

Executive Summary

Soybean posted slight gains on domestic factors while rapeseed/mustard declined on new crop arrivals and on an estimated rise in the mustard output during the week in review.

The domestic soybean prices featured gains tracking bullish cues from the international oil & fats market and lower arrivals on y-o-y basis. However, weak soy meal export demand and need based demand for oils limit the upside risk in the prices. The domestic soybean crush disparity has widened in recent months and it is unviable to crush for many solvent extractors with lower soy meal exports commitment and better import parity in edible oils.

The local buyers remained concerned on quality of the beans mainly affected due to the incessant rains in the major soybean producing belt at the time of cultivation.

The upcoming weeks will witness the sideways movement in the soybean prices owing to recovery in the international palm oil and talks of crop loss in Brazil. While, harvesting in Brazil is picking up the pace, and crushing is discouraging for the domestic solvent extractors which may limit the excessive gains. Market participants eye on the upcoming USDA's WASDE report which may gauge fresh directional moves to the market.

The Soy meal witnessed gains tracking the higher domestic beans due to the limited supplies during the week in review. Overall, the soy meal fundamentals are not strong as the exports are moderate and the exports inquiries are just limited.

The demand shift to South America is evident due to the competitive prices there ahead 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. Seasonal fall in the meal exports is likely in coming weeks.

Oil meals (Indian Origin) exports dropped nearly 47 percent to 425,650 tons in January compared to the corresponding period of last year due to lower crushing and Indian supplies were more expensive than supplies from Latin America. Meanwhile, soy meal exports fell 44 percent to 364,443 tons in January on y-o-y basis – Trade Body. Soy meal prices are expected to witness steady tone in near-term.

RM seed fell on weak crusher's demand coupled with new RM seed crop arrivals. New mustard seed arrivals registered from MP and Rajasthan with an average of 0.35 and 0.10 lakh bags respectively on daily basis.

Besides, the planting area under RM seed is higher by 6% this season compared to previous year; this will eventually boost the seed production this season. The planted area this season is around 71 lakh hectares compared to 67.5 lakh hectares previous year.

Further, parity in edible oil imports remained discouraging for the domestic solvent extractors. Better, imports in edible oils including palm, soy and sunflower and comfortable stocks remained bearish for the rapeseed.

The seed prices are expected to featured range-bound movement in near-term.

International Highlights

- ❖ Infoma cut its forecast for Argentina during 2013/14 to 57 million tons, down 0.5 million tons from its previous figure and raised its projection for Brazil's 2013/14 soybean harvest to 89.7 million tons, up one million tons from its previous forecast.
- ❖ As per MPOB's report, Malaysian palm oil stocks for January eased to 1.93 million tons, down 2.6 percent from the last month. While, palm oil output estimate in Jan pegged at 1.51 million tons and export estimates pegged at 1.36 million tons.
- ❖ World soybean production is pegged at 287.8 million tons in the current year MY (2013/14), up 0.2 million tons from the previous forecast. Brazil's soy crop projection pegged at 89.5 million tons and Argentina's to 54 million tons because of dry weather - Oil world.
- ❖ Recent rains in Argentina have proved beneficial for soy in the northern part of the farmbelt, but other growing areas are still suffering from an intense drought, reported by the Buenos Aires Grains Exchange.
- ❖ The Buenos Aires Grains Exchange kept its 53 million ton forecast for the 2013/14 soybean harvest unchanged despite welcome rains in the past week, which followed a hot and dry December that limited planting and stunted development of young soy plants. In the previous season, Argentina produced 48.5 million tons of soybean.
- ❖ Oil World estimates sharp rise in world oilseed inventories by 20 Mn T to a record 95 Mn T at the end of this season, with record inventories expected in soybeans, rapeseed and sunflowerseed.
- ❖ Oil World estimated global production of 7 oilseeds at a record high of 490.9 Mn T this season, a staggering 32.0 Mn T above last season. This is equivalent to a year-on-year increase of 7%.
- ❖ World production of the three major seed oils, viz. soya oil, sunflower oil and rapeseed oil, is forecast to increase by as much as 4.6 Mn T in 2013/14 – Oil World.
- ❖ World production of 8 oilmeals is expected to witness 139.1 Mn T in Oct/March 2013/14, considerably above 132.2 Mn T achieved a year before.
- ❖ Brazilian soybeans are now setting the tone on the world market and have significantly improved their competitiveness.

