

Executive Summary

Overall, soybean, soy meal and rapeseed/mustard fell during the week in review. However, the prices showed signs of recovery towards the weekend but failed to suppress the previous week's level.

Domestic soybean extended losses on sluggish buying from crushers/processors due to disparity on crushing. Poor soy meal shipments and higher edible oil imports has made the crushing unviable. Besides, bearish international factors like higher soybean production estimates for South America and lower palm oil export sales from major exporters engulfed the oils and fats markets eventually pressuring domestic market.

Besides, there is still imports parity in soy oil of Argentine origin at Indian ports, cautious soybean buyers due to the quality concern this season has made the imports attractive for the importers.

The domestic demand in soyoil and meal is moderate and likely to be flat in near-term. Soy meal exports are likely to ease considering the previous trend, mainly due to demand diversion towards South America.

However, record higher US soybean crushings in first 4 months of US soy marketing season indicating fast disappearance and huge Chinese soybean imports limited the losses in soybean.

Soy meal fell on weak Indian export sales and reports are higher soybean production in South America. Besides, better supplies due to record high US soybean crushings in the first 4 months of marketing year remained bearish for the market too.

Besides, demand shift towards South America and forward bookings ahead new crop in the region continue to pressure the Indian soy meal market. India's soy meal export sales in the month of December fell by 8.5%.

The export enquiries in soy meal continue to be low due to demand shift as South American meal prices are competitive compared to India's.

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. Exports of Malaysian palm oil products for Jan 1-15 fell 28 percent to 460,248 tons, from the corresponding period of the last year - cargo surveyor Intertek Testing Services.

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 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.

International Highlights

- ❖ Argentina's 2013/14 soybean planted acreage is estimated at 20.35 million hectares by Buenos Aires Grains Exchange, which has been slightly cut from the previous estimate of 20.45 million hectares.
- ❖ Reportedly rainfall in Argentina was insufficient over the last weekend, leaving soybeans under stress from heat and dry weather conditions.
- ❖ Recent fall in palm oil exports from major exporters kept the lid in the international palm oil prices. Exports of Malaysian palm oil products for Jan 1-15 fell 28 percent to 460,248 tons, from the corresponding period of the last year - cargo surveyor Intertek Testing Services.
- ❖ Soya meal shipments of the 6 major countries (US, Brazil, Argentina, Uruguay, China and India) were reportedly 8% higher than a previous year at 4.35 Mn T in December, reported by Oil World.
- ❖ The US soybean supplies are still tight for this season due to very strong demand which is rapidly depleting US supplies. For Sept/Febr 2013/14 Oil World expects US soybean shipments to reach a record 34.8 Mn T.
- ❖ The fast growing poultry sector in Russia is attributed to the major driving forces behind rising compound feed production in Russia. The weather conditions are favourable for the development of winter crops in the key agricultural breadbaskets of the former Soviet Union.

Oil Meal Prices at Key Spot Markets:

Soy DOC Rates at Different Centers

Centers	Ex-factory rates (Rs/ton)		
	17.1.2014	10.1.2014	Parity To
Indore (MP)	32500-32600	32000	Gujarat, MP
Kota	32000	31500	Rajasthan, Del, Punjab, Haryana
Akola	32500	32500	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	33000	32500	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Nanded/Latur	32500	32500-32700	Andhra, AP, Kar, TN
Dhulia/Jalna	33500	33500	Mumbai, Maharashtra
Nagpur (42/46)	33000-33200	32300	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	33300	33000	Local and South
Sholapur	33000	32700	Local and South
Bundi	33200-33300	31500-31700	-

Soy DOC at Port

Centers	Port Price	
	17.1.2014	10.1.2014
Kandla (FOR) (INR/MT)	34400	33550
Kandla (FAS) (USD/MT)	561	542

International Soy DOC

Argentina FOB \$/MT	16.1.2014	9.1.2014	Change
Soybean Pellets	520	506	14
Soybean Cake Meal	520	506	14
Soybean Meal	528	514	14
Soy Expellers	528	514	14

Sunflower Meal Rates

Centers	Ex-factory rates (Rs/ton)		
	16.1.2014	10.1.2014	Change
Adoni	20400	20400	Unch
Khamgaon	20000	20000	Unch
Parli	20200	20200	Unch
Latur	20000	20000	Unch

Groundnut Meal

Groundnut Meal	17.1.2014	10.1.2014	Change
Basis 45% O&A, Saurashtra	23300	22700	600
Basis 40% O&A, Saurashtra	NR	NA	-
GN Cake, Gondal	23000	21500	1500

Mustard DOC/Meal

Mustard DOC/Meal	17.1.2014	10.1.2014	Change
Jaipur (Plant Delivery)	13500	13300	200
Kandla (FOR)	13500	14300	-800

Progress of Sown Area – Rabi Oilseeds, India

There was no update on the planting progress last week. However, 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

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Soy meal

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The export enquiries in soy meal continue to be low due to demand shift as South American meal prices are competitive compared to India's.

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).

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 soybean meal during December, 2013 was 4.71 lac tons as compared to 5.11 lac tons in December, 2012.

On a financial year basis, the shipment during April'2013 to December'2013 is 20.61 lac tons as compared to 19.16 lac tons in the same period of previous year showing an increase of 7.56%.

