

Executive Summary

Soybean and soy meal extended gains on firm global cues while rapeseed/mustard remained under pressure due to supply pressure followed by ongoing harvesting of the seed during week under review.

Soybean continued to feature gains supported by bullish global factors and weak domestic supplies during the week under review. Several key grain markets remained closed on *Ambedkar and Hanuman Jayanti* which hit the supplies during the week.

The international benchmark CBOT soybean is hitting fresh highs every week, the May contract has hit US \$ 15.22 a bushel on Wednesday, 16 April 2014. Tight US soybean inventories is lending the support, as the USDA cut its forecast for the 2013-14 soybean carry over to 135 million bushels, down 10 million from March month. The figure was below an average of trade estimates of 139 million bushels and expected to be a 10-year low, if realised by the end of the marketing year on Aug. 31.

The harvesting in Brazil is underway and it is about 85% complete besides soybean harvesting in Argentina is over 15% complete. The global supplies have increased and the buying at the current levels from US and South America has improved, except for recent defaults by Chinese importers from US and Brazil which slightly pressured the market previous week.

US soybean plantings have commenced, though it has not gained the momentum. The local statistics reveal that 4% of the intended area was sown in Arkansas as of Apr 13, 13% in Louisiana and 6% in Mississippi.

In the domestic front, the bean arrivals across the various key cash markets is lower due to the slowdown in crushings followed by disparity on crushing and lower soy meal shipments from India this season. The crushing is slow paced and the crushing units in Madhya Pradesh are just able to operate for 8-10 days a month due to inadequate supplies in beans and are running much below their crushing capacity.

There is also a concern over the availability of quality and certified seed for planting this kharif season especially in the state of Madhya Pradesh. This may hit the soybean yield of the upcoming season. The soybean planting in India begins in late June. Besides, talks of possible El Nino may discourage the soybean farmers as it may lead to weak monsoon which will eventually hit the soybean yield this season.

Overall, the soybean prices are expected to remain firm on lower supplies in domestic front and better international buying and lower US soybean stock at the international.

Soy meal extended gains in conjunction with soybean during the period. Steady and continued domestic demand in meal for poultry feed and weak crushings of soybean remained supportive for the meal prices.

Talks of possible El Nino this year (70% chance) is likely to hit the India's soybean crop in the upcoming crop season. If the phenomena turn out to be true it will eventually lead in lower soybean productivity and hence lower supplies in meal in the coming season.

India's meal shipments during the season remained weak primarily 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.

As discussed, the current domestic meal demand is good and intact. India's demand for poultry products are expected 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, Indian soy meal shipments remained weak this season. 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. India's soy meal shipments stand at the optimum level during Oct – Feb.

India's Oilmeal shipments declined 9.8% to 4.33 million tonnes in 2013-14 in finance year ended March 31 2013.

India's Oilmeal shipments in March stood at 3.97 lakh tonnes compared to 4.30 lakh tonne during the same period last year, said SEA.

India's Soy meal exports, which constitute the bulk of oil meal exports, decreased by 27.50% to 2.32 Lac tonnes in March'14 from 3.20 Lac tonnes a year earlier.

The annual Soy meal exports in the financial year 2013-2014 (April-March) in terms of Quantity were 28,40,874.837 tonnes, decreased by 17.27 percent from 34,33,916.546 tonnes a year ago. In terms of value the total earning is Rs. 9,976.40 crores compared to Rs.10,192.91 crores in 2012-13 marginally down by 2.12%.

Partially, export of Soybean Meal suffered during first and fourth quarter due to poor availability of soybean and corresponding lower crushing.

During the first half of current Oil year (October - September), exports during October'13 to March'14 in terms of quantity were 19.65 Lac tonnes as against 25.97 Lac tonnes last year or a drop of 24.35%. In terms of value the total earning is Rs. 6,987.97 crores compared to Rs.7,602.67 crores in 2012-13 down by 8.08%.

The soy meal prices are expected to feature range-bound movement with firm bias and short-term.

The RM seed continued remain under pressure on heavy arrivals followed by harvesting in full swing in the major producing regions including Rajasthan, UP, Madhya Pradesh, Punjab and Haryana. Overall, the seed supplies are higher followed by harvesting in full swing though it is done around 90%.

The arrivals slightly fell due to *Ambedkar and Hanuman Jayanti* besides Lok Sabha poll in some key centers. The all India seed arrivals are reported at between 3.2 – 6.4 lakh bags during the week compared to 6.5 – 7.0 lakh bags previous week.

Active participation of both the seller and the buyers across the key physical markets is witnessed. The millers and the stockists are actively buying the seed at the current price levels to cover their stocks for future. Despite the improved precipitation in recent weeks, it is still much too dry in many palm oil producing regions of Malaysia and Indonesia, which will lend support to the BMD CPO in near-term.

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.

