

## Executive Summary

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Soybean, soy meal fell straight fifth week on weak global and domestic cues while rapeseed/mustard extended gains on better buying.

### **Soybean:**

- ❖ Soybean featured weak tone straight fifth week on weak international factors and sluggish buying followed by lower crushing with dwindling soybean supplies. Improved vegoil imports in recent days after a pause for a short period and uncompetitive soy meal prices remained bearish for the seed, hence disparity on crushing.
- ❖ The soybean planting has delayed as the monsoon reached Kerala slightly later than the usual. It is Maharashtra where the soybean planting starts first. The farmers are expecting sowing the seed by the last week of June.
- ❖ We feel the soybean prices to feature range-bound movement and the unrest in Middle-East especially in Iraq and rising crude oil prices will limit the losses in near-term.

### **Soy meal:**

- ❖ Soy meal witnessed losses in sync with the soybean for consecutive fifth week primarily on sluggish export sales and fall in domestic demand owing weak poultry demand.
- ❖ Further, demand shift of international buyers towards South-America due to their competitive meal prices remained negative factor for the meal of Indian origin. India's soy meal shipments were already weak this season, but it plunged further with the peak crushing season in South America after February with India's prices getting uncompetitive to South America.

### **RM Seed:**

- ❖ RM seed extended gains on improved buying and falling supplies from its peak. The solvent extractors and the stockists were interested in buying the seed in anticipation of rise in edible oil demand with Ramadan and festivities in coming weeks.
- ❖ Overall, the RM seed prices are set to recover on fresh buying in seed ahead upcoming mustard oil demand on festivities in coming weeks.

## International Highlights

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- ❖ US soybean planting is reported at 92% by 15 Jun which is slightly above 5 year average of 90% and also ahead from 87% during the same period last year. Soybean emergence is reported at 83% higher than 5 year average of 77% and above 71% during the same period last year. Further, about 73% is under is good to excellent condition. The factor is bearish for the international soybean for short-term.
- ❖ Significant gain in crude mineral oil prices is lending support to the oils and fats market.
- ❖ Soya oil remained the price leader in the complex, it's prices appreciated, resisting the bearish trend of soybeans, soya meal and grains.
- ❖ Prospects of record US soybean and increasing US and world inventories in 2014/15 lead to price weakness previous week.
- ❖ G-4 soybean crushings and net exports significantly improved by 22.4 Mn T or 15% in Sept/May 2013/14 – Oil World.
- ❖ The weather in US mid-west is reportedly very good and crop development is contributing to the pressure in benchmark soybeans.
- ❖ 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.
- ❖ 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...
- ❖ 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)		
	20-Jun-14	13-Jun-14	Parity To
Indore (MP)	36100-36500	38500-39000	Gujarat, MP
Kota	36000	38500	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	38000	40500	Mumbai, Maharashtra
Nagpur (42/46)	38000	39500	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	38900	-	Andhra, AP, Kar ,TN
Latur	37800	39800	-
Sangli	40000	-	Local and South
Sholapur	39700	-	Local and South
Akola	37300	39700	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Hingoli	39200	-	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Bundi	36800	38500	-

**Soy DOC at Port**

Centers	Port Price	
	20-Jun-14	13-Jun-14
Kandla (FOR) (INR/MT)	38000	40000
Kandla (FAS) (USD/MT)	630	673

International Soy DOC			
Argentina FOB USD/MT	18-Jun-14	12-Jun-14	Change
Soybean Pellets	490	504	-14
Soybean Cake Flour	490	504	-14
Soya Meal	498	512	-14
Soy Expellers	498	512	-14

<b>Sunflower (DOC) Rates</b>	<b>Ex-factory rates (Rs/ton)</b>		
<b>Centers</b>	<b>20-Jun-14</b>	<b>13-Jun-14</b>	<b>Change</b>
Adoni	23000	22400	<b>600</b>
Khamgaon	-	NA	-
Parli	23000	22200	<b>800</b>
Latur	22800	22000	<b>800</b>

