

Executive Summary

Overall, soybean, soy meal witnessed gains while rapeseed/mustard featured mild losses during the month in review (Mar).

Domestic soybean extended gains on fall in supplies and steady buying during the week review. The daily arrivals in the cash markets of Madhya Pradesh were in the range 20,000-65,000 bags in March compared to 0.25-1.5 lakh bags in Feb.

Higher international (CBOT) soybean remained supportive for the domestic market also, CBOT May contract testing fresh high at US \$14.91/bu on 01 April 2014.

Though the domestic crush margin has slightly improved in Mar. as compared to Feb. but the disparity in crushing is still discouraging. The soybean crushing units in Madhya Pradesh are just able to operate 8-10 days a month due to inadequate supplies in beans and are running much below their crushing capacity.

In the upcoming weeks, the bean traders in major producing states of Madhya Pradesh, Maharashtra and Rajasthan will actively switch to wheat trading due to higher volume followed by wheat harvesting in full swing. Hence, dull trade in soybean is likely in coming weeks with weak supplies and lower crushings.

Reportedly, over 50% of the domestic produce is out from the farmers and stockists for crushing since Oct 2013.

Downward revision in soybean production estimate of South America by various leading grain analysts due to dry weather in recent weeks remained bullish for soybeans.

South America is not only affected from dry weather but also the South East Asian countries like Thailand, Malaysia and Indonesia are hit by the dry weather affecting the soybean and palm production, eventually leading to lower than expected oils and fats supplies in medium to long term. These factors along with lower domestic supplies continue to lend support to the soybean prices at higher levels and are likely to support in near to medium term too.

Soy meal prices edged-up in tandem with soybean on account of lower than expected supplies in bean and meal globally. Talks of possible El Nino this year is likely to hit the India's soybean crop in the upcoming crop season. If this turns out to be true, the phenomena will eventually lead in lower meal supplies and exports.

India's meal shipments this season (Oct-Sep) has already suffered due to poor quality and fall in overseas orders. Besides, the major soy buyers have shifted to South America due to price competitiveness followed by increased supplies with the start in new marketing season in the region.

However, the domestic meal demand is good and intact. India's demand for poultry products are likely to rise by at least 6% this year, according to NECC which will keep the meal demand intact at 3 MMT and thus prices this season.

However, 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.

RM seed featured mild losses on heavy arrival pressure and weakness in Malaysian palm oil during the month in review. The rapeseed harvesting in the major producing states of Rajasthan, Uttar Pradesh and Madhya Pradesh is in full swing and the seasonal supply pressure of the seed is mounting. In fact, they are currently at the peak.

The all India seed arrivals are reported at between 5.5 - 6.6 lakh bags towards the end March which was 1.25 – 1.95 lakh bags in Feb.

However, active buying is featured by the millers and the stockists across the key physical markets. Dry weather in Malaysia, Thailand and Indonesia and talks of possible El Nino this year are the bullish factors for Malaysian palm oil which will subsequently push up not only the palm oil prices but also the domestic RM seed.

Indonesia increased its export tax for crude palm oil to 13.5 percent in April from 10.5 percent in March. Besides, Malaysia has raised its crude palm oil export tax for April to 5.5 percent, last month 5% in March. The upward revision will increase the landed cost of palm oil at Indian ports which is another bullish factor for domestic RM seed.

There are reports that the Ministry of Agriculture has suddenly revised the mustard sown area from its earlier figure in Mar at 71.36 lha to 66.29 lha which is even lower than last year's total sown area of 67.46 lha. Eventually, the RM seed production estimate will reduce this season and go below previous year's level.

We feel the RM seed prices to improve on better miller and stockist's buying in near to medium term.

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 on the domestic mustard seed.

However, rise in US and South American soybean production estimates, will be somewhat bearish for the oilseeds.