During current Oil year, (October - September), total exports during October 2013 to December, 2013 are 11.84 Lac tones as against 10.79 Lac tones last year, showing an increase by 9.73%.

Although, 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 33,200-34,400/MT compared to 28,300-28,500/MT during the same period last year.

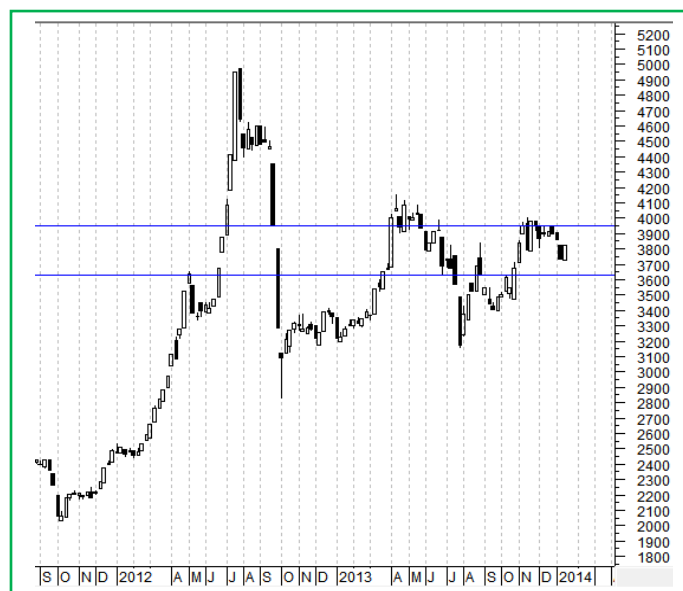
Recommendation: Indian soy meal is facing stiff price competition from South American meal. India's exports are likely to ease seasonally and South American supplies are to pick up in coming days. The Indian meal exporters are advised to aggressively market their meal to the countries in vicinity including 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 34,500-34,700/MT.

Technical Analysis:

NCDEX Soybean Futures-Weekly Chart



Soybean Spot, Indore



Support & Resistance NCDEX Soybean – Feb contract

S2	S1	PCP	R1	R2
3158	3222	3761.5	3941	4074

- Soybean prices featured side-ways movement during the week.
- RSI is rising in neutral region while stochastic is easing in neutral zone.
- MACD is flattering in positive territory.
- The prices are expected to feature gains in coming week.
- **Trade Recommendation (NCDEX Soybean – Feb) Week: Buy** between 3750-3760. Levels: Target – 3815; T2- 3860, SL -3719.

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 3850-3900 levels (Indore, Plant basis).

Rapeseed - Mustard Seed

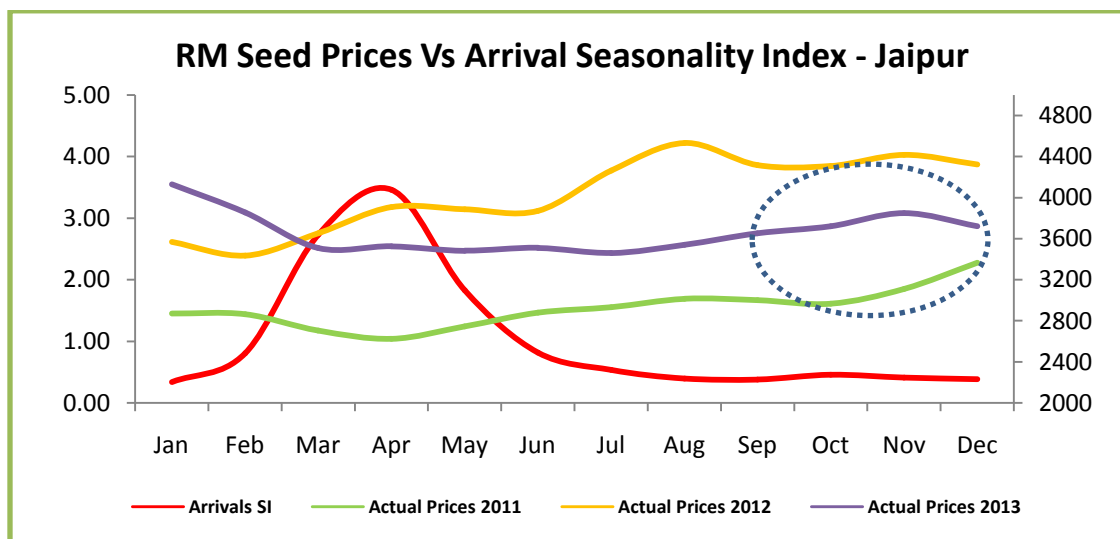
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The RM seed prices are likely to remain under downward pressure due to weak global and domestic factors in near-term.

On the other hand, 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 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
3575	3595	3624	3681	3709

- Candlestick chart pattern reveals fall in the prices.
- The prices closed above 9-day and 18-day EMA.
- RSI is easing in the neutral zone while stochastic is rising in neutral region.
- MACD is heading upwards in negative zone.
- Prices are expected to feature mild gains in near-term.
- **Trade Recommendation (NCDEX RM SEED - Apr) Week: Buy** Between 3615-3625 for a Target – 3675; T2- 3710; SL -3587.

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 3520-3550 Rs/ql level in near term.

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