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

Centers	Ex-factory rates (Rs/ton)		
	7.2.2014	31.1.2014	Parity To
Indore (MP)	33500-33800	33500	Gujarat, MP
Kota	33100-33500	33000	Rajasthan, Del, Punjab, Haryana
Akola	34500	34300	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	34500	34000	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Nanded/Latur	34200-34400	33800	Andhra, AP, Kar, TN
Dhulia/Jalna	34800	34800	Mumbai, Maharashtra
Nagpur (42/46)	34200	34500	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	35000	35200	Local and South
Sholapur	35000	34800	Local and South
Bundi	33000	33000	-

Soy DOC at Port

Centers	Port Price	
	7.2.2014	31.1.2014
Kandla (FOR) (INR/MT)	35500	35400
Kandla (FAS) (USD/MT)	570	567

International Soy DOC

Argentina FOB \$/MT	6.2.2014	30.1.2014	Change
Soybean Pellets	542	514	+28
Soybean Cake Meal	542	514	+28
Soybean Meal	550	522	+28
Soy Expellers	550	522	+28

Sunflower Meal Rates

Centers	Ex-factory rates (Rs/ton)		
	7.2.2014	31.1.2014	Change
Adoni	20400	20400	Unch
Khamgaon	20000	20000	Unch
Parli	20200	20200	Unch
Latur	20000	20000	Unch

Groundnut Meal

Groundnut Meal	7.2.2014	31.1.2014	Change
Basis 45% O&A, Saurashtra	24500	25000	-500
Basis 40% O&A, Saurashtra	22500	23000	-500
GN Cake, Gondal	23500	24000	-500

Mustard DOC/Meal

Mustard DOC/Meal	7.2.2014	31.1.2014	Change
Jaipur (Plant Delivery)	13300	13400	-100
Kandla (FOR)	14300	14400	-100

Progress of Sown Area – Rabi 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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Soy meal

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During current Oil year, (October - September), total exports during October 2013 to January, 2014 are 15.49 lakh tonnes, when compared to the mark of 16.99 lakh tonnes which was witnessed during the last year, showing a decrease by 8.83 per cent.

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 33,300-34,000/MT compared to 28,500-29,500/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 34,850-35500/MT.

Technical Analysis:

NCDEX Soybean Futures-Weekly Chart



Soybean Spot, Indore



Support & Resistance NCDEX Soybean – Feb contract

S2	S1	PCP	R1	R2
3700	3780	3830	3950	4025

- Soybean prices extended gains during the week.
- RSI and stochastic are rising in neutral zone supporting the gains.
- MACD is rising in positive territory.
- The prices are expected to feature gains in coming week.
- **Trade Recommendation (NCDEX Soybean – Feb) Week: Buy** above 3810. Levels: Target – 3900; T2- 3920, SL -3756.

Trade Recommendation Soybean Spot: We feel the soybean prices to feature range bound movement with firm-bias in near-term - WEEK. The prices are likely to witness 4000-4100 levels (Indore, Plant basis).

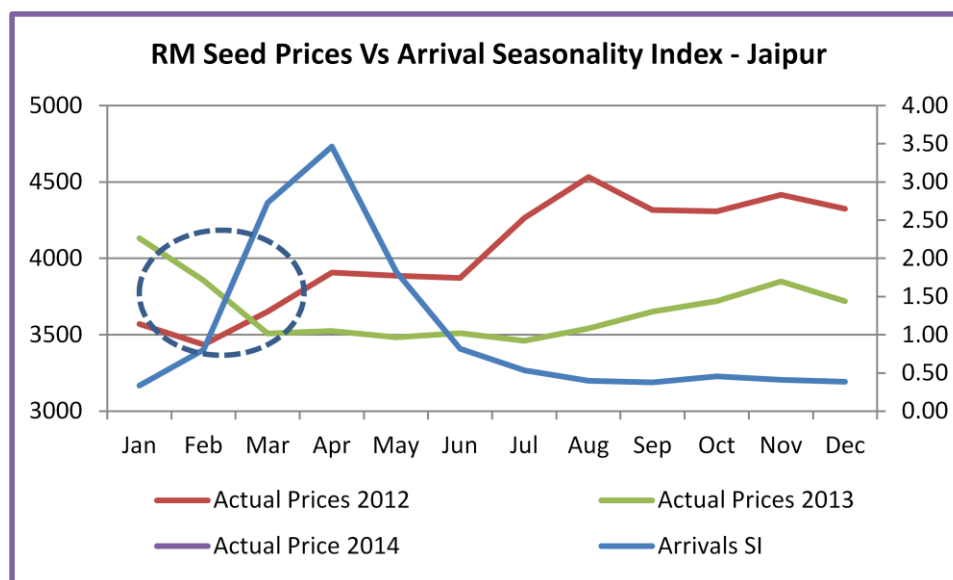
Rapeseed - Mustard Seed

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Technical Analysis:

NCDEX RM Seed Futures



RM Seed Spot, Jaipur



Support & Resistance NCDEX RM Seed - Apr contract

S2	S1	PCP	R1	R2
3020	3139	3293	3522	3633

- RM seed extended losses during the week.
- The prices closed below 9-day and 18-day EMA.
- RSI and stochastic are easing in the neutral zone. While, market may consolidate in the near term.
- Prices are expected to feature losses in near-term.
- **Trade Recommendation (NCDEX RM SEED - Apr) Week: BUY** above 3290 for a Target –3365; T2-3378; SL -3245.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot, the RM seed prices are expected to feature a range bound movement in the coming days on rabi sowing progress and higher acreage estimates. The prices are likely to be in the range of Rs3330-3490/qtl level in near term.

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