

Executive Summary

Soybean and soy meal extended losses while rapeseed/mustard seed prices witnessed mild gains during the week in review.

Domestic soybean fell due to weak demand from crushers/processors due to better imports in edible oil, fall in soy meal shipment, rise in mustard seed planting acreage and weak international scenario.

This has further widened the crushing disparity in soybean and hence the crushing plants are operating below their capacity. Currently, India is importing soy oil from Argentina owing to the import parity and palm oil from Indonesia which has lead in the sluggish bean demand from solvent extractors.

Besides, market participants feel that U.S. and global soybean inventories, before next year's Northern Hemisphere harvest, may surpass a USDA forecast in December to around 71.5 Mn T from 70.6 Mn T estimated earlier.

Though Informa has cut Argentine soybean production, it has raised the US soybean output. Further, Brazil is expected produce record high this year.

Soy meal prices further eased in tandem with soybean primarily attributed to lower export sales in the month of December by 8.5%.

Iran (132452.96 MT), Thailand (81254.28 MT), Vietnam (50262.43 MT) and Japan (40900 MT) remained the top buyers of Indian origin meal in the month of December 2013. However, India registered higher soy meal export sales during finance year and during current oil year (Oct-Sep).

Currently, the export enquiries in soy meal are low and the South American meal prices are competitive compared to India's. Hence major international demand has diverted to South America.

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

The RM seed prices featured steady to slightly firm tone on moderate demand during the week in review. However, the RM seed prices have started getting downward pressure on reports of higher domestic planting acreage this season (up 6.2%), weak global oilseeds supply scenario.

Higher acreage and favourable weather is expected to boost the seed production this season.

There is a relief for the seed growers as the CCEA has approved the proposal for increasing the import duty on refined edible oils of vegetable origin to 10% to maintain a reasonable differential between import duty on crude edible oils and to protect the domestic refining industry. Earlier the import duty on refined edible oils was 7.5 percent.

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

Reports of higher global oilseeds inventories, rise in US and South American soybean production estimates, fall in crude oil, sizeable increase in RM seed and other rabi oilseeds acreage domestically will influence the oilseeds market. Recent rise in import duty in refined edible oils will be a bullish factor for the market.

International Highlights

- ❖ Informa Economics has pegged the 2013-14 US soybeans harvest at 3.329 billion bushels and the yield at 44.0 bushels per acre, up from its previous estimates of 3.298 billion bushels and 43.3 bushels per acre. IMEA has reported that farmers in Brazil's Mato Grosso region have done forward selling of 48% on their new crop soybeans, lower than 67% this time a year ago. Informa cut their soybean production forecast for Argentina by 2 million tons to 57.5 million tons.
- ❖
- ❖ India's soy meal exports during December, 2013 was 4.71 lac tons as compared to 5.11 lac tons in December, 2012.
- ❖ There are no reports of Chinese rapeseed meal imports from Canada in Jan/Nov 2013, curbing total arrivals to an eight-year low of only 0.12 Mn T in that period.
- ❖ Argentine soya meal prices are primarily supported by the severe seasonal slowdown meal exports since October. Soybean disposals in South America in December declined to 4.7 Mn T.
- ❖ In the first four months of the marketing season, the USA has reportedly exported 61% of current season's export sales.
- ❖
- ❖ The USA has even imported oils and fats in a good volume this time, its net oils and fats import in Jan/Nov 2013 is reported at 1.6 Mn T.

Oil Meal Prices at Key Spot Markets:
Soy DOC Rates at Different Centers

Centers	Ex-factory rates (Rs/ton)		
	10.1.2014	3.1.2014	Parity To
Indore (MP)	32000	32800-33000	Gujarat, MP
Kota	31500	32300-32600	Rajasthan, Del, Punjab, Haryana
Akola	32500	33000	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	32500	33500	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Nanded/Latur	32500-32700	33000	Andhra, AP, Kar, TN
Dhulia/Jalna	33500	34000	Mumbai, Maharashtra
Nagpur (42/46)	32300	33300	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	33000	34000	Local and South
Sholapur	32700	33500	Local and South
Bundi	31500-31700	32400	-

Soy DOC at Port

Centers	Port Price	
	10.1.2014	3.1.2014
Kandla (FOR) (INR/MT)	33550	34800
Kandla (FAS) (USD/MT)	542	558

International Soy DOC

Argentina FOB \$/MT	9.1.2014	3.1.2014	Change
Soybean Pellets	506	510	-4
Soybean Cake Meal	506	510	-4
Soybean Meal	514	518	-4
Soy Expellers	514	518	-4

Sunflower Meal Rates

Centers	Ex-factory rates (Rs/ton)		
	10.1.2014	3.1.2014	Change
Adoni	20400	20600	-200
Khamgaon	20000	20000	Unch
Parli	20200	20200	Unch
Latur	20000	20100	-100

Groundnut Meal

Groundnut Meal	10.1.2014	3.1.2014	Change
Basis 45% O&A, Saurashtra	22700	23000	-300
Basis 40% O&A, Saurashtra	NA	NA	-
GN Cake, Gondal	21500	22000	-500

Mustard DOC/Meal

Mustard DOC/Meal	10.1.2014	3.1.2014	Change
Jaipur (Plant Delivery)	13300	13800	-500
Kandla (FOR)	14300	14700	-400

Progress of Sown Area – Rabi Oilseeds, India

As per the official *Rabi* oilseeds planting (week ending 9 January 2014), the area coverage under Rabi oilseeds is reported at 86.22 lakh hectares, up 4.2% from previous year. Of the major oilseeds, rapeseed/mustard seed sowing is reported up by 6.2 percent compared to last year.

