

Executive Summary

Soybean, soy meal continued downtrend consecutive fourth week while rapeseed/mustard rebound on fresh buying.

Soybean:

- ❖ Soybean fell for consecutive fourth week on weak crushing eventually leading to feeble buying by the crushers and sluggish soy meal shipments from India this season.
- ❖ Disparity in crushing soybeans remained discouraging for the solvent extractors.
- ❖ Soy oil is the leader in soy complex and the oil futures strengthened relative to soybeans and meal. Concern about developing El Nino will lend support to the soy prices in near –term.
- ❖ Soybean prices will recover on weak supplies and expected scarcity of good quality bean for seeding this season.

Soy meal:

- ❖ Soy meal extended losses in tandem with soybean mainly due to lower soy meal export sales and feeble domestic demand due to weak poultry demand.
- ❖ India's uncompetitive soy meal price compared to the South America has badly hit the India's meal export sales. Currently it has nearly come to halt. The international soy meal demand have diverted to South-America with the competitive South-American meal.
- ❖ India's oilmeal shipments almost halved in May from the corresponding period to 153,761 tonnes due to a plunge in soy meal shipments.

RM Seed:

- ❖ RM seed rebound after consecutive three weeks fall on fresh buying and dwindling seed supplies. The seed remained under pressure tracking weakness in Malaysian palm oil in recent weeks. However, with the falling supplies and upcoming festive demand in edible oils has encouraged the stockists and the millers to cover the stocks.
- ❖ The buyers refrained from the market in last couple of weeks in anticipation of further fall in the seed prices, who have re-entered the market.

- ❖ The all India seed arrivals further fell to 1.6-1.85 lakh bags from 2.0-2.3 lakh bags a day from peak 6.0-7.0 lakh bags few weeks back.

International Highlights

- ❖ US soybean planting is reported at 87% by 8 Jun which is above 5 year average of 81% and also ahead from 78% during the same period last year. Soybean emergence is reported at 71% higher than 5 year average of 62% and above 50% during the same period last year. Further, about 74% is under is good to excellent condition. The factor is bearish for the international soybean for short-term.
- ❖ Malaysian palm oil inventories rose 4.2 percent to 1.84 million tons in May compared to the last month due to lower exports and higher palm oil production. Malaysia's palm oil exports in May stood at 1.40 million tons, 10.7% higher from the previous month. On the production front, palm oil output rose by 6.5 percent to 1.66 million tons on m-o-m basis.
- ❖ The downward momentum of old-crop soybean prices was slowed by falling supplies of soybeans in the US.
- ❖ In Argentina the recent downward revision in the export tax has been successful in promoting biodiesel export sales – Oil World.
- ❖ Reportedly oilmeal consumption has witnessed new highs in CIS countries followed by growing demand from livestock feeding.
- ❖ CONAB made a surprising downward revision in the Brazilian soybean crop estimate to 86.05 Mn T, while the corn crop was revised upward by 2.7 Mn T to 77.9 Mn T...
- ❖ Canola prospects of Canada are currently favourable except for concern about delayed planting and crop development in Saskatchewan and Manitoba – Oil World.
- ❖ Crushings of 10 oilseeds are currently forecast to continue to rise sharply in Oct/Sept 2014/15, reaching 420.5 Mn T, as reported by Oil World.
- ❖ The global soybean inventories are expected to be record large at around 90 Mn T at the end of next season, equivalent to 31.6% of annual consumption – Oil World.
- ❖ Brazil's soybean shipments slowed to 7.61 Mn T in May from above 8 Mn T earlier.

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

Centres	Ex-factory rates (Rs/ton)		
	13-Jun-14	06-Jun-14	Parity To
Indore (MP)	38500-39000	38500-39500	Gujarat, MP
Kota	38500	39000	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	40500	40700	Mumbai, Maharashtra
Nagpur (42/46)	39500	40000	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	-	40500	Andhra, AP, Kar ,TN
Latur	39800	40000	-
Sangli	-	40800	Local and South
Sholapur	-	-	Local and South
Akola	39700	40500	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Hingoli	-	-	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Bundi	38500	39700	-

Soy DOC at Port

Centers	Port Price	
	13-Jun-14	06-Jun-14
Kandla (FOR) (INR/MT)	40000	40000
Kandla (FAS) (USD/MT)	673	676

International Soy DOC

Argentina FOB USD/MT	12-Jun-14	5-Jun-14	Change
Soybean Pellets	504	534	-30
Soybean Cake Flour	504	534	-30
Soya Meal	512	542	-30
Soy Expellers	512	542	-30