International

- ❖ The extreme firmness of US soybean prices in the nearby is setting the stage for relatively large US soybean imports in coming months...
- ❖ Under the lead of soybeans total US oilseed plantings are estimated to reach a new high of 39.5 Mn ha in 2014.
- ❖ Indonesia increased its export tax for crude palm oil to 13.5 percent in April from 10.5 percent in March - Indonesian Trade Ministry.
- ❖ As per Malaysian government, Malaysia has raised its crude palm oil export tax for April to 5.5 percent, last month 5% in March.
- ❖ China canceled about 0.4 million tons of U.S. soybeans in the two weeks to March 6 and also canceled 0.5 million tons from South America countries, mainly from Brazil due to ample supplies at Chinese ports – Oil world.
- ❖ South America's top five producing countries soybean production forecast at 151.45 million tons in the 2013-14 season, 0.85 million tons higher from the February estimate. Moreover, Brazil and Argentina soybean production estimate for 2013/14 at 84.5 million and 53.5 million tons respectively – Oil World.
- ❖ China cancelled up to 600,000 tons of South American soybean cargoes for shipment between March and May, due to cases of bird flu and negative crush margins curb demand – (Reuters).
- ❖ Rosario grains exchange pegged Argentina's soybean production at 54.7 million tons for 2013/14 due to bad weather condition.
- ❖ As of March 1, edible oil stock at various ports is estimated at 4,75,000 tonnes. It consists of 2,40,000 tonnes of crude palm oil, 1,10,000 tonnes of refined palmolein, 50,000 tonnes of degummed soyabean oil, 65,000 tonnes of crude sunflower oil and 10,000 tonnes of canola rape oil and about 7,70,000 tonnes in the pipelines. Inventory – both at ports and transit – was reduced by 2,70,000 tonnes to 12,45,000 tonnes, due to lower imports in the last two months.

Oil Meal Prices at Key Spot Markets:

Soy DOC Rates at Different Centers

Centers	Ex-factory rates (Rs/ton)		
	31.3.2014	28.2.2014	Parity To
Indore (MP)	36700-37000	35900-36500	Gujarat, MP
Kota	36600-36700	35500-36200	Rajasthan, Del, Punjab, Haryana
Akola	37500	36000	AP, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	37500	37500	AP, Chattisgarh, Orissa, Jharkhand, WB
Nanded/Latur	37500	37000-37500	AP, Kar ,TN
Dhulia/Jalna	37800	37700	Mumbai, Maharashtra
Nagpur (42/46)	37500	37100-37115	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	38500	38300	Local and South
Solapur	38800	37500	Local and South
Bundi	36500	35500	-

Soy DOC at Port

Centers	Port Price	
	31.3.2014	28.2.2014
Kandla (FOR) (INR/MT)	645	38031
Kandla (FAS) (USD/MT)	38600	613

International Soy DOC

Argentina FOB \$/MT	28.3.2014	28.2.2014	Change
Soybean Pellets	518	549	-31
Soybean Cake Meal	518	549	-31
Soybean Meal	526	557	-31
Soy Expellers	526	557	-31

Sunflower (DOC) Rates

Centers	Ex-factory rates (Rs/ton)		
	31.3.2014	28.2.2014	Change
Adoni	22200	21500	+700
Khamgaon	21800	21000	+800
Parli	22000	21300	+700
Latur	22000	21000	+1000

Groundnut Meal

Groundnut Meal (Rs/MT)	31.3.2014	28.2.2014	Change
Basis 45% O&A, Saurashtra	25500	23500	+2000
Basis 40% O&A, Saurashtra	23500	23000	+500
GN Cake, Gondal	25000	25000	Unch

Mustard DOC/Meal

Mustard DOC	31.3.2014	28.2.2014	Change
Jaipur (Plant Delivery)	14300	14100	+200
Kandla (FOR)	15300	15200	+100
Sri Ganganagar	NR	NR	-

Rabi Sown Area - Oilseeds, India

As per the official *Rabi* oilseeds planting (week ending 13 Mar 2014), the area coverage under Rabi oilseeds is reported at 93.01 lakh hectares, up 2.4% from 90.8 lakh ha previous year. Of the major oilseeds, rapeseed/mustard seed sowing is reported up by 6.0% compared to last year.

Crop	Mar 2014	Mar 2013	% Change
Rapeseed/Mustard	71.36	67.46	5.8
Groundnut	8.92	10.11	-11.8
Safflower	1.79	1.5	19.3
Sunflower	4.4	5.3	-17.0
Sesamum	2.46	2.4	2.5
Linseed	3.59	3.36	6.8
Others	0.49	0.67	-26.9
Total Oilseeds	93.01	90.8	2.4

(Area in lakh hectares) Source: GOI

Soybean

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Downward revision in soybean production estimate of South America by various leading grain analysts due to dry weather in recent weeks remained bullish for soybeans.

