

Executive Summary

Steady to weak sentiments featured in the domestic oilseeds and meal markets during the week in review.

The soybean prices hovered around the previous week's level in the absence of fresh buying and the market was looking for the news.

The soybean supplies further declined in the key physical markets after festive buying which got over the previous week. The soybean arrivals were already lower with the fall in crushers's demand and gradual shift in mustard seed crushings which is now in full swing with the new crop supplies.

Overall, the soybean prices are at the higher levels with the underlying bullish fundamentals. Severe dry weather in Malaysia, Indonesia and Thailand has hit the palm production which will eventually lower the palm oil production in near-term.

The soybean prices are expected to feature range-bound movement and hover around the current levels during the week.

Soy meal extended losses on weak export sales and widening disparity on crushing soybeans. India's soy meal shipments declined by 68% in Feb 2014 compared to the corresponding period last year.

The domestic crush margin continues to be in negative and the disparity is currently quite wide making it solvent extractors unviable for crushing the seed.

Demand shift from major soy meal buyers to South America due to price competitiveness followed by rise in crushings with harvesting of the beans in progress in the region continued to remain bearish for the domestic soy meal.

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 coming months due to demand diversion and the prices are expected to featured range-bound movement with weak-bias in near-term on likely lower soy meal shipments in days ahead.

Domestic mustard seed continued downward movement on supply pressure with harvesting of the seed in full swing across major grown states/region.

Besides, persistence of weakness in BMD CPO during the week pressured the domestic seed market.

The new crop supplies are continuously increasing, as expected; all India arrivals have reached to 4.50 - 4.95 lakh bags a day compared to 4.10 - 4.15 lakh bags a day a week ago.

However, reports of severe dry weather in key palm growing parts of Malaysia, Indonesia and Thailand is likely to lend upward support to the Malaysian palm oil after the correction in BMD CPO gets factorized after short-term bearish fundamentals, which will eventually support India's rapeseed/mustard seed market in coming days.

Active buying in the new seed by the solvent extractors and the stockists is expected to rebound and feature short-term gains on bullish underlying current.

Soybean crop damage in South America, bullish reports on palm oil inventories in Malaysia and dry weather in Malaysia, Indonesia and Thailand will continue to remain positive for the oil and fats markets.

However, higher estimates of global soybean production followed by record outturn in Brazil and Argentina despite crop losses will cap the gain in oilseeds.

The oilseeds and meal prices are expected to featured range-bound movement with weak-bias in near-term.

International Highlights

- ❖ Abiove has cut the forecast for the Brazil's current soybean crop to a still-record 86.1 million tonnes from 88.6 million tonnes in February. Besides, it estimated 44 million tonnes will be available for the exports.
- ❖ Agroconsult has cut its estimate for Brazilian soybean production to 89.2 million tons from 90.8 million in a March 7 report. This month, researcher Celeres reduced its forecast to 84.9 million tons from 89.2 million, while INTL FCStone slashed its estimate to 87.5 million from 90.3 million.
- ❖ Brazilian analyst Safras and Mercado has revised its soybean production downwards by 6.2% to 86.1 million tonnes due to drought/dry weather in January and early February. That would still be higher by 5% compared to previous season's harvest, as reported by Safras.
- ❖ 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.
- ❖ China is likely to see 5.05 million metric tons (tonnes) of soybean imports delivered to ports in February, slightly higher than the earlier forecast of 5 million tonnes, the Ministry of Commerce (MOC) said in a report released.
- ❖ Brazilian soybean growers will harvest less than previously estimated after low rainfall and high temperatures harmed crops in the largest exporter of the oilseed used in tofu to cooking oil, the government said. The production outlook for the 2013-2014 season was cut to 85.4 million metric tons from last month's 90 million-ton forecast, agricultural agency Conab said by e-mail today
- ❖ 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.
- ❖ 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.

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

Centers	Ex-factory rates (Rs/ton)		
	21-Feb-14	14-Feb-14	Parity To
Indore (MP)	34500	34000	Gujarat, MP
Kota	33200-33500	33000	Rajasthan, Del, Punjab, Haryana
Akola	34500	34300	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	NA	NA	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Nanded/Latur	NA	34200	Andhra, AP, Kar, TN
Dhulia/Jalna	35800	35000	Mumbai, Maharashtra
Nagpur (42/46)	34600	34500	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	35500	34500	Local and South
Sholapur	NA	34200	Local and South
Bundi	33400	33000	-

Soy DOC at Port

Centers	Port Price	
	21-Feb-14	14-Feb-14
Kandla (FOR) (INR/MT)	586	570
Kandla (FAS) (USD/MT)	36400	35500