But the bearish side is that Malaysian palm oil inventories for March estimated at 1,687,709 tons against a revised 1,656,908 tons last month. Inventories surged by rose 2 percent compared to last month. However, Malaysian palm oil inventories hovering at 22.2 percent lower on y-o-y basis. Higher palm oil production and weak exports helped lift stocks. On the production front, palm oil output for March is estimated at 1.49 million tons, up 17.3 percent on m-o-m basis - Malaysian Palm Oil Board.

We feel the RM seed prices have bottomed out and they will recover on better miller and stockist's buying in near to medium term.

Overall, underlying current in oils and fats market is bullish, though few bearish factors are prevalent in the market will limit the upside in short-term.

International Highlights

- ❖ G-4 soya meal shipments stood at 3.3 Mn T in March about unchanged from the reduced level of previous year – Oil World.
- ❖ There is soybean supply tightness in domestic soybeans due to growth in US soybean export commitments in the week ended Apr 3.
- ❖ Exports of Malaysian palm oil products for Apr. 1-15 rose 6.7 percent to 500,057 tons from 468,855 tons shipped during Mar. 1-15, cargo surveyor Societe Generale de Surveillance. India imported 85,460 tons, 76.1 percent higher from the corresponding period of last year.
- ❖ India's vegetable oil imports fell six per cent in March to 8,35,424 tonnes against 8,89,415 tonnes in the corresponding last year as the rupee appreciated and demand slipped.
- ❖ Imports included 8,32,925 tonnes of edible oil and 2,499 tonnes on non-edible oil, according to the data released by the Solvent Extractors' Association.
- ❖ Overall, imports of vegetable oils between November and March were down six per cent at 43,32,231 tonnes (46,24,678 tonnes).
- ❖ Import of refined oil rose 32 per cent to 8,17,615 tonnes against 6,20,698 tonnes in the first five months of the season that began in November.
- ❖ Palm oil imports in last five months decreased 17 per cent to 31,42,418 tonnes.
- ❖ Inventory of edible oil at various ports as on April 1 was estimated at 4,90,000 tonnes. Crude palm oil stock was at 2,70,000 tonnes, refined palmolein was at 90,000 tonnes, degummed soyabean oil at 50,000 tonnes and crude sunflower oil at 80,000 tonnes. Consignments of about 710,000 tonnes were in the pipeline, said SEA.
- ❖ US soybean plantings have commenced, though it has not gained the momentum. The local statistics reveal that 4% of the intended area was sown in Arkansas as of Apr 13, 13% in Louisiana and 6% in Mississippi.
- ❖ Indian vegetable oil buyers have severely reduced imports of palm oil so far this year in response to stronger prices on the world market.

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

Centres	Ex-factory rates (Rs/ton)		
	17-Apr-14	11-Apr-14	Parity To
Indore (MP)	39000	38500	Gujarat, MP
Kota	40000-40300	38500	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	NA	39500	Mumbai, Maharashtra
Nagpur (42/46)	40200	39300	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	40500	39500	Andhra, AP, Kar ,TN
Latur	40800	39500	-
Sangli	41000	40200	Local and South
Sholapur	40200	39500	Local and South
Akola	38000	38000	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Hingoli	40300	39000	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Bundi	39200	38400	-

Soy DOC at Port

Centers	Port Price	
	17-Apr-14	11-Apr-14
Kandla (FOR) (INR/MT)	40000	39550
Kandla (FAS) (USD/MT)	662	656

International Soy DOC

Argentina FOB USD/MT	16-Apr-14	9-Apr-14	Change
Soybean Pellets	522	510	12
Soybean Cake Flour	522	510	12
Soya Meal	530	518	12
Soy Expellers	530	518	12

Sunflower (DOC) Rates	Ex-factory rates (Rs/ton)		
Centers	17-Apr-14	11-Apr-14	Change
Adoni	23000	23000	Unch
Khamgaon	22400	22500	-100
Parli	23000	22900	100
Latur	22800	22800	Unch

Groundnut Meal (Rs/MT)	17-Apr-14	11-Apr-14	Change
Basis 45%, Saurashtra	27000	26500	500
Basis 40%, Saurashtra	25000	24500	500
GN Cake, Gondal	26000	25500	500

Mustard DOC/Meal	17-Apr-14	11-Apr-14	Change
Jaipur (Plant delivery)	14700	14200	500
Kandla (FOR Rs/MT)	16000	15200	800

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	Apr 2014	Apr 2013	% Change
Rapeseed/Mustard	71.38	67.48	5.8
Groundnut	10.8	11.01	-1.9
Safflower	1.79	1.5	19.3
Sunflower	4.45	5.33	-16.5
Sesamum	4.54	2.94	54.4
Linseed	3.61	3.38	6.8
Others	0.49	0.69	-29.0
Total Oilseeds	97.06	92.33	5.1

(Area in lakh hectares) Source: GOI

Soybean

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Soy meal

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The soy meal prices are expected to feature range-bound movement with firm bias and short-term.

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.

Preference of the soy meal of Indian origin mainly by the South-East countries due to logistic and freight advance and demand for non-GMO meal will continue to 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.

