing a decrease by 8.83%.

The demand shift to South America is evident due to the South America's competitive prices with new crop supplies. The soybean harvesting is picking up the pace in Brazil and peak Argentine harvesting is expected in March. The major international meal buyers have begun to place the orders – forward booking to take the opportunity of price competitiveness.

The chances of improving India's meal exports in coming months are bleak as a result of demand shift/diversion to South America. The previous trend reveals that India's soy meal exports fall in upcoming months.

Overall, the rapeseed/mustard seed prices fell during the month, though it substantially recovered in the last week of Feb.

The domestic RM seed harvesting is underway and it is picking up the pace, except for the recent rains in North India which will slightly delay (10-15 days) in harvesting. Hence, the fall in attributed to the rising new crop supplies in the various key cash markets of Rajasthan, UP, Madhya Pradesh.

There are no reports of crop damage due to adverse weather yet, even the industry association, SEA has no reports of crop damage. However, the association has indicated the crop in better condition this year due to good subsoil conditions. The all India arrivals is reported at around 3.5 lakh bags which was just around 1.0 lakh bags initially in Feb.

Severe dry weather conditions in Malaysia, Indonesia and Thailand has raised the concern on the palm oil production in the region which further proved bullish for the international palm oil and subsequently the domestic mustard seed. This is yet another major factor after bullish soybean which is limiting the downward pressure despite increasing new RM seed supplies in various cash markets.

Again, sizeable increase in RM seed and other rabi oilseeds acreage domestically, rise in US and South American soybean production estimates, lower crude will continue to create downwards pressure in the oilseeds. Recent rise in import duty in refined edible oils has failed to boost the seed prices. Oilseeds and meal prices are expected to feature range-bound movement with new crop supply pressure globally and domestically.

International

- ❖ Brazilian analyst Safras and Mercado has revised its soybean production downwards by 6.2% to 86.1 million tonnes due to drought/dry weather in January and early February. That would still be higher by 5% compared to previous season's harvest, as reported by Safras.
- ❖ Late in January Safras had estimated the Brazilian soybean crop at 91.8 Mn T. No. 2 soybean producing state Parana was severely affected by the dry weather, as reported by Safras, which cut its estimate for the state to 14.7 Mn T from 16.47 Mn T earlier. No.3 state Rio Grande do sul was also affected. Brazil is expected to export 46 million tonnes of soy from the crop, Safras said.
- ❖ Reportedly weather conditions improved in several parts of Argentina, which will lower the stress to soybean crop. However, weather situations are still partly detrimental in Brazil.
- ❖ Malaysian February palm oil exports pegged at 1.24 million tons, down 2.1% on m-o-m basis –SGS. According to an Indonesian ministry, Indonesia keeps its export tax for crude palm oil unchanged at 10.5% for March.
- ❖ The sizable downward correction of the South American soybean crops and crushings will have a major impact on the production and export availability of 8 oilmeals. For soybeans Oil World has reduced world production projection by 7.8 Mn T.

- ❖ The recent soybean production estimates by various renowned analysts reveals that despite the partly significant soybean crop damage, total production in South America will still reach a new record high.
- ❖ China is likely to see 5.05 million metric tons (tonnes) of soybean imports delivered to ports in February, slightly higher than the earlier forecast of 5 million tonnes, the Ministry of Commerce (MOC) said in a report released Monday. Meanwhile, the ministry forecast the soybean imports March would fall to 3.49 million tonnes. The report is based on importers' shipments from February 1 to 15. The MOC regularly releases its forecasts twice a month.
- ❖ China's palm oil imports are likely to take a hit in the coming months as stockpiles at major ports have risen to near record highs of around 1.2 million tonnes on weak domestic demand. Traders estimated palm oil stocks at Chinese ports at between 1 million tonnes and 1.2 million tonnes, up from the usual 500,000 tonnes to 600,000 tonnes.