International Soy DOC

Argentina FOB \$/MT	20-Feb-14	13-Feb-14	Change
Soybean Pellets	545	549	-4
Soybean Cake Meal	545	549	-4
Soybean Meal	553	557	-4
Soy Expellers	553	557	-4

Sunflower Meal Rates

Centers	Ex-factory rates (Rs/ton)		
	21-Feb-14	14-Feb-14	Change
Adoni	20800	20400	+400
Khamgaon	20300	20000	+300
Parli	20500	20200	+300
Latur	20400	20000	+400

Groundnut Meal

Groundnut Meal	21-Feb-14	14-Feb-14	Change
Basis 45% O&A, Saurashtra	24400	24300	+100
Basis 40% O&A, Saurashtra	22400	22300	+100
GN Cake, Gondal	23500	23300	+200

Mustard DOC/Meal

Mustard DOC/Meal	21-Feb-14	14-Feb-14	Change
Jaipur (Plant Delivery)	13500	13600	-100
Kandla (FOR)	14500	14700	-200

Progress of Sown Area – Rabi 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

The soybean prices hovered around the previous week's level in the absence of fresh buying and the market was looking for the news.

The soybean supplies further declined in the key physical markets after festive buying which got over the previous week. The soybean arrivals were already lower with the fall in crushers's demand and gradual shift in mustard seed crushings which is now in full swing with the new crop supplies.

Overall, the soybean prices are at the higher levels with the underlying bullish fundamentals. Severe dry weather in Malaysia, Indonesia and Thailand has hit the palm production which will eventually lower the palm oil production in near-term.

The soybean prices are expected to feature range-bound movement and hover around the current levels during the week.

Soy meal

Soy meal extended losses on weak export sales and widening disparity on crushing soybeans. India's soy meal shipments declined by 68% in Feb 2014 compared to the corresponding period last year.

The domestic crush margin continues to be in negative and the disparity is currently quite wide making it solvent extractors unviable for crushing the seed.

Demand shift from major soy meal buyers to South America due to price competitiveness followed by rise in crushings with harvesting of the beans in progress in the region continued to remain bearish for the domestic soy meal.

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 coming months due to demand diversion and the prices are expected to featured range-bound movement with weak-bias in near-term on likely lower soy meal shipments in days ahead.

Indian soy meal exports are unlikely to pick up in coming months due to demand diversion and the prices are expected to slightly ease in near-term on lower meal shipments.

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 demand shift to South America due to the competitive prices there ahead new crop supplies, this has already hit the India's meal exports. The soybean harvesting is at full swing in Brazil and peak Argentine harvesting is expected in late March. The major international meal buyers have begun to place the orders – forward booking to take the opportunity of price competitiveness.

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.

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 gains during the past week. Soy meal, FOR Kandla exports price (Mar-Apr delivery) was quoted between Rs 37,950-38,650/MT compared to Rs 31,500-32,000/MT during the same period last year.

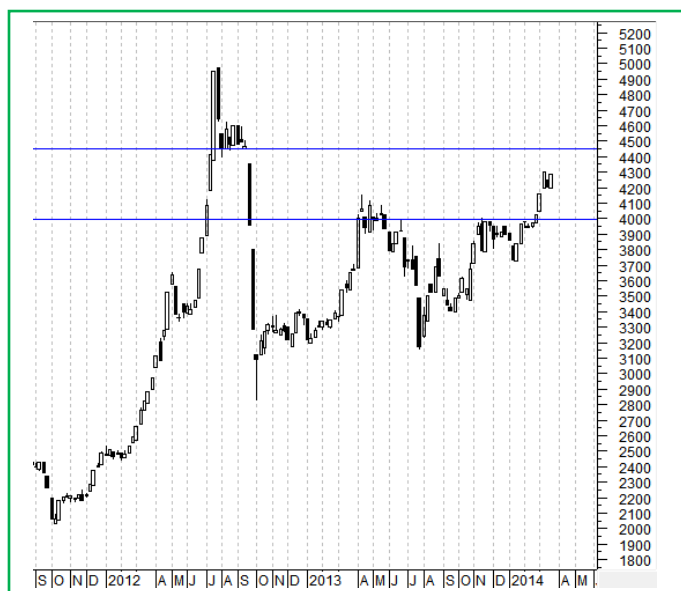
Recommendation: *Soy meal, FOR Kandla exports price (Mar-Apr delivery) was quoted between Rs 37,950-38,650/MT compared to Rs 31,500-32,000/MT during the same period last year. Prices surged on bullish global soybean and palm oil reports during the month in review. Indian meal exporters are advised to market their meal to the countries in vicinity including traditional South and Far-East Asian destinations 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 38,500-40,000 levels in the upcoming week.*