Sunflower (DOC) Rates	Ex-factory rates (Rs/ton)		
Centers	13-Jun-14	6-Jun-14	Change
Adoni	22400	22400	Unch
Khamgaon	NA	NA	-

Parli	22200	22200	Unch
Latur	22000	22000	Unch

Groundnut Meal (Rs/MT)	13-Jun-14	6-Jun-14	Change
Basis 45%, Saurashtra	27000	27000	Unch
Basis 40%, Saurashtra	25000	25000	Unch
GN Cake, Gondal	25000	25000	Unch

Mustard DOC/Meal	13-Jun-14	6-Jun-14	Change
Jaipur (Plant delivery)	14200	14400	-200
Kandla (FOR Rs/MT)	15500	15600	-100

Soybean

Soybean continued downtrend straight fourth week on sluggish buying followed by weak crushing during the week under review. Lower off-take of edible oils owing to comfortable stocks with the wholesalers and weak soy meal export sales remained discouraging for the solvent extractors.

The negative crush margin on soybean continued to make it unviable for crushing the beans, hence need based buying and crushing in the beans is witnessed.

The soybean growers are gearing up for land preparation and subsequently planting after the south-west monsoon which has hit Kerala on 6 June. Maharashtra has received pre-monsoonal rains during the week in review.

The planting starts first in the districts of Maharashtra, we expect it by the end of Jun as cited by the farmers. India's soybean planting will be normal this season.

India's area under soybean in 2013 was up 14.3% at 12.2 Mn ha compared to 10.7 Mn ha in 2012.

Besides, weakness in world soybean benchmark, CBOT followed by very favourable weather and crop conditions in the USA compared to 5 year average remained bearish. Further, fund selling is also pressuring down old-crop futures at CBOT, this is despite very tight old-crop US supplies.

US soybean planting is fast progressing and it was reported at 87% by 8 Jun which is above 5 year average of 81% and also ahead from 78% during the same period last year. Soybean emergence is reported at 71% higher than 5 year average of 62% and above 50% during the same period last year. Further, about 74% is under is good to excellent condition. The factor is bearish for the international soybean for short-term.

As discussed in previous week, US soybean imports have improved and imports are mainly from the major South American producers. Reportedly US soybean imports need to increase in May/Aug 2014 to prevent US soybean crushings from falling below the minimum level required.

Soybean prices will recover on weak supplies and expected scarcity of good quality bean for seeding this season in near-term.

Soy meal

Soy meal extended losses in tandem with soybean mainly due to lower soy meal export sales and feeble domestic demand due to weak poultry demand.

As discussed above, the domestic soybean crushing remained discouraging due to widening disparity with weak soybean supplies.

India's uncompetitive soy meal price compared to the South America has badly hit the India's meal export sales. Currently it has nearly come to halt. The international soy meal demand have diverted to South-America with the competitive South-American meal.

India's oilmeal shipments almost halved in May from the corresponding period to 153,761 tonnes due to a plunge in soy meal shipments.

India's soy meal exports plunged to 8,226 tonnes in May from 96,492 tonnes during the same period last year. India's oilmeal shipments fell 9.8 percent from a year earlier to 4.3 million tonnes in the 2013/14 fiscal year that ended in March.

The soy meal prices are expected to recover on weak soybean supplies, likely improvement in the domestic demand from poultry feed industry and likely scarcity of quality beans for seeding this season.

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 (Jun-Jul delivery) was quoted higher between Rs 39,750-40,500/MT compared to Rs 35,300-35,800/MT during the same period last year.

Recommendation: FOR Kandla exports price (Jun-Jul delivery) was quoted higher between Rs 39,750-40,500/MT compared to Rs 35,300-35,800/MT during the same period last year. Though prices fell w-o-w basis, but prices are likely to recover on bullish global soybean supply scenario. 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 40,500-41,500 levels in the upcoming week.

Technical Analysis:

NCDEX Soybean Futures-Weekly Chart



Soybean Spot, Indore



*Note: Daily Chart

Support & Resistance NCDEX Soybean – Jul contract

S2	S1	PCP	R1	R2
4100	4166	4283	4445	4575

- Weekly soybean candlestick chart pattern reveals indecision in the market, as there was no healthy trade during the week.
- Prices closed below 9-day and 18-day EMA.
- RSI is slightly rising in neutral region while stochastic is easing in neutral region.
- MACD is falling in negative territory.
- The prices are expected to feature gain in coming week.
- **Trade Recommendation (NCDEX Soybean – Jul) Week: Buy** Above 4280. Levels: Target – 4340; T2- 4390, SL -4244.