Oil Meal Prices at Key Spot Markets:

Soy DOC Rates at Different Centers

Centers	Ex-factory rates (Rs/ton)		
	28.2.2014	31.1.2014	Parity To
Indore (MP)	35900-36500	33500	Gujarat, MP
Kota	35500-36200	33000	Rajasthan, Del, Punjab, Haryana
Akola	36000	34300	AP, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	37500	34000	AP, Chattisgarh, Orissa, Jharkhand, WB
Nanded/Latur	37000-37500	33800	AP, Kar ,TN
Dhulia/Jalna	37700	34800	Mumbai, Maharashtra
Nagpur (42/46)	37100-37115	34500	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	38300	35200	Local and South
Solapur	37500	34800	Local and South
Bundi	35500	33000	-

Soy DOC at Port

Centers	Port Price	
	28.2.2014	31.1.2014
Kandla (FOR) (INR/MT)	38031	35400
Kandla (FAS) (USD/MT)	613	567

International Soy DOC

Argentina FOB \$/MT	27.2.2014	31.1.2013	Change
Soybean Pellets	549	518	+31
Soybean Cake Meal	549	518	+31
Soybean Meal	557	526	+31
Soy Expellers	557	526	+31

Sunflower (DOC) Rates

Centers	Ex-factory rates (Rs/ton)		
	28.2.2014	31.1.2014	Change
Adoni	21500	20400	+1100
Khamgaon	21000	20000	+1000
Parli	21300	20200	+1100
Latur	21000	20000	+1000

Groundnut Meal

Groundnut Meal (Rs/MT)	28.2.2014	31.1.2014	Change
Basis 45% O&A, Saurashtra	23500	25000	-1500
Basis 40% O&A, Saurashtra	23000	23000	Unch
GN Cake, Gondal	25000	24000	+1000

Mustard DOC/Meal

Mustard DOC	28.2.2014	31.1.2014	Change
Jaipur (Plant Delivery)	14100	13400	+700
Kandla (FOR)	15200	14400	+800
Sri Ganganagar	NR	NR	-

Rabi Sown Area - Oilseeds, India

As per the official *Rabi* oilseeds planting (week ending 30 January 2014), the area coverage under Rabi oilseeds is reported at 89.29 lakh hectares, up 3.6% from 86.18 lakh ha previous year. Of the major oilseeds, rapeseed/mustard seed sowing is reported up by 6.0% compared to last year.

Crop	Jan 30 2014	Jan 30 2013	% Change
Rapeseed/Mustard	71.17	67.17	6.0
Groundnut	7.52	8.11	-7.3
Safflower	1.77	1.48	19.6
Sunflower	4.13	4.86	-15.0
Sesamum	0.77	0.6	28.3
Linseed	3.48	3.32	4.8
Others	0.45	0.64	-29.7
Total Oilseeds	89.29	86.18	3.6

(Area in lakh hectares) Source: GOI

Soybean

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Besides, US soybean shipments were unusually large at 6.9 Mn T in January and a record 32.0 Mn T in Sept/Jan, with China as the largest buyer, boosted the global soybean market.

Considering the current factors – South American crop damage, dry weather in Malaysia, Indonesia and Thailand, huge Chinese imports will keep the soybean strong in March

Balance Sheet – Soybean, India

Fig. in MnT

Oil Year (Oct-Sep)	2009-10	2010-11	2011-12	2012-13	2013-14 (Projected)
Carry In	0.45	1.12	0.37	0.40	0.32
Production	9.67	10.10	12.00	12.50	11.00
Imports	0.00	0.00	0.00	0.00	0.00
Total Availability	10.12	11.22	12.37	12.90	11.33
Crush	9.00	10.85	11.97	12.58	10.50
Exports	0.00	0.00	0.00	0.00	0.00
Total Usage	9.00	10.85	11.97	12.58	10.50
Carry Out	1.12	0.37	0.40	0.32	0.82
Monthly Use	0.75	0.90	1.00	1.05	0.88
Stock/Consumption Ratio	0.12	0.03	0.03	0.03	0.08
Stock to Month Use Ratio	1.49	0.41	0.40	0.31	0.94

Source: Agriwatch

- The outturn estimates for soybeans has been revised downwards by 12% to 11.0 Mn T from our previous estimate of 12.7 Mn T.
- The downward revision is primarily due to higher than expected crop losses in Madhya Pradesh parts of Rajasthan.
- We expect 2013/14 soybean crush above 10.5 million tons. 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

Soy meal edged-up tracking gains in global oils and fats market during the period in review. Downward revision in the South American soybean production due to crop damage after adverse weather for the crop pointed out less than expected availability in soy meal during the season.

The medium-term fundamental of the meal are weak. The soy meal exports remained sluggish this season due to lower crushing. The export enquiries were weak during season and weak shipments were noticed y-o-y, financial and oil year basis.