<b>Groundnut Meal (Rs/MT)</b>	<b>20-Jun-14</b>	<b>13-Jun-14</b>	<b>Change</b>
Basis 45%, Saurashtra	25500	27000	<b>-1500</b>
Basis 40%, Saurashtra	23500	25000	<b>-1500</b>
GN Cake, Gondal	25000	25000	<b>Unch</b>

<b>Mustard DOC/Meal</b>	<b>20-Jun-14</b>	<b>13-Jun-14</b>	<b>Change</b>
Jaipur (Plant delivery)	14300	14200	<b>100</b>
Kandla (FOR Rs/MT)	15500	15500	<b>Unch</b>

## Soybean

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Soybean featured weak tone straight fifth week on weak international factors and sluggish buying followed by lower crushing with dwindling soybean supplies. Improved vegoil imports in recent days after a pause for a short period and uncompetitive soy meal prices remained bearish for the seed, hence disparity on crushing.

The soybean planting in Maharashtra has delayed as the monsoon reached Kerala slightly later than the usual. It is Maharashtra where the soybean planting starts first. The farmers are expecting sowing the seed it by the last week of June.

Farmers are anticipating higher prices for the good quality beans for seeding. This is due to the crop damage in Madhya Pradesh last crop season. There is a scarcity of good quality beans much needed for planting 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. We expect area coverage under soybean will be near normal in 2014.

US soybean planting is reported at 92% by 15 Jun which is slightly above 5 year average of 90% and also ahead from 87% during the same period last year. Soybean emergence is reported at 83% higher than 5 year average of 77% and above 71% during the same period last year. Further, about 73% is under is good to excellent condition. The factor is bearish for the international soybean for short-term.

As discussed earlier, US have been importing the beans to meet the minimum crushing required. Chinese and CIS countries demand in soy product is also intact.

We feel the soybean prices to feature range-bound movement and the unrest in Middle-East especially in Iraq and rising crude oil prices will limit the losses in near-term.

## Soy meal

Soy meal featured losses in sync with the soybean for consecutive fifth week primarily on sluggish export sales and fall in domestic demand owing weak poultry demand.

Besides, dwindling soybean supplies is yet another discouraging factor for the crushers. These altogether remained bearish for the domestic soy meal.

Further, demand shift of international buyers towards South-America due to their competitive meal prices remained negative factor for the meal of Indian origin. India's soy meal shipments were already weak this season, but it plunged further with the peak crushing season in South America after February with India's prices getting uncompetitive to South America.

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 scarcity of quality beans for seeding this season.

*The demand shift to South America due to the competitive prices there has already hit the India's meal exports. The soybean crushing is at full swing in Brazil and Argentina. The major international meal buyers are placing their 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 (Jul-Aug delivery) was quoted higher between Rs 38,000-40,000/MT compared to Rs 35,800-37,150/MT during the same period last year.

**Recommendation:** FOR Kandla exports price (Jul-Aug delivery) was quoted higher between Rs 38,000-40,000/MT compared to Rs 35,800-37,150/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 39,000-40,000 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
3737	3845	4000	4445	4272

- Weekly soybean candlestick chart pattern reveals sharp fall in the prices, during the week.
- Prices closed below 9-day and 18-day EMA.
- RSI is easing in neutral region while stochastic is easing in oversold zone.
- MACD is falling in negative territory.
- The prices are expected to feature gain in coming week.
- **Trade Recommendation (NCDEX Soybean – Jul) Week: Buy Above 4000.** Levels: Target – 4100; T2- 4200, SL -3940.

**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 4000-4200 levels (Indore, Plant basis) during the week.

## Rapeseed - Mustard Seed

RM seed extended gains on improved buying and easing supplies from it's peak. The solvent extractors and the stockists were interested in buying the seed in anticipation of rise in edible oil demand with Ramadan and festivities in coming weeks.

