

Executive Summary

Soybean and soy meal extended gains on firm global cues while rapeseed/mustard remained under pressure due to supply pressure followed by ongoing harvesting of the seed during month under review.

Soybean continued to feature gains supported by bullish global factors and weak domestic supplies during the month under review. Besides, several key grain markets remained closed on due to general elections-poll and several regional holidays leading to closure of the mandis which hit the supplies during the month.

The international benchmark CBOT soybean is hitting fresh highs every week, the May contract has hit US \$ 15.22 a bushel on Wednesday, 16 April 2014. Tight US soybean inventories is lending the support, as the USDA cut its forecast for the 2013-14 soybean carry over to 135 million bushels, down 10 million from March month. The figure was below an average of trade estimates of 139 million bushels and expected to be a 10-year low, if realised by the end of the marketing year on Aug. 31.

The harvesting in Brazil is underway and it is about 85% complete besides soybean harvesting in Argentina is over 15% complete. The global supplies have increased and the buying at the current levels from US and South America has improved, except for recent defaults by Chinese importers from US and Brazil which slightly pressured the market previous week.

US soybean plantings have commenced, though it has not gained the momentum. The local statistics reveal that 4% of the intended area was sown in Arkansas as of Apr 13, 13% in Louisiana and 6% in Mississippi.

In the domestic front, the bean arrivals across the various key cash markets is lower due to the slowdown in crushings followed by disparity on crushing and lower soy meal shipments from India this season. The crushing is slow paced and the crushing units in Madhya Pradesh are just able to operate for 8-10 days a month due to inadequate supplies in beans and are running much below their crushing capacity.

There is also a concern over the availability of quality and certified seed for planting this kharif season especially in the state of Madhya Pradesh. This may hit the soybean yield of the upcoming season. The soybean planting in India begins in late June. Besides, talks of possible El Nino may discourage the soybean farmers as it may lead to weak monsoon which will eventually hit the soybean yield this season.

Overall, the soybean prices are expected to remain firm on lower supplies in domestic front and better international buying and lower US soybean stock at the international.

Soy meal extended gains in conjunction with soybean during the period. Steady and continued domestic demand in meal for poultry feed and weak crushings of soybean remained supportive for the meal prices.

Talks of possible El Nino this year (70% chance) is likely to hit the India's soybean crop in the upcoming crop season. If the phenomena turn out to be true it will eventually lead in lower soybean productivity and hence lower supplies in meal in the coming season.

India's meal shipments during the season remained weak primarily 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.

As discussed, the current domestic meal demand is good and intact. India's demand for poultry products are expected 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, Indian soy meal shipments remained weak this season. 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. India's soy meal shipments stand at the optimum level during Oct – Feb.

India's Oilmeal shipments declined 9.8% to 4.33 million tonnes in 2013-14 in finance year ended March 31 2013.

India's Oilmeal shipments in March stood at 3.97 lakh tonnes compared to 4.30 lakh tonne during the same period last year, said SEA.

India's Soy meal exports, which constitute the bulk of oil meal exports, decreased by 27.50% to 2.32 Lac tonnes in March'14 from 3.20 Lac tonnes a year earlier.

The annual Soy meal exports in the financial year 2013-2014 (April-March) in terms of Quantity were 28,40,874.837 tonnes, decreased by 17.27 percent from 34,33,916.546 tonnes a year ago. In terms of value the total earning is Rs. 9,976.40 crores compared to Rs.10,192.91 crores in 2012-13 marginally down by 2.12%.

Partially, export of Soybean Meal suffered during first and fourth quarter due to poor availability of soybean and corresponding lower crushing.

During the first half of current Oil year (October - September), exports during October'13 to March'14 in terms of quantity were 19.65 Lac tonnes as against 25.97 Lac tonnes last year or a drop of 24.35%. In terms of value the total earning is Rs. 6,987.97 crores compared to Rs.7,602.67 crores in 2012-13 down by 8.08%.

The soy meal prices are expected to feature range-bound movement with firm bias and short-term.

The RM seed continued remain under pressure on heavy arrivals followed by harvesting in full swing in the major producing regions including Rajasthan, UP, Madhya Pradesh, Punjab and Haryana. Overall, the seed supplies are higher followed by harvesting in full swing though it is done around 90%.

The arrivals fell due to *Ambedkar and Hanuman Jayanti* besides Lok Sabha poll in some key centers. The all India seed arrivals are reported at between 3.2 – 6.4 lakh bags during the week compared to 6.5 – 7.0 lakh bags previous week.