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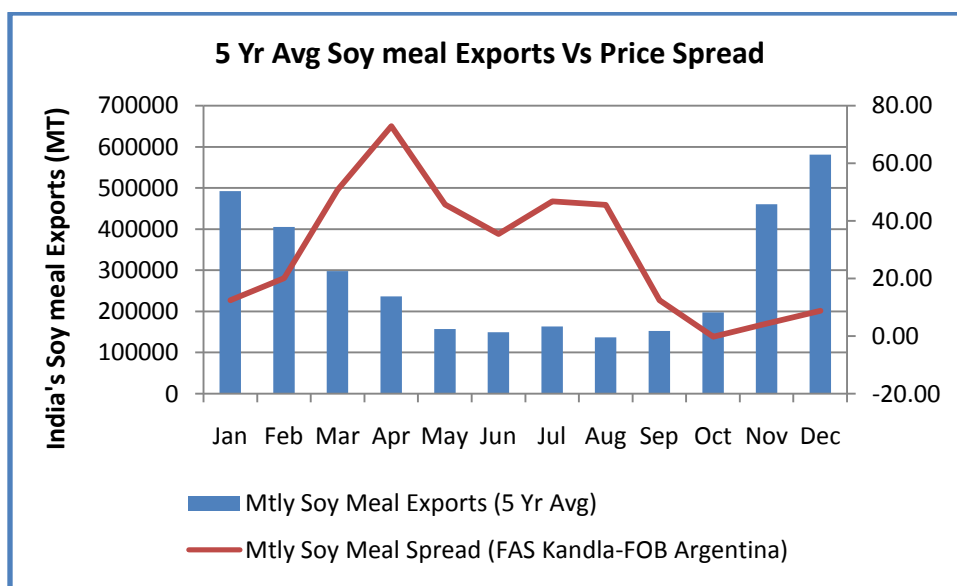
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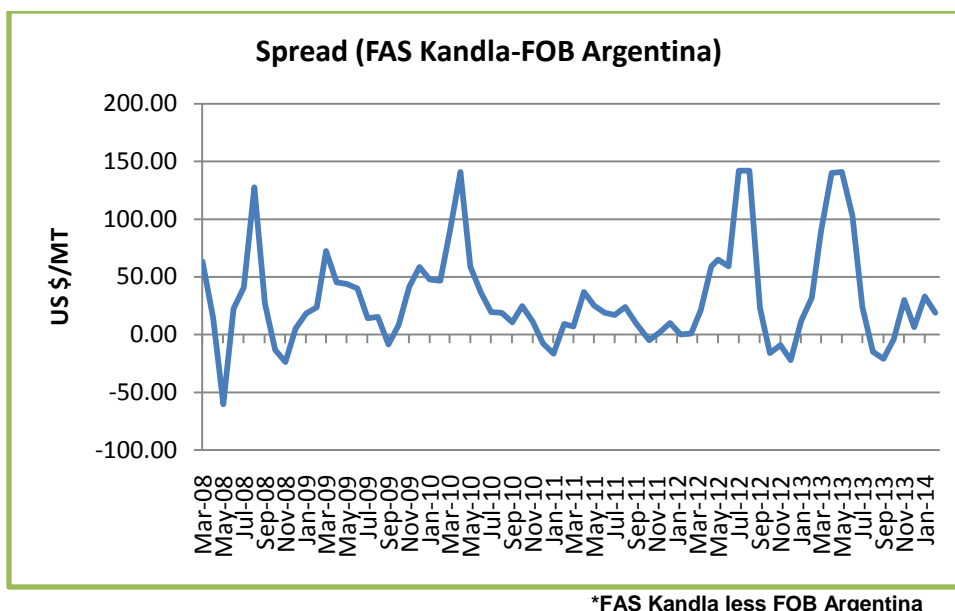
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The chances of improving India's meal exports in coming months are bleak as a result of demand shift/diversion to South America. The previous trend reveals that India's soy meal exports fall in upcoming months.



However, India's Y-o-Y soy meal prices have witnessed at higher trend during the last week of Feb. Soy meal, FOR Kandla exports price (Mar-Apr delivery) was quoted between Rs 36,775-38,000/MT compared to 29,500-30,000/MT during the same period last year.



The average monthly soy meal price spread between FAS Kandla and FOB Argentina has widened and was recorded at US \$ 19/MT in Feb 2014 compared to US \$ 33/MT in Jan 14. Both Indian and Argentine exports soy meal prices rose on bullish South American crop report during period. But the Argentine soy meal prices are still competitive ahead their new crop supplies expected in the month of March, resulting further the widening up of the spread. Notably, India's soy meal exports are at the optimum levels during the period, October through January. (*Spread - FAS Kandla less FOB Argentina). Hence for India exports window remains tight in near to medium-term.