Crop	As on 9 Jan 2014	As on 9 Jan 2013	% Change
Rapeseed/Mustard	70.35	66.22	6.2
Groundnut	5.99	6.55	-8.5
Safflower	1.73	1.4	23.6
Sunflower	3.8	4.5	-15.6
Sesamum	0.58	0.53	9.4
Linseed	3.37	3.14	7.3
Others	0.4	0.41	-2.4
Total Oilseeds	86.22	82.75	4.2

(Area in lakh hectares) Source: GOI

Soybean

Soybean and soy meal extended losses while rapeseed/mustard seed prices witnessed mild gains during the week in review.

Domestic soybean fell due to weak demand from crushers/processors due to better imports in edible oil, fall in soy meal shipment, rise in mustard seed planting acreage and weak international scenario.

This has further widened the crushing disparity in soybean and hence the crushing plants are operating below their capacity. Currently, India is importing soy oil from Argentina owing to the import parity and palm oil from Indonesia which has lead in the sluggish bean demand from solvent extractors.

Besides, market participants feel that U.S. and global soybean inventories, before next year's Northern Hemisphere harvest, may surpass a USDA forecast in December to around 71.5 Mn T from 70.6 Mn T estimated earlier.

Though Informa has cut Argentine soybean production, it has raised the US soybean output. Further, Brazil is expected produce record high this year.

Domestic soybean cash market is expected to feature weak tone on moderate buying by the crushers followed by disparity in crushing, better edible oil imports, poor soy meal export sales and higher record South American production estimates. Besides, fall in crude oil remained bearish factor for the beans.

Soy meal

Soy meal prices further eased in tandem with soybean primarily attributed to lower export sales in the month of December by 8.5%.

Iran (132452.96 MT), Thailand (81254.28 MT), Vietnam (50262.43 MT) and Japan (40900 MT) remained the top buyers of Indian origin meal in the month of December 2013. However, India registered higher soy meal export sales during finance year and during current oil year (Oct-Sep).

Currently, the export enquiries in soy meal are low and the South American meal prices are competitive compared to India's. Hence major international demand has diverted to South America.

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

India's exports of soy meal during November 2013 was 5.19 lakh tons as compared to 5.17 lakh tons in November, 2012. On a financial year basis, the export during April'2013 to November'2013 is 15.90 lac tons as compared to 14.05 lakh tons in the same period of previous year showing an increase of 13.16%.

During current Oil year, (October - September), total exports during October 2013 to November, 2013 are 7.14 Lac tones as against 5.68 Lac tones last year, showing an increase by 25.70%.

However, preference of the meal of Indian origin mainly by the South-East countries due to logistic and freight advance and demand for non-GMO meal will lend support to the domestic soy meal. During the current Oil year Iran, Japan, Europe, Thailand, Vietnam, Indonesia and South Korea are the major destinations for Indian soy meal exports.

However, India's Y-o-Y soy meal prices have witnessed a steady trend during the past week. Soy meal (Jan-Feb) export price, FOR Kandla exports was quoted between Rs 34,000-34,800/MT compared to 28,000-29,000/MT during the same period last year.

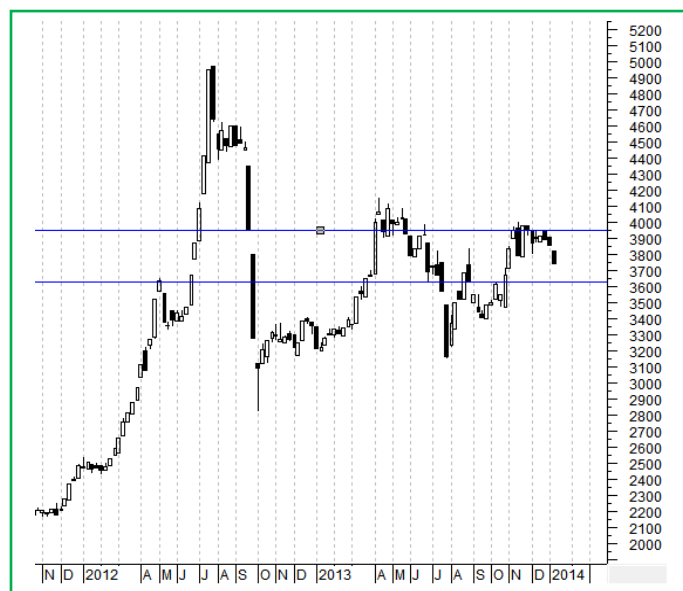
Recommendation: Indian soy meal is facing price competition from South American meal. India's exports are likely to ease seasonally and South American supplies are to pick up likely to remain weak. The Indian meal exporters are advised to aggressively market their meal to the countries in vicinity including traditional South and Far-East Asian destinations to materialize the freight and logistics advantage. The prices are expected to feature steady to weak movement. FOR, Kandla is likely to be in the price band of Rs 33700-34000/MT.