Active participation of both the seller and the buyers across the key physical markets is witnessed. The millers and the stockists are actively buying the seed at the current price levels to cover their stocks for future. Despite the improved precipitation in recent weeks, it is still much too dry in many palm oil producing regions of Malaysia and Indonesia, which will lend support to the BMD CPO in near-term.

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.

But the bearish side is that Malaysian palm oil inventories for March estimated at 1,687,709 tons against a revised 1,656,908 tons last month. Inventories surged by rose 2 percent compared to last month. However, Malaysian palm oil inventories hovering at 22.2 percent lower on y-o-y basis. Higher palm oil production and weak exports helped lift stocks. On the production front, palm oil output for March is estimated at 1.49 million tons, up 17.3 percent on m-o-m basis - Malaysian Palm Oil Board.

We feel the RM seed prices have bottomed out and they will recover on better miller and stockist's buying in near to medium term.

Overall, underlying current in oils and fats market is bullish, though few bearish factors are prevalent in the market will limit the upside in short-term.

International

- ❖ Strike risk in Argentina, the first strike probably already tomorrow at crush plants (unless a solution is found in today's consultations) and a strike of port workers on May 1.
- ❖ Oil World has estimated that a total of around 300 Thd T of Brazilian soybeans will be exported to the USA in April.
- ❖ G-4 soya meal shipments stood at 3.3 Mn T in March about unchanged from the reduced level of previous year – Oil World.
- ❖ US soybean plantings have commenced and it is gradually picking up the pace, US mid-west weather need to be closely watched in coming weeks.
- ❖ There is soybean supply tightness in domestic soybeans due to growth in US soybean export commitments in the week ended Apr 3.
- ❖ India's vegetable oil imports fell six per cent in March to 8,35,424 tonnes against 8,89,415 tonnes in the corresponding last year as the rupee appreciated and demand slipped.
- ❖ Imports included 8,32,925 tonnes of edible oil and 2,499 tonnes on non-edible oil, according to the data released by the Solvent Extractors' Association.
- ❖ Overall, imports of vegetable oils between November and March were down six per cent at 43,32,231 tonnes (46,24,678 tonnes).
- ❖ Import of refined oil rose 32 per cent to 8,17,615 tonnes against 6,20,698 tonnes in the first five months of the season that began in November.
- ❖ Palm oil imports in last five months decreased 17 per cent to 31,42,418 tonnes.
- ❖ Inventory of edible oil at various ports as on April 1 was estimated at 4,90,000 tonnes. Crude palm oil stock was at 2,70,000 tonnes, refined palmolein was at 90,000 tonnes, degummed soyabean oil at 50,000 tonnes and crude sunflower oil at 80,000 tonnes. Consignments of about 710,000 tonnes were in the pipeline, said SEA.
- ❖ Indian vegetable oil buyers have severely reduced imports of palm oil so far this year in response to stronger prices on the world market.

Oil Meal Prices at Key Spot Markets:

Soy DOC Rates at Different Centers

Centers	Ex-factory rates (Rs/ton)		
	30-Apr-14	31.3.2014	Parity To
Indore (MP)	43000-44000	36700-37000	Gujarat, MP
Kota	43500	36600-36700	Rajasthan, Del, Punjab, Haryana
Akola	44000	37500	AP, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	45500	37500	AP, Chattisgarh, Orissa, Jharkhand, WB
Nanded/Latur	45000-46000	37500	AP, Kar ,TN
Dhulia/Jalna	46000	37800	Mumbai, Maharashtra
Nagpur (42/46)	45500	37500	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	45000-46000	38500	Local and South
Solapur	46500	38800	Local and South
Bundi	43500	36500	-

Soy DOC at Port

Centers	Port Price	
	30-Apr-14	31.3.2014
Kandla (FOR) (INR/MT)	45500	38600
Kandla (FAS) (USD/MT)	754	645

International Soy DOC

Argentina FOB \$/MT	29-Apr-14	28.2.2014	Change
Soybean Pellets	535	518	17
Soybean Cake Meal	535	518	17
Soybean Meal	543	526	17
Soy Expellers	543	526	17

Sunflower (DOC) Rates

Centers	Ex-factory rates (Rs/ton)		
	30-Apr-14	31.3.2014	Change
Adoni	24000	22200	1800
Khamgaon	NA	21800	-
Parli	24000	22000	2000
Latur	23600	22000	1600

Groundnut Meal

Groundnut Meal (Rs/MT)	29-Apr-14	31.3.2014	Change
Basis 45% O&A, Saurashtra	33000	25500	7500
Basis 40% O&A, Saurashtra	31000	23500	7500
GN Cake, Gondal	31000	25000	6000