Trade Recommendation soybean spot: Soybean prices are expected to recover on likely gains in international market and firm domestic underlying current. Forecast for the 2013-14 soybeans 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 recover and will be in the band of 4350-4450 levels (Indore, Plant basis) during the week.

Rapeseed - Mustard Seed

RM seed rebound after consecutive three week fall on fresh buying and dwindling seed supplies. The seed remained under pressure tracking weakness in Malaysian palm oil in recent weeks. However, with the falling supplies and upcoming festive demand in edible oils has encouraged the stockists and the millers to cover the stocks.

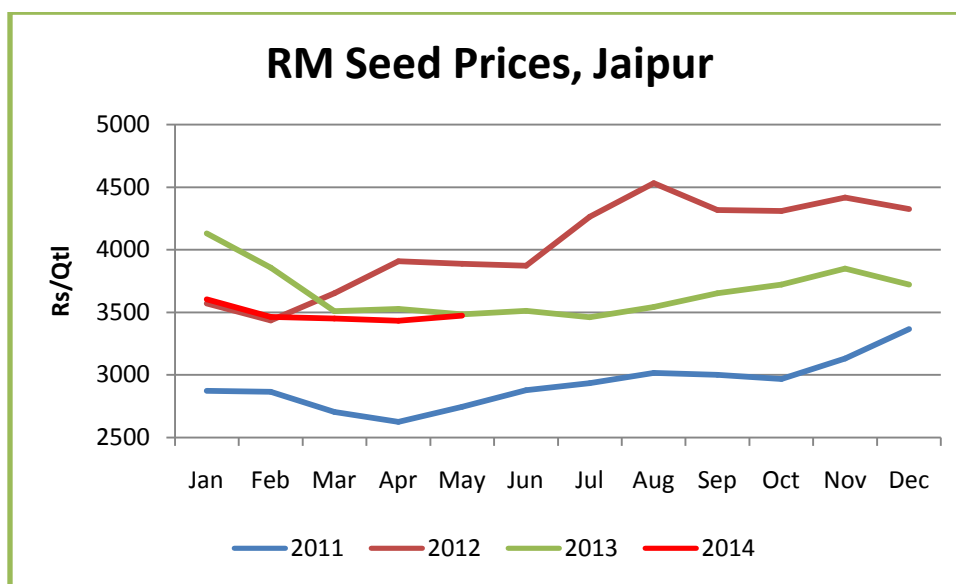
The buyers refrained from the market in last couple of weeks in anticipation of further fall in the seed prices, who have re-entered the market.

The all India seed arrivals further fell to 1.6-1.85 lakh bags from 2.0-2.3 lakh bags a day from peak 6.0-7.0 lakh bags few weeks back.

Malaysian palm oil inventories rose 4.2 percent to 1.84 million tons in May compared to the last month due to lower exports and higher palm oil production. Malaysia's palm oil exports in May stood at 1.40 million tons, 10.7% higher from the previous month. On the production front, palm oil output rose by 6.5 percent to 1.66 million tons on m-o-m basis.

The bearish palm oil supply scenario continues to pressure the domestic RM seed as it closely tracks the BMD CPO.

The RM seed prices are expected to recover on fresh buying in seed ahead upcoming mustard oil demand on festivities in weeks ahead.



Technical Analysis:

NCDEX RM Seed Futures



*Note: Daily Chart

RM Seed Spot, Jaipur



Support & Resistance NCDEX RM Seed - Jul contract

S2	S1	PCP	R1	R2
3359	3386	3471	3524	3567

- The RM seed prices witnessed gains during the week.
- The prices closed below 9-day and 18-day EMA.
- RSI and stochastic are rising in the neutral territory.
- MACD is rising in the negative territory.
- Prices are expected to feature ease in near-term.
- **Trade Recommendation (NCDEX RM SEED - Jul) Week: Buy** Above 3468 for a Target –3518; T2-343570; SL -3438.

Trade Recommendation RM Seed Spot (Jaipur basis): The RM seed has good support at 3420 level. Prices tested low at 3428 in previous the week. In spot, the RM seed prices are expected to feature gains on renewed buying interest at the current levels. Prices of seed are expected to be in the range between 3465–3525 levels during the week.

Annexure

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.

<i>Crop</i>	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

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