Technical Analysis:

NCDEX Soybean Futures-Weekly Chart



Soybean Spot, Indore



Support & Resistance NCDEX Soybean – Feb contract

S2	S1	PCP	R1	R2
3231	3380	3591	3935	4075

- Soybean prices strong fell consecutive third week.
- RSI and stochastic are easing in neutral zone which indicates weakness in the market.
- MACD is falling in positive territory.
- The prices are expected to remain weak in coming week.
- **Trade Recommendation (NCDEX Soybean – Feb) Week: Sell** between 3600-3610. Levels: Target – 3500; T2- 3480, SL -3668.

Trade Recommendation Soybean Spot: We feel the soybean prices to feature range bound trend with weak-bias in near-term - WEEK. The prices are likely to witness 3600-3650 levels (Indore, Plant basis).

Rapeseed - Mustard Seed

The RM seed prices featured steady to slightly firm tone on moderate demand during the week in review. However, the RM seed prices have started getting downward pressure on reports of higher domestic planting acreage this season (up 6.2%), weak global oilseeds supply scenario.

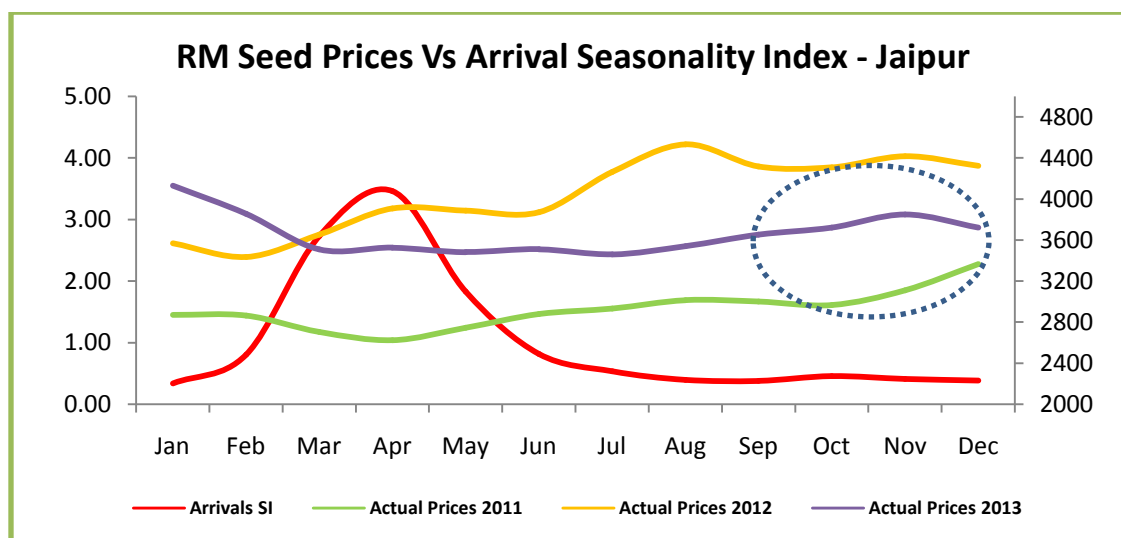
Higher acreage and favourable weather is expected to boost the seed production this season.

There is a relief for the seed growers as the CCEA has approved the proposal for increasing the import duty on refined edible oils of vegetable origin to 10% to maintain a reasonable differential between import duty on crude edible oils and to protect the domestic refining industry. Earlier the import duty on refined edible oils was 7.5 percent.

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

Overall, higher global oilseeds production estimates and increased domestic rapeseed and other rabi oilseeds planting acreage and better palm oil imports are warranting rise in production estimates are likely to weigh down on the rapeseed markets.

However, rise in import duty in refined edible oils from 7.5% to 10% last week and limited RM seed supplies in the spot markets and emergence of prolonged cold wave conditions in key producing areas may provide support may slightly limit the losses.



Technical Analysis:

NCDEX RM Seed Futures



RM Seed Spot, Jaipur



Support & Resistance NCDEX RM Seed - Apr contract

S2	S1	PCP	R1	R2
3252	3433	3595	3748	3865

- Candlestick chart pattern reveals indecision in the market.
- The prices closed below 9-day and 18-day EMA.
- RSI is flatter in the neutral zone while stochastic is falling in neutral region.
- MACD is easing in positive zone.
- Prices are expected to fall in near-term.
- **Trade Recommendation (NCDEX RM SEED - Apr) Week: SELL** Between 3610-3620 for a Target – 3500; T2- 3480; SL -3684.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot, the RM seed prices are expected to feature a range bound movement with a weak bias in the coming days on rabi sowing progress and higher acreage estimates. The prices are likely to witness 3500-3550 Rs/ql level in near term.

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>
 © 2013 Indian Agribusiness Systems Pvt Ltd.