Technical Analysis:

NCDEX Soybean Futures-Weekly Chart



Soybean Spot, Indore



Support & Resistance NCDEX Soybean – Apr contract

S2	S1	PCP	R1	R2
4003	4094	4240.5	4421	4494

- Soybean prices witnessed side-ways movement during the week.
- Prices closed above 9-day and 18-day EMA.
- RSI and stochastic are rising in neutral.
- MACD is rising in positive territory.
- The prices are expected to feature gain in coming week.
- **Trade Recommendation (NCDEX Soybean – Apr) Week: Buy** Above 4240. Levels: Target – 4330; T2- 4400, SL -4181.

Trade Recommendation soybean spot: Soybean prices are expected to feature side-ways movement. But, South American crop damage and dry weather in major palm growing region of South East Asia will limit the losses. The prices are likely to feature edge-up and will be in the band of 4250-4350 levels (Indore, Plant basis) during the week.

Rapeseed - Mustard Seed

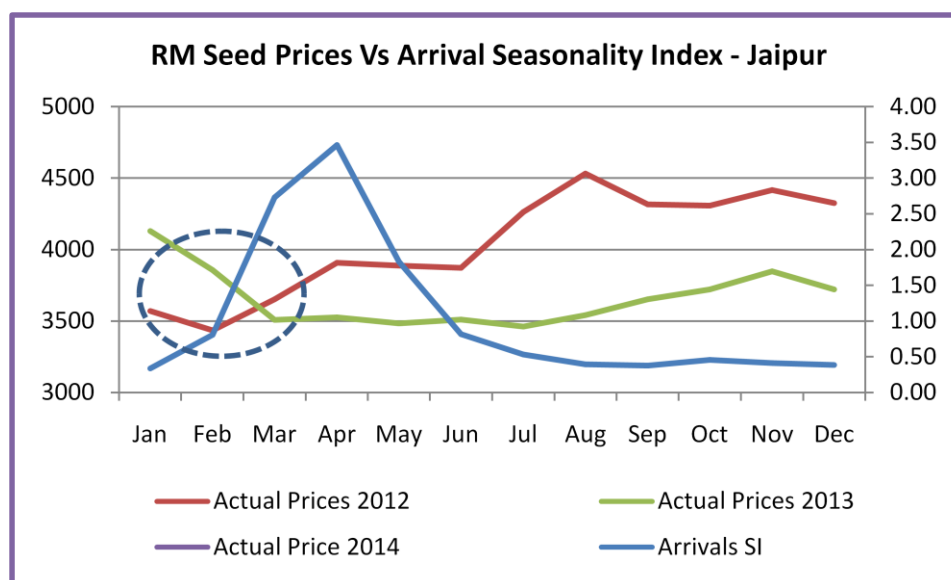
Domestic mustard seed continued downward movement on supply pressure with harvesting of the seed in full swing across major grown states/region.

Besides, persistence of weakness in BMD CPO during the week pressured the domestic seed market.

The new crop supplies are continuously increasing, as expected; all India arrivals have reached to 4.50 - 4.95 lakh bags a day compared to 4.10 - 4.15 lakh bags a day a week ago.

However, reports of severe dry weather in key palm growing parts of Malaysia, Indonesia and Thailand is likely to lend upward support to the Malaysian palm oil after the correction in BMD CPO gets factorized after short-term bearish fundamentals, which will eventually support India's rapeseed/mustard seed market in coming days.

Active buying in the new seed by the solvent extractors and the stockists is expected to rebound and feature short-term gains on bullish underlying current.



Technical Analysis:

NCDEX RM Seed Futures



RM Seed Spot, Jaipur



Support & Resistance NCDEX RM Seed - Apr contract

S2	S1	PCP	R1	R2
3272	3336	3420	3551	3609

- 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 territory.
- MACD is falling in the negative territory.
- Prices are expected to feature losses in the near-term.
- **Trade Recommendation (NCDEX RM SEED - Apr) Week: SELL** Below 3425 for a Target –3350; T2-3300; SL -3470.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot, the RM seed prices are expected to feature losses on fall in Malaysian palm oil. 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 remain limit the losses during the week. Prices of new crop seed are expected to be in the range between 3350–3450 levels during the week.

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>
© 2014 Indian Agribusiness Systems Pvt Ltd.