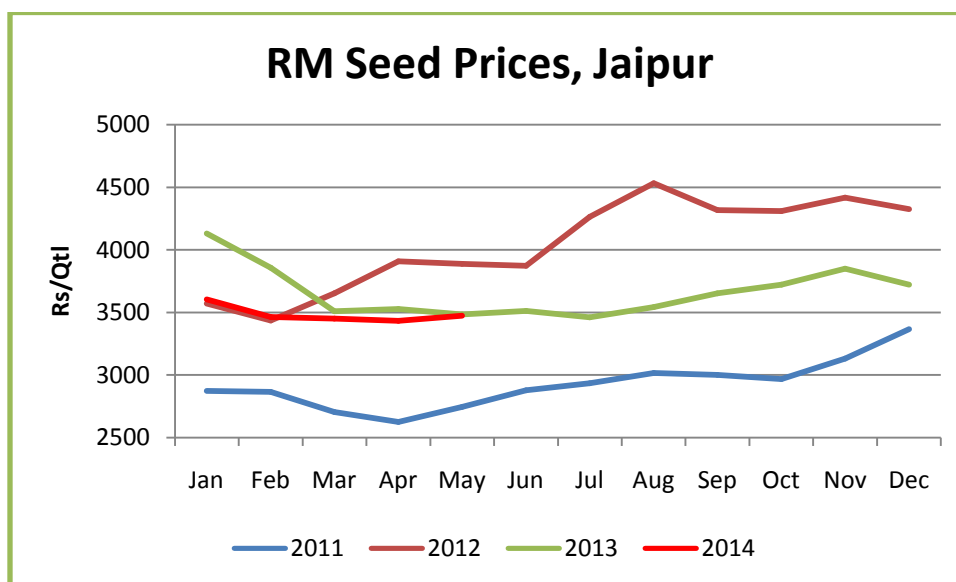
The all India seed arrivals further fell to 1.6-1.75 lakh bags from 1.6-1.85 lakh bags a day previous week. During the peak arrivals it was registered 6.0-7.0 lakh bags a day in April.

India's crude palm oil imports rose 43.9 per cent to 547,151 tons in May from a month ago. While, RBD palmolein imports stood at 100,605 tons, down 73 percent on m-o-m basis. However, India buyers imported 1.78 lakh tons of crude sunflower oil and 1.74 lakh tons of crude soybean oil during the month of May - SEA of India. Higher the vegoil import translates into lower domestic oilseeds crushing.

As discussed in previous week, 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 current palm oil supply scenario will continues to pressure the domestic RM seed as it moves in tandem with the BMD CPO.

Overall, the RM seed prices are set to recover on fresh buying in seed ahead upcoming mustard oil demand on festivities in coming weeks.





## 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
3389	3438	3513	3631	3700

- 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 gains in near-term.
- **Trade Recommendation (NCDEX RM SEED - Jul) Week: Buy** Above 3510 for a Target –3560; T2- 3610; SL -3480.

**Trade Recommendation RM Seed Spot (Jaipur basis):** The RM seed has strong support at 3420 level. Prices tested low at 3430 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 3560–3580 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>	<b>Apr 2014</b>	<b>Apr 2013</b>	<b>% Change</b>
Rapeseed/Mustard	71.38	67.48	<b>5.8</b>
Groundnut	10.8	11.01	<b>-1.9</b>
Safflower	1.79	1.5	<b>19.3</b>
Sunflower	4.45	5.33	<b>-16.5</b>
Sesamum	4.54	2.94	<b>54.4</b>
Linseed	3.61	3.38	<b>6.8</b>
Others	0.49	0.69	<b>-29.0</b>
<b>Total Oilseeds</b>	<b>97.06</b>	<b>92.33</b>	<b>5.1</b>

(Area in lakh hectares) Source: GOI

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