South America is not only affected from dry weather but also the South East Asian countries like Thailand, Malaysia and Indonesia are hit by the dry weather affecting the soybean and palm production, eventually leading to lower than expected oils and fats supplies in medium to long term. These factors along with lower domestic supplies continue to lend support to the soybean prices at higher levels and are likely to support in near to medium term too.

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 prices edged-up in tandem with soybean on account of lower than expected supplies in bean and meal globally. Talks of possible El Nino this year is likely to hit the India's soybean crop in the upcoming crop season. If this turns out to be true, the phenomena will eventually lead in lower meal supplies and exports.

India's meal shipments this season (Oct-Sep) has already suffered due to poor quality and fall in overseas orders. Besides, the major soy buyers have shifted to South America due to price competitiveness followed by increased supplies with the start in new marketing season in the region.

However, the domestic meal demand is good and intact. India's demand for poultry products are likely to rise by at least 6% this year, according to NECC which will keep the meal demand intact at 3 MMT and thus prices this season.

India's soy meal shipment continued to be weak as a result of demand shift of major buyers to South America due to their competitive meal prices owing to increased availability in meal with new crop supplies and improved crushings.

Of the top 5 buyers (Iran, Japan, France, Korea and Thailand) of soy meal of Indian origin Japan and Thailand skid to 10th and 19th position from 2nd and 5th position in the month of February 2014.

Indian soy meal exports are unlikely to pick up in medium-term due to demand diversion while the prices are expected to featured range-bound movement with weak-bias in near-term on likely lower soy meal shipments in days ahead.

India's oilmeal shipments fell 53% in Feb 2014 compared to the same period last year while soy meal exports declined by 68% in Feb 2014 compared to the corresponding period last year. Japan which stood at second position after Iran in buying soy meal of Indian origin slipped to 19th position in Feb.

India's shipment of soy meal during February, 2014 was 1.83 lac tons as compared to 5.77 lac tons in February, 2013 showing a decrease by 68.28% over the same period of last year.

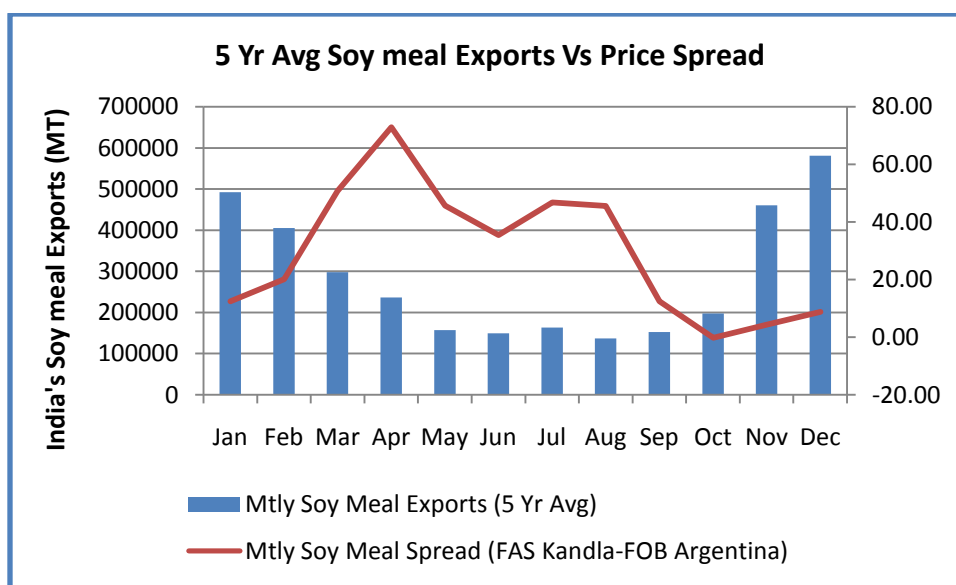
This decline in the export is primarily due to lower arrival of soybean resulting the lower crushing.

