

Executive Summary

Soybean, soy meal and rapeseed/mustard witnessed gains on firm global cues during the week in review.

Domestic soybean extended gains on fall in supplies and steady buying and during the week review. The daily arrivals in the cash markets of Madhya Pradesh were in the range 20,000-65,000 bags in March compared to 0.25-1.5 lakh bags in Feb.

Higher international (CBOT) soybean remained supportive for the domestic market also, CBOT May contract testing fresh high at US \$14.91/bu on 01 April 2014.

Though the domestic crush margin has slightly improved in Mar. as compared to Feb. but the disparity in crushing is still discouraging. The soybean crushing units in Madhya Pradesh are just able to operate 8-10 days a month due to inadequate supplies in beans and are running much below their crushing capacity.

In the upcoming weeks, the bean traders in major producing states of Madhya Pradesh, Maharashtra and Rajasthan will actively switch to wheat trading due to higher volume followed by wheat harvesting in full swing. Hence, dull trade in soybean is likely in coming weeks with weak supplies and lower crushings.

Reportedly, over 50% of the domestic produce is out from the farmers and stockists for crushing since Oct 2013.

Downward revision in soybean production estimate of South America by various leading grain analysts due to dry weather in recent weeks remained bullish for soybeans.

South America is not only affected from dry weather but also the South East Asian countries like Thailand, Malaysia and Indonesia are hit by the dry weather affecting the soybean and palm production, eventually leading to lower than expected oils and fats supplies in medium to long term. These factors along with lower domestic supplies continue to lend support to the soybean prices at higher levels and are likely to support in near to medium term too.

Soy meal prices edged-up in tandem with soybean on account of lower than expected supplies in bean and meal globally. Talks of possible El Nino this year is likely to hit the India's soybean crop in the upcoming crop season. If this turns out to be true, the phenomena will eventually lead in lower meal supplies and exports.

India's meal shipments this season (Oct-Sep) has already suffered 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.

However, the domestic meal demand is good and intact. India's demand for poultry products are likely 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, 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.

RM seed featured gains on active buying by the millers and the stockists in the first week of new finance year after dull trade previous week due to the end of finance year. The traders took fresh position in physical and futures market during the week.

The rapeseed harvesting in the major producing states of Rajasthan, Uttar Pradesh and Madhya Pradesh is in full swing (more than 80% done) and the seasonal supply pressure of the seed is mounting. In fact, they are currently at the peak.

The all India seed arrivals are reported at between 5.5 - 6.6 lakh bags towards the end March which was 1.25 – 1.95 lakh bags in Feb.

However, active buying is featured by the millers and the stockists across the key physical markets. Dry weather in Malaysia, Thailand and Indonesia and talks of possible El Nino this year are the bullish factors for Malaysian palm oil which will subsequently push up not only the palm oil prices but also the domestic RM seed.

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.

There are reports that the Ministry of Agriculture has suddenly revised the mustard sown area from its earlier figure in Mar at 71.36 lha to 66.29 lha which is even lower than last year's total sown area of 67.46 lha. Eventually, the RM seed production estimate will reduce this season and go below previous year's level.

We feel the RM seed prices to improve on better miller and stockist's buying in near to medium term.

Severe dry weather conditions in Malaysia, Indonesia and Thailand has raised the concern on the palm oil production in the region which further proved bullish for the international palm oil and subsequently on the domestic mustard seed.

However, rise in US and South American soybean production estimates, will be somewhat bearish for the oilseeds.

International Highlights

- ❖ Reportedly there were additional shipments of US old-crop soybeans in the week to Mar 27 of 66 thousand tonnes.
- ❖ Oil World has estimated EU-28 rapeseed production at 21.4 Mn T in 2014.
- ❖ Indonesia increased its export tax for crude palm oil to 13.5 percent in April from 10.5 percent in March - Indonesian Trade Ministry.
- ❖ As per Malaysian government, Malaysia has raised its crude palm oil export tax for April to 5.5 percent, last month 5% in March.
- ❖ 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.
- ❖ South America's top five producing countries soybean production forecast at 151.45 million tons in the 2013-14 season, 0.85 million tons higher from the February estimate. Moreover, Brazil and Argentina soybean production estimate for 2013/14 at 84.5 million and 53.5 million tons respectively – 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.
- ❖ 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.