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 39,200-40,150/MT compared to Rs 35500-37,375/MT during the same period last year.

Recommendation: *FOR Kandla exports price (Apr-May delivery) was quoted higher between Rs 39,200-40,150/MT compared to Rs 35500-37,375/MT during the same period last year. Prices surged on bullish global soybean reports with downward revision in US soybean stocks and subsequent gains in CBOT soybeans during the week. 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 40,000-41,500 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
4278	4320	4399	4484	4524

- Weekly soybean candlestick chart pattern reveals indecision consecutive second week in the market.
- Prices closed above 9-day and 18-day EMA.
- RSI and stochastic are easing in neutral zone.
- MACD is easing in positive territory.
- The prices are expected to feature gain in coming week.
- **Trade Recommendation (NCDEX Soybean – May) Week: Buy Above 4396. Levels: Target – 4450; T2- 4480, SL -4364.**

Trade Recommendation soybean spot: Soybean prices are expected to feature firm tone. The USDA cut its forecast for the 2013-14 soybean carry over to 135 million bushels, down 10 million from last month. 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

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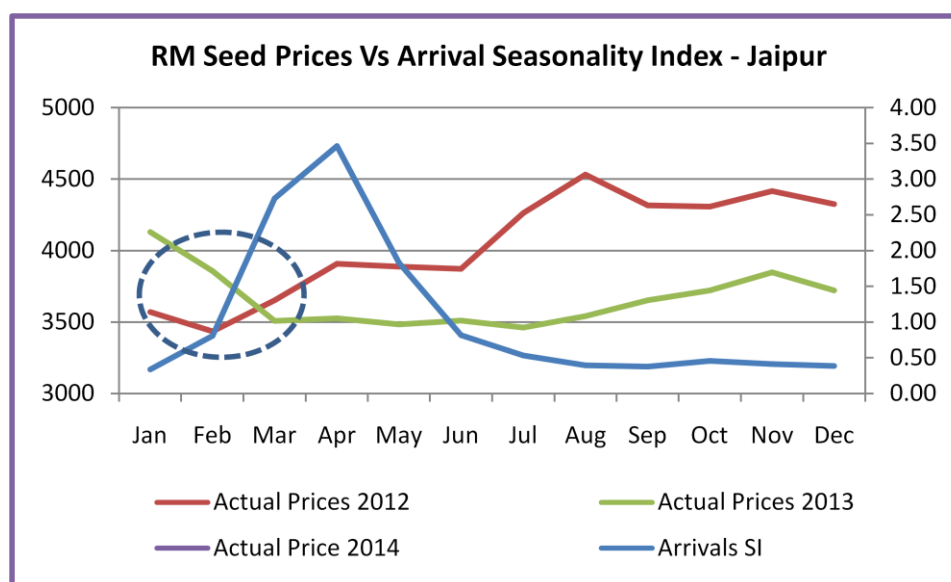
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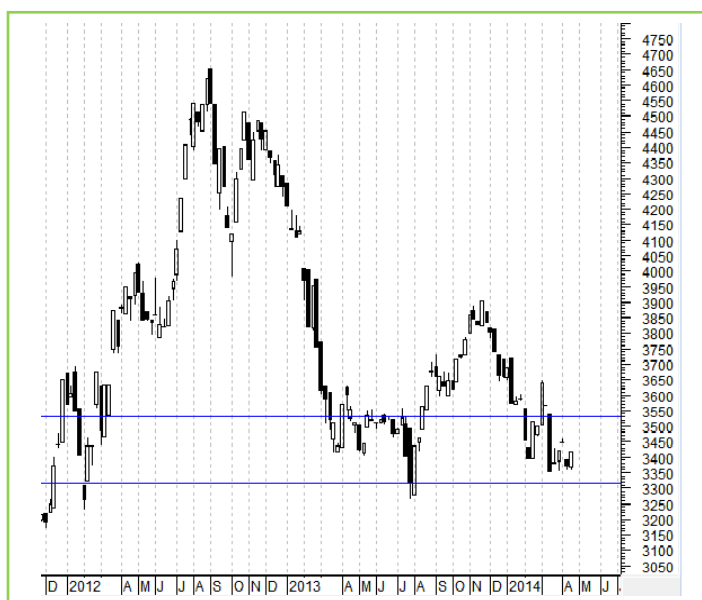
Technical Analysis:

NCDEX RM Seed Futures



*Note: Daily Chart

RM Seed Spot, Jaipur



Support & Resistance NCDEX RM Seed - May contract

S2	S1	PCP	R1	R2
3321	3372	3480	3562	3648

- The weekly RM seed candle denotes recovery in the market.
- The prices closed below 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 3478 for a Target –3540; T2- 3580; SL -3441.

Trade Recommendation RM Seed Spot (Jaipur basis): There is a good support at 3355 level. Prices tested low at 3358 during the week. In spot, the RM seed prices are expected to feature gains on strong buying interest at the current levels. 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 limit the losses, if any, during the week. Prices of seed are expected to be in the range between 3420–3460 levels during the week.

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