On a financial year basis, the export during April'2013 to February'2014 is 26.09 lac tons as compared to 31.13 lac tons in the same period of previous year showing a decrease by 16.19%.

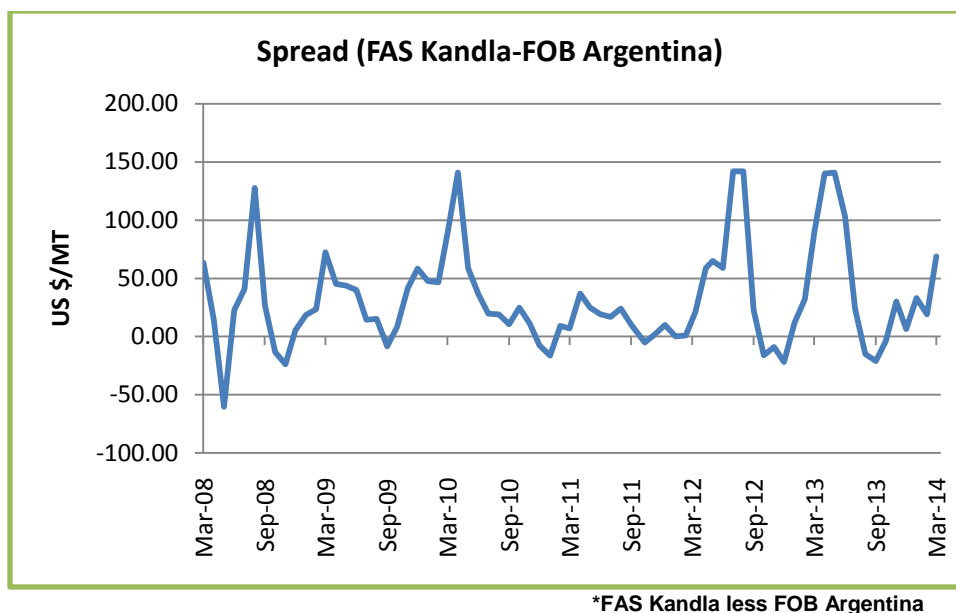
During current Oil year, (October - September), total exports during October'2013 to February'2014 are 17.32 lac tones as against 22.77 lac tones last year, showing a decrease by 23.94%.

Soy meal prices are expected feature firm tone on varied bullish factors hovering in the oils and fats market.

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 exports prices have continued uptrend. Soy meal, FOR Kandla exports price (Mar-Apr delivery) was quoted between Rs 37,950 - 38,800/MT in Mar 2014 compared to 29,600-34,050/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 \$ 69/MT in Mar 2014 compared to US \$ 19/MT in Feb 14. Both Indian and Argentine soy meal exports 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.

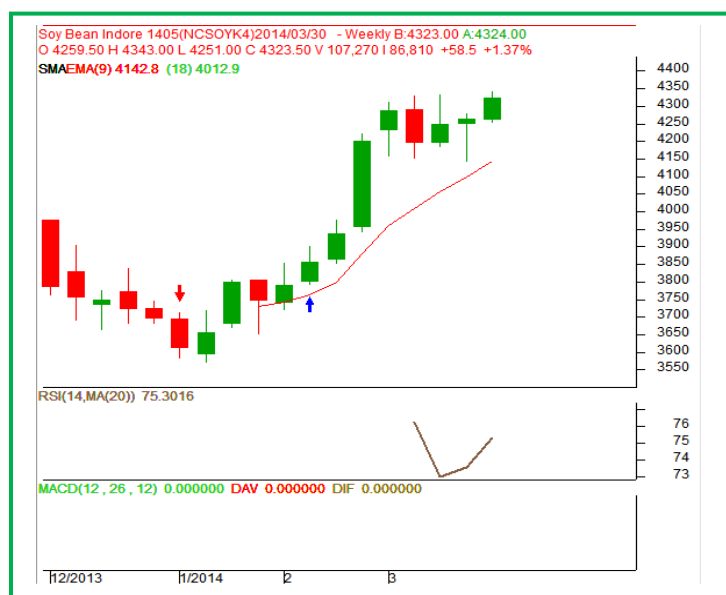
Recommendation: FOR, Kandla was quoted higher at Rs 37,950 - 38,800/MT during the month – Mar compared to Rs 35,170 - 38,000/MT in Feb. Prices surged on bullish global soybean and palm oil reports during the month in review. Indian meal exporters are advised to market their meal to the countries in vicinity 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 38,500-41,000 levels during Apr.