Mustard DOC/Meal

Mustard DOC	30-Apr-14	31.3.2014	Change
Jaipur (Plant Delivery)	15500	14300	1200
Kandla (FOR)	16700	15300	1400
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	Apr 2014	Apr 2013	% Change
Rapeseed/Mustard	71.38	67.48	5.8
Groundnut	10.8	11.01	-1.9
Safflower	1.79	1.5	19.3
Sunflower	4.45	5.33	-16.5
Sesamum	4.54	2.94	54.4
Linseed	3.61	3.38	6.8
Others	0.49	0.69	-29.0
Total Oilseeds	97.06	92.33	5.1

(Area in lakh hectares) Source: GOI

Soybean

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There is also a concern over the availability of quality and certified seed for planting this kharif season especially in the state of Madhya Pradesh. This may hit the soybean yield of the upcoming season. The soybean planting in India begins in late June. Besides, talks of possible El Nino may discourage the soybean farmers as it may lead to weak monsoon which will eventually hit the soybean yield this season.

Overall, the soybean prices are expected to remain firm on lower supplies in domestic front and better international buying and lower US soybean stock at the international.

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 extended gains in conjunction with soybean during the period. Steady and continued domestic demand in meal for poultry feed and weak crushings of soybean remained supportive for the meal prices.

Talks of possible El Nino this year (70% chance) is likely to hit the India's soybean crop in the upcoming crop season. If the phenomena turn out to be true it will eventually lead in lower soybean productivity and hence lower supplies in meal in the coming season.

India's meal shipments during the season remained weak primarily 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.

As discussed, the current domestic meal demand is good and intact. India's demand for poultry products are expected 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, Indian soy meal shipments remained weak this season. 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. India's soy meal shipments stand at the optimum level during Oct – Feb.

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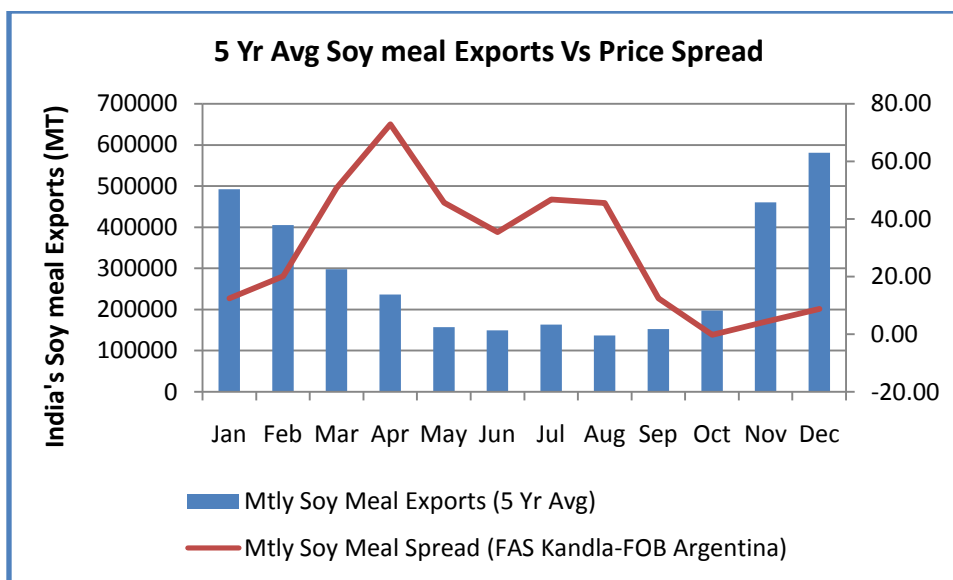
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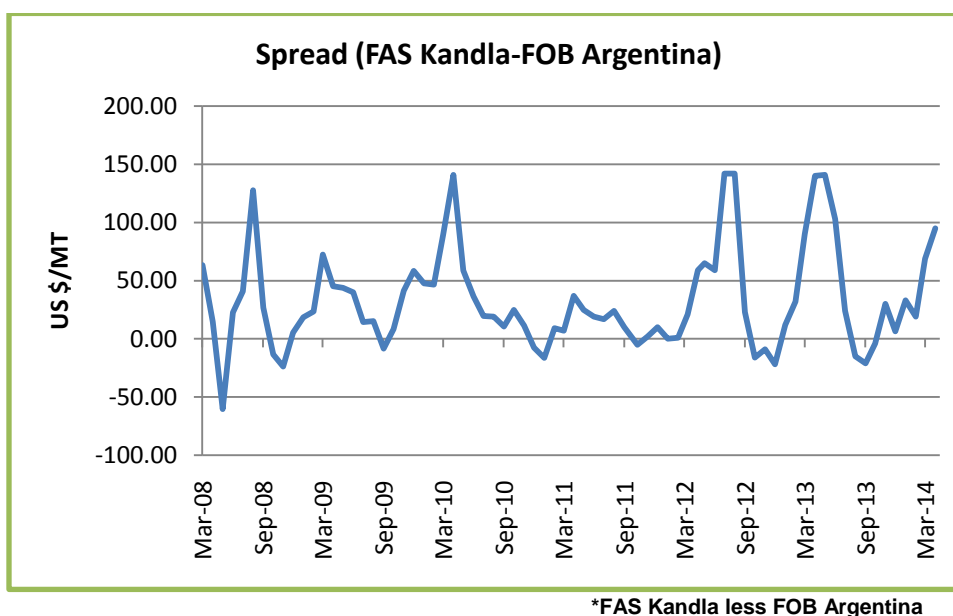
Soy meal prices are expected feature firm tone on varied bullish factors hovering in the oils and fats market.