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

Centres	Ex-factory rates (Rs/ton)		
	4-Apr-14	28-Mar-14	Parity To
Indore (MP)	38000-38300	36500	Gujarat, MP
Kota	38500	36500	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	39500	37600	Mumbai, Maharashtra
Nagpur (42/46)	39000	37200	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	39500	37300	Andhra, AP, Kar ,TN
Latur	39800	37800	-
Sangli	40500	38500	Local and South
Sholapur	39500	38300	Local and South
Akola	39500	37000	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Hingoli	39000	37800	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Bundi	38000	36000	-

Soy DOC at Port

Centers	Port Price	
	4-Apr-14	28-Mar-14
Kandla (FOR) (INR/MT)	655	641
Kandla (FAS) (USD/MT)	39500	38538

International Soy DOC			
Argentina FOB USD/MT	3-Apr-14	28-Mar-14	Change
Soybean Pellets	515	518	-3
Soybean Cake Flour	515	518	-3
Soya Meal	523	526	-3
Soy Expellers	523	526	-3

Sunflower (DOC) Rates	Ex-factory rates (Rs/ton)		
Centers	4-Apr-14	28-Mar-14	Change
Adoni	23000	22200	+800
Khamgaon	22500	21800	+700
Parli	22900	22000	+900
Latur	22800	22000	+800

Groundnut Meal (Rs/MT)	4-Apr-14	28-Mar-14	Change
Basis 45%, Saurashtra	27000	26000	+1000
Basis 40%, Saurashtra	25000	24000	+1000
GN Cake, Gondal	26000	25000	+1000

Mustard DOC/Meal	4-Apr-14	28-Mar-14	Change
Jaipur (Plant delivery)	14500	14300	+200
Kandla (FOR Rs/MT)	15600	15300	+300

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

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Soy meal

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As discussed earlier, 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 medium-term due to demand diversion while the prices are expected to featured range-bound movement with weak-bias in near-term on likely lower soy meal shipments in days ahead.

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.

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 (Apr-May delivery) was quoted higher between Rs 38500-39500/MT compared to Rs 33,000-35,500/MT during the same period last year.

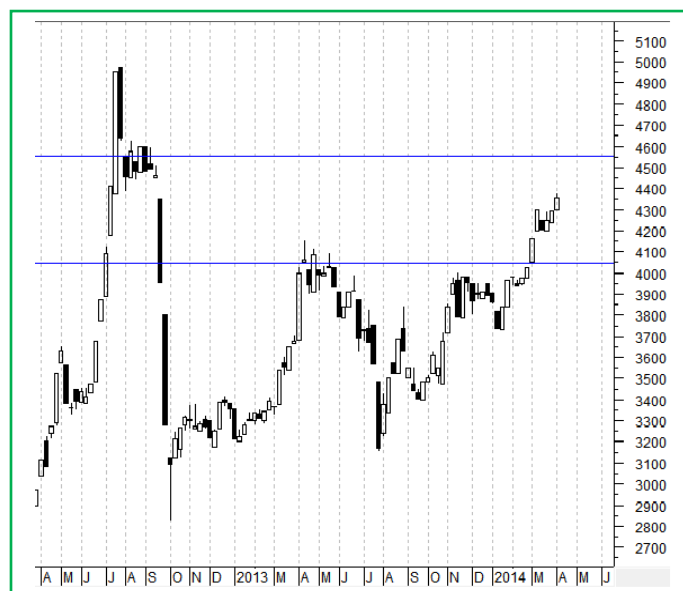
Recommendation: *Soy meal, FOR Kandla exports price (Apr-May delivery) was quoted higher between Rs 38500-39500/MT compared to Rs 33,000-35,500/MT during the same period last year. Prices surged on bullish global soybean and palm oil reports during the month in review. Indian meal exporters are advised 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 39,500-40,500 levels in the upcoming week.*

Technical Analysis:

NCDEX Soybean Futures-Weekly Chart



Soybean Spot, Indore



*Note: Daily Chart

Support & Resistance NCDEX Soybean – May contract

S2	S1	PCP	R1	R2
4118	4184	4399.5	4533	4640

- Soybean prices witnessed gains during the week.
- Prices closed above 9-day and 18-day EMA.
- RSI and stochastic are rising in neutral region.
- MACD is heading upwards in positive territory.
- The prices are expected to feature gain in coming week.
- **Trade Recommendation (NCDEX Soybean – May) Week: Buy Above 4395. Levels: Target – 4480; T2- 4600, SL -4344.**

Trade Recommendation soybean spot: Soybean prices are expected to feature firm tone. 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 4350-4550 levels (Indore, Plant basis) during the week.