Recommendation: FOR, Kandla was quoted between Rs 35,170 - 38,000/MT during the month - Feb. Prices surged on bullish global soybean and palm oil reports during the month in review. Indian meal exporters are advised to market their meal to the countries in vicinity including traditional South and Far-East Asian destinations like Iran. Indian soy meal faces price competition from South American soy meal due to new crop soybean supplies. India is into the seasonally lower exports. The domestic meal prices are likely to feature steady to firm tone during March. FOR, Kandla is expected to feature range bound movement with firm bias and trade between the range of 38,500-42,000 levels during Mar.

Soybean Crush Margin

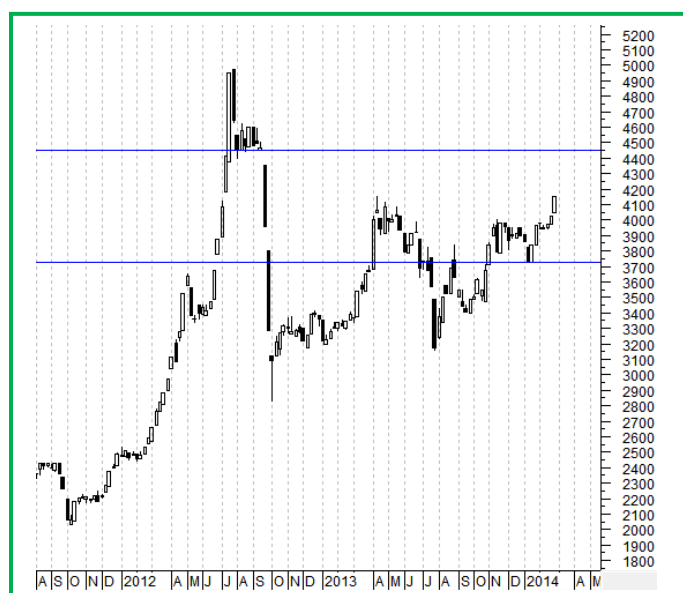
Avg Crush Margin – Feb 2014	Avg Crush Margin – Jan 2014
-2732	-2396

Technical Analysis:

NCDEX Soybean Futures



Soybean Spot, Indore



*In Rs/MT

Support & Resistance NCDEX - Soybean Apr Contract

S2	S1	PCP	R1	R2
3569	3847	4126.5	4292	4457

- The monthly candlestick chart pattern reveals firm tone in the market.
- MACD is rising in positive territory.
- RSI and stochastic are rising in neutral region.
- Trade Recommendation (NCDEX Soybean - Apr) – 1 Month: **BUY** between 4150–4160 levels. T1 – 4250; T2 - 4350; SL – 4098.

Trade Recommendation soybean spot: Soybean prices are expected to feature firm tone on bullish global reports – South American crop damage and dry weather in major palm growing region of South East Asia. The prices are likely to feature edge-up and will be in the band of 4250-4350 levels (Indore, Plant basis) during the month.

Rapeseed - Mustard Seed

The RM seed prices declined tracking losses in soybean and weak global oil and fats market. Better edible oil imports including soy, palm and sunflower oils remained bearish for the seed leading to fall in demand of crusher. Further, increase in domestic planting acreage in the seed this season added to the bears.

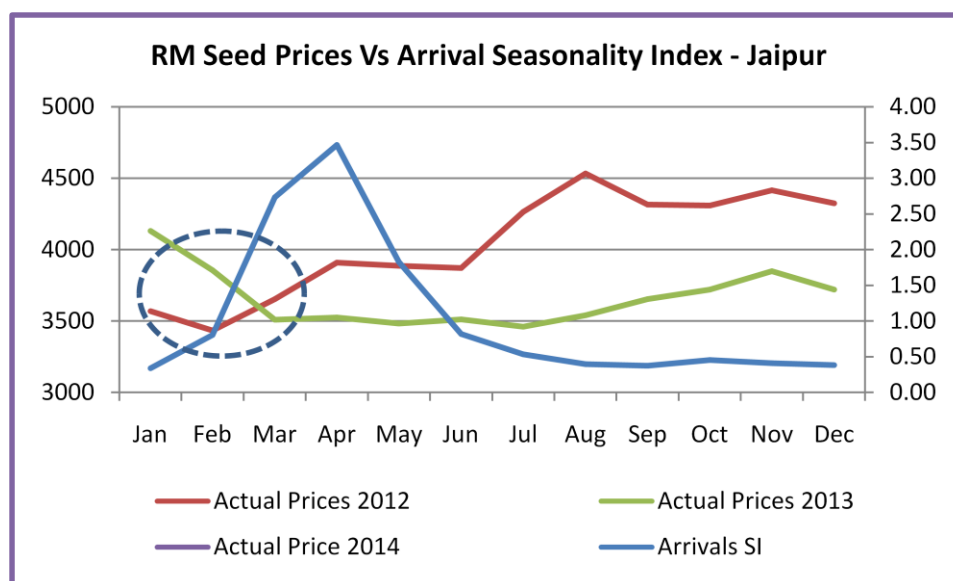
Besides, recent fall in palm oil exports from major exporters kept the lid in the international palm oil prices. Malaysia exports 1.03 million tons of palm oil and its derivatives during Jan 1-25, down 9.4 percent on m-o-m basis - Cargo surveyor Intertek.