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However, India's Y-o-Y soy meal exports prices have continued uptrend. Soy meal, FOR Kandla exports price (Apr-Jun delivery) was quoted between Rs 38,800 – 45,500/MT in Apr 2014 compared to 33,350-38,550/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 \$ 95/MT in Apr 2014 compared to US \$ 69/MT in Mar 14. SBM Argentine exports prices are lower as compared to the India's. But the Argentine soy meal prices are competitive due their new crop supplies expected in the month and improved crushings, 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 exports price (Apr-Jun delivery) was quoted between Rs 38,800 – 45,500/MT in Apr 2014 compared to 33,350-38,550/MT during the same period last year. Prices surged on bullish global soybean reports with downward revision in US soybean stocks and subsequent gains in CBOT soybeans in recent weeks. Indian meal exporters are advised to market their meal to the countries in vicinity including traditional South and Far-East Asian destinations and Iran. Indian soy meal faces price competition from South American soy meal due to new crop soybean supplies. India is into the period of lower exports considering seasonality. The domestic meal prices are likely to feature steady to firm tone during in near-term. FOR, Kandla is expected to feature range bound movement with firm bias and the quotes will range between 45,000-48,000 levels in the upcoming weeks.

Soybean Crush Margin

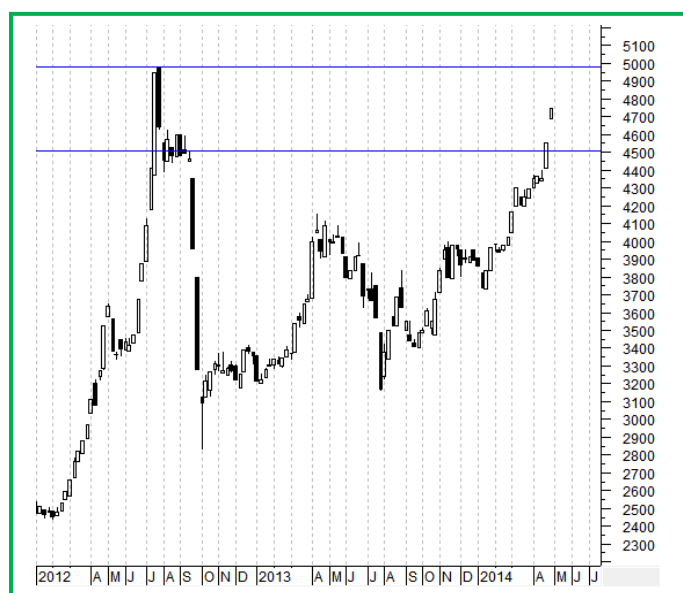
Avg Crush Margin – Apr 2014	Avg Crush Margin – Mar 2014
-2357	-2465

Technical Analysis:

NCDEX Soybean Futures



Soybean Spot, Indore



*In Rs/MT

Support & Resistance NCDEX - Soybean Jun Contract

S2	S1	PCP	R1	R2
4052	4420	4788	5007	5226

- The monthly candlestick chart pattern reveals rally in the market.
- MACD is rising in positive territory.
- RSI and stochastic are rising in overbought zone.
- Trade Recommendation (NCDEX Soybean - Jun) – 1 Month: **BUY** Above 4785.T1 – 4850; T2 - 4900; SL – 4746.

Trade Recommendation soybean spot: Soybean prices are expected to feature firm tone. Expected labour strike at Argentine ports and forecast for the 2013-14 soybean carry over to 135 million bushels, down 10 million from last month. South American crop damage and dry weather in major palm growing region of South East Asia will act as bullish factors. The prices are likely to edge-up and will be in the band of 4520-4800 levels (Indore, Plant basis) during the month.