Rapeseed - Mustard Seed

RM seed featured gains on active buying by the millers and the stockists in the first week of new finance year after dull trade previous week due to the end of finance year. The traders took fresh position in physical and futures market during the week.

The rapeseed harvesting in the major producing states of Rajasthan, Uttar Pradesh and Madhya Pradesh is in full swing (more than 80% done) and the seasonal supply pressure of the seed is mounting. In fact, they are currently at the peak.

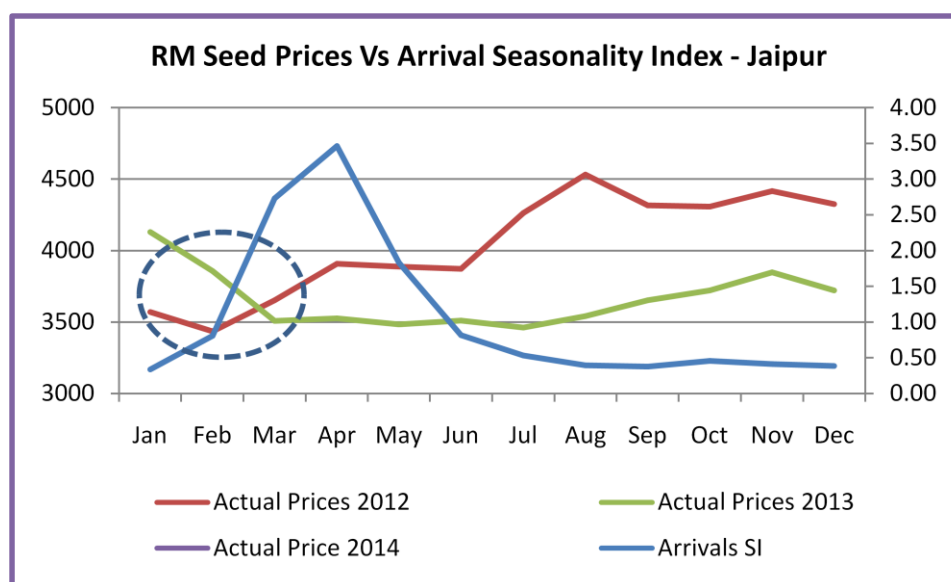
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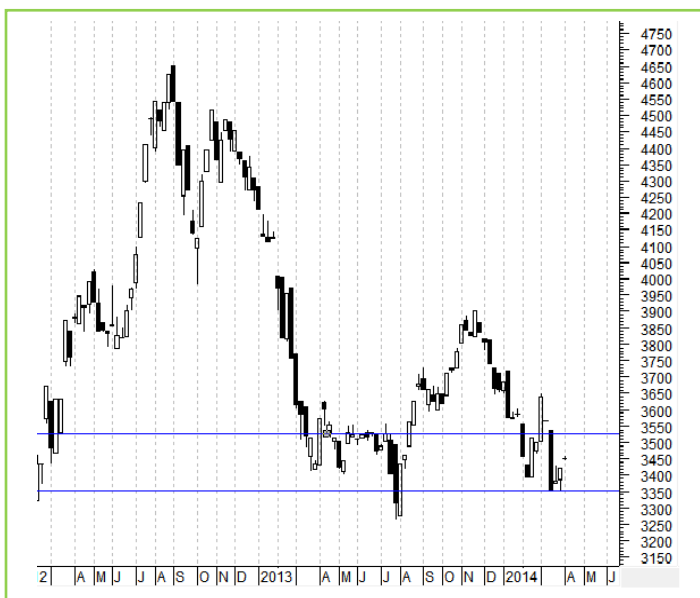
Technical Analysis:

NCDEX RM Seed Futures



*Note: Daily Chart

RM Seed Spot, Jaipur



Support & Resistance NCDEX RM Seed - May contract

S2	S1	PCP	R1	R2
3364	3423	3511	3612	3677

- The weekly RM seed candle denotes indecision in the market.
- The prices closed above 9-day and 18-day EMA.
- RSI and stochastic are rising in the neutral territory.
- MACD is heading upwards in the negative territory.
- Prices are expected to feature gains in the near-term.
- **Trade Recommendation (NCDEX RM SEED - May) Week: BUY** Above 3505 for a Target –3550; T2-3600; SL -3478.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot, the RM seed prices are expected to feature gains on strong buying interest at the current levels. However, weakness in 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 3460–3500 levels during the week.

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