The edible oil inventories are Edible oils stock as on 1st January, 2014 at various ports of India is estimated at 745,000 tons which includes (CPO 450,000 tons, RBD Palmolein 150,000 tons, Degummed Soybean Oil 25,000 tons, Crude Sunflower Oil 100,000 tons and Canola Rape Oil 20,000 tons) and about 850,000 tons in pipelines.

The RM seed prices are likely to remain under downward pressure due to weak global and domestic factors in near-term.

Again, sizeable increase, 6%, in RM seed (71.17 lha vs 67.17 lha) and other rabi oilseeds acreage domestically, rise in US and South American soybean production estimates, lower crude will continue to create downwards pressure in the oilseeds. Recent rise in import duty in refined edible oils has failed to boost the seed prices.

RM Seed Prices vs Arrivals – Jaipur (Rajasthan)



RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Monthly Arrivals–February	1 Month Ago	Corresponding Period Last Year
7,17,000	9,76,000	-

The RM seed supplies are expected to boost on likely early crop harvest in Rajasthan and Uttar Pradesh.

We expect the RM seed prices to depict weak sentiments in the coming weeks on higher planted area under the seed and eventually rise in the seed production this season. Besides, higher domestic and global oilseeds production estimates including rise in rapeseed production in EU and Canada will limit the gains during the month.

Balance Sheet – Rapeseed-Mustard Seed, India

(Fig in Mn T)

Marketing Year (Mar-Feb)	2009-2010	2010-11	2011-12	2012-13	2013-14	2014-15F
Carry In	0.45	0.75	0.75	1.25	0.28	0.20
Production	6.2	6	7	6.5	7.2	7.57
Imports	0	0	0	0	0	0
Total Availability	6.65	6.75	7.75	7.75	7.48	7.77
Crush	5.9	6	6.5	7.47	7.28	7.57
Exports	0	0	0	0	0	0
Total Usage	5.9	6	6.5	7.47	7.28	7.57
Carry Out/Ending Stock	0.75	0.75	1.25	0.28	0.20	0.20
Monthly Use	0.49	0.50	0.54	0.62	0.61	0.63
Stock/Consumption Ratio	0.13	0.13	0.19	0.04	0.03	0.03
Stock to Month Use Ratio	1.53	1.50	2.31	0.45	0.33	0.32

(Source: Agriwatch)

- In our preliminary projection, we have pegged India's 2014-15 RM seed outturn at 7.57 Mn T. The production has surpassed the previous season's production followed by higher planted area, 6%, under the seed (7.12 Mn Ha vs 6.72 Mn Ha) and no reports of crop damage due to any adverse weather conditions.
- The carry-in stands at 0.20 Mn T, this season, which is slightly lower than previous year figure, as the crusher's demand remained intact.

Technical Analysis:

NCDEX RM Seed Futures



RM Seed Spot, Jaipur



Support & Resistance NCDEX - RM Seed Apr Contract

S2	S1	PCP	R1	R2
3073	3272	3505	3818	3989

- The RM seed prices featured gains during the month.
- RSI and stochastic are rising in neutral region.
- MACD is heading upwards in positive zone.
- Prices are likely to feature gains during the month.
- Trade Recommendation (NCDEX RM SEED – Apr) – 1 Month: **BUY** between 3510–3520 levels.T1 – 3615; T2 - 3690; SL - 3455.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot, the RM seed prices are expected to gain despite new crop supplies. Improved seed buying by the stockists and the solvent extractors domestically and severe dry weather in Malaysia, Indonesia and Thailand which will eventually hit the palm oil production in the region will remain as the bullish factors the RM seed during the month. Market is expected to trade range bound in the 3740 – 3800 levels during the month.

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