Rapeseed - Mustard Seed

The RM seed continued remain under pressure on heavy arrivals followed by harvesting in full swing in the major producing regions including Rajasthan, UP, Madhya Pradesh, Punjab and Haryana. Overall, the seed supplies are higher followed by harvesting in full swing though it is done around 90%.

The arrivals fell due to *Ambedkar and Hanuman Jayanti* besides Lok Sabha poll in some key centers. The all India seed arrivals are reported at between 3.2 – 6.4 lakh bags during the week compared to 6.5 – 7.0 lakh bags previous week.

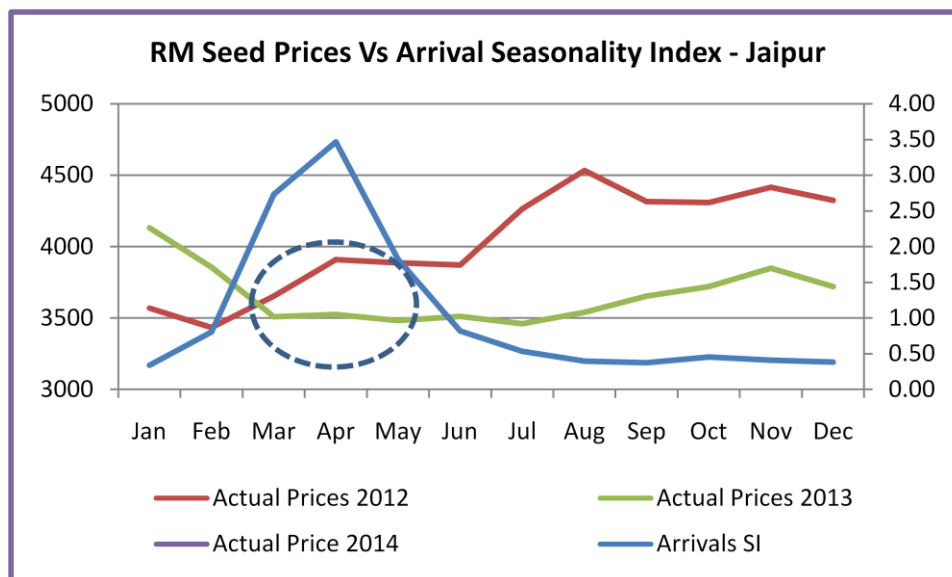
Active participation of both the seller and the buyers across the key physical markets is witnessed. The millers and the stockists are actively buying the seed at the current price levels to cover their stocks for future. Despite the improved precipitation in recent weeks, it is still much too dry in many palm oil producing regions of Malaysia and Indonesia, which will lend support to the BMD CPO in near-term.

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.

But the bearish side is that Malaysian palm oil inventories for March estimated at 1,687,709 tons against a revised 1,656,908 tons last month. Inventories surged by rose 2 percent compared to last month. However, Malaysian palm oil inventories hovering at 22.2 percent lower on y-o-y basis. Higher palm oil production and weak exports helped lift stocks. On the production front, palm oil output for March is estimated at 1.49 million tons, up 17.3 percent on m-o-m basis - Malaysian Palm Oil Board.

We feel the RM seed prices have bottomed out and they will recover 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– Apr	1 Month Ago	Corresponding Period Last Year
71,90,000	4,81,5000	78,00,000

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	7.74
Imports	0	0	0	0	0	0
Total Availability	6.65	6.75	7.75	7.75	7.48	7.94
Crush	5.9	6	6.5	7.47	7.28	7.74
Exports	0	0	0	0	0	0
Total Usage	5.9	6	6.5	7.47	7.28	7.74
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	0.65
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	0.31

(Source: Agriwatch)

- We have revised our previous estimate and have pegged India's 2014-15 RM seed outturn at 7.7 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 Jun Contract

S2	S1	PCP	R1	R2
3304	3389	3616	3785	3898

- The RM seed prices slightly recovered during the month.
- RSI and stochastic are heading upwards in neutral region.
- Prices are likely to feature gains during the month.
- Trade Recommendation (NCDEX RM SEED – Jun) – 1 Month: **BUY** Above 3610 levels. T1 – 3660; T2 – 3710; SL – 3580.

Trade Recommendation RM Seed Spot (Jaipur basis): There is a good support at 3355 level. Prices tested low at 3358 previous the week. In spot, the RM seed prices are expected to feature gains on strong buying interest at the current levels. However, 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 limit the losses, if any, during the month. Prices of seed are expected to be in the range between 3500–3700 levels during the month.

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