Soybean Crush Margin

Avg Crush Margin – Mar2014	Avg Crush Margin – Feb 2014
-2465	-2732

Technical Analysis:

NCDEX Soybean Futures



Soybean Spot, Indore



*In Rs/MT

Support & Resistance NCDEX - Soybean May Contract

S2	S1	PCP	R1	R2
3960	4050	4258.5	4438	4542

- The monthly candlestick chart pattern reveals continued gains in the market.
- MACD is rising in positive territory.
- RSI and stochastic are rising in neutral region.
- Trade Recommendation (NCDEX Soybean - May) – 1 Month: **BUY** Above 4258.T1 – 4350; T2 - 4430; SL – 4203.

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 4350-4450 levels (Indore, Plant basis) during the month.

Rapeseed - Mustard Seed

RM seed featured mild losses on heavy arrival pressure and weakness in Malaysian palm oil during the month in review. The rapeseed harvesting in the major producing states of Rajasthan, Uttar Pradesh and Madhya Pradesh is in full swing and the seasonal supply pressure of the seed is mounting. In fact, they are currently at the peak.

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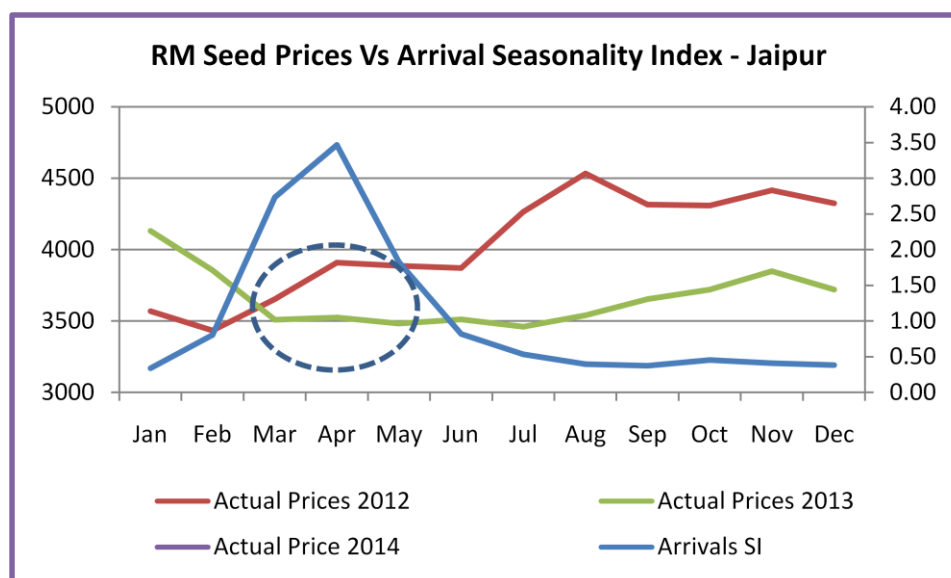
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We feel the RM seed prices to improve on better miller and stockist's buying in near to medium term.

RM Seed Prices vs Arrivals – Jaipur (Rajasthan)



RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Monthly Arrivals– Mar	1 Month Ago	Corresponding Period Last Year
4,81,5000	7,17,000	6,33,5000

We feel the RM seed prices to improve on better miller and stockist's buying in near to medium term.

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 May Contract

S2	S1	PCP	R1	R2
3300	3338	3504	3742	3792

- The RM seed prices could not sustain at higher levels during the month.
- RSI and stochastic are easing in neutral region.
- Prices are likely to feature gains during the month.
- Trade Recommendation (NCDEX RM SEED – May) – 1 Month: **BUY** Above 3504 levels. T1 – 3615; T2 – 3690; SL - 3437.

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. Old seed is expected to witness range bound in the 3740 – 3800 levels during the month. The new seed is expected to witness prices between 3550-3750 levels during the month.

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