

## Executive Summary

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Soybean, soy meal and RM seed fell in tandem on weak buying and sluggish international oil and fats market. However, the fall in RM seed was limited in anticipation of better crusher's buying for upcoming mustard oil demand in near-term.

### **Soybean:**

- ❖ Soybean extended losses in cash market on weak crusher's demand and spurt in the supplies during the week in review. Disparity in soybean crushing is already discouraging for the crushers with improved cheaper imports in edible oils and lower soy meal export sales this season.
- ❖ India's area coverage under soybean, as on 31 Jul 2014, was reported at 95.39 lakh ha compared to 117 lha (-23%) during the same period last year.
- ❖ India's soybean area coverage this season is expected to fall, around 10%, compared to previous year (122.2 lha) as there are reports of soybean farmers shifting their area to cotton and rice, these are the crops which can be planted little late whereas soybean can't be stretched too long.

### **Soy meal:**

- ❖ Soy meal featured losses in tandem with soybean pressured the weak international market during the week under review.
- ❖ Weak soy meal export sales and international soy meal buyers shifting to South-America for competitive price remained a prime pressurizing factor for domestic meal. India's July export sales plunged 94%.

### **RM Seed:**

- ❖ RM seed witnessed mild losses primarily pressured by the bullish global oilseeds supply factors. Overall, the RM seed buying remained active in recent weeks.
- ❖ Both crushers and the stockists are seen active in the cash market to cover their stock to meet the upcoming oil demand in coming days.

## International Highlights

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- ❖ Overall, US soybean crop is reported under good condition. Soybean blooming, as on Aug 04, is reported at 79% which is slightly above 5 year average of 76% and above 65% compared to the same period last year. The crop is 57% in pod formation stage which is above 5 year average of 48% and also higher as compared to 36% during the same period last year. Further, the crop is 71% in good to excellent condition, which is better than last year. The factors are considered to be bearish for the international soybean for short-term.
- ❖ Forward bookings of US soybeans were high in the last week of July; it is driven by the strong sales to China of both the old and the new crop.
- ❖ According to Oil World, the export demand for palm oil fell due to lower than expected discounts to alternative products, mainly to its close competitor soya oil.
- ❖ US biodiesel production improved to a five-month high of 336 Thd T in May, still implying a 9% decline from a year ago.
- ❖ After recovery in rains in South Asia, there is yet another relief to south-east Asia, the Australian Bureau of Meteorology reduced the chances of an El Nino weather pattern/event to 50% a couple of weeks ago.
- ❖ Combined soybean stocks of US, Brazil and Argentina are estimated at 51 Mn T as of Sept 1, an increase by 5.1 Mn T from a year ago – Oil World.
- ❖ US soybean crushings in June and soya oil inventories as of end-June are reportedly smaller than expected, as reported by Oil World.
- ❖ China's shipments of soya meal more than trippled to an unprecedented 0.99 Mn T in April/June – Oil World.
- ❖ Reportedly Pakistani government has raised the import duty on soy meal to 5% - Oil World.
- ❖ Argentina's soybean crushings slowed down seasonally to 4.18 Mn T as compared to above 5 Mn T during the same period in previous years.
- ❖ Malaysian palm oil products exports during July 1-25 rose 3.4 percent to 1,165,306 tons from 1,126,927 tons shipped during June 1-25 - Intertek Testing Services. Figures were slightly positive for the market. However, easing Malaysian palm oil export pace compared to the initial days of July may capes excessive gains in the near term. Crude palm oil (August) at Bursa Malaysia Derivative exchange trading around MYR 2335.
- ❖ CONAB made a surprising downward revision in the Brazilian soybean crop estimate to 86.05 Mn T – 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.

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

Centres	Ex-factory rates (Rs/ton)		
	8-Aug-14	1-Aug-14	Parity To
Indore (MP)	35200	36500-36800	Gujarat, MP
Kota	35000	36000	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	38000	38300	Mumbai, Maharashtra
Nagpur (42/46)	37000	39000	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	37000	39000	Andhra, AP, Kar ,TN
Latur	38000	39800	-
Sangli	38000	40000	Local and South
Sholapur	38000	40000	Local and South
Akola	35500	37500	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Hingoli	38000	38800	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Bundi	33000	36500	-

**Soy DOC at Port**

Centers	Port Price	
	8-Aug-14	1-Aug-14
Kandla (FOR) (INR/MT)	37000	38000
Kandla (FAS) (USD/MT)	601	624

International Soy DOC			
Argentina FOB USD/MT	7-Aug-14	30-Jul-14	Change
Soybean Pellets	456	460	-4
Soybean Cake Flour	456	460	-4
Soya Meal	464	468	-4
Soy Expellers	464	468	-4

Sunflower (DOC) Rates	Ex-factory rates (Rs/ton)		
Centers	8-Aug-14	1-Aug-14	Change
Adoni	23500	23800	-300
Khamgaon	NA	NA	-
Parli	23500	24000	-500
Latur	23200	23600	-400

Groundnut Meal (Rs/MT)	8-Aug-14	1-Aug-14	Change
Basis 45%, Saurashtra	27000	27500	-500
Basis 40%, Saurashtra	25000	25500	-500
GN Cake, Gondal	27000	26000	1000

Mustard DOC/Meal	8-Aug-14	1-Aug-14	Change
Jaipur (Plant delivery)	12500	12800	-300
Kandla (FOR Rs/MT)	13500	13800	-300

## Progress of Sown Area – Kharif Oilseeds, India

As per the official *kharif oilseeds* planting report (week ending 31 Jul 2014), the area coverage under *Kharif* oilseeds is reported at 137.35 lakh hectares, down 19.5% from 169.29 lakh ha previous year. Of the major oilseeds, soybean sowing is reported down by 29.3% at 95.39 lha compared to 117.0 lha during the same period last year. Groundnut at 28.37 lha vs 36.85, sunflower at 1.17 lha vs 1.8 lha, sesamum 10.25 vs 10.12, niger 0.14 lha vs 0.66 lha and castor at 2.03 lha vs 2.86 lha during the same period last year.

Crop	As on 31 Jul 2014	As on 31 Jul 2013	% Change
Groundnut	28.37	36.85	-23.0
Soybean	95.39	117	-18.5
Sunflower	1.17	1.8	-35.0
Sesamum	10.25	10.12	1.3
Niger	0.14	0.66	-78.8
Castor	2.03	2.86	-29.0
<b>Total Oilseeds</b>	<b>137.35</b>	<b>169.29</b>	<b>-18.9</b>

(Area in lakh hectares) Source: GOI

## Soybean-Preliminary Production Estimates & Weather

	Area in Mln Ha.					Production in Mln T	Production Estimate Under Normal Condition 2014- 15	Revised Production Estimate Considering Deficit Rainfall for 2014- 15	Rainfall (mm) for The Period 01.06.14 to 31.07.14		
State	200 9	2010	2011	2012	2013	5 Yr Avg Prod.			% Departure	Actual Rain (mm)	Normal Rain (mm)
Madhya Pradesh	5.30	5.52	5.73	5.81	6.26	6.10	7.26	6.51	-7.00	367.60	397.00
Maharashtra	3.03	2.60	3.06	3.21	3.87	3.60	4.49	3.80	-17.00	399.70	479.90
Rajasthan	0.71	0.69	0.90	0.99	1.06	1.00	1.23	0.91	-23.00	220.90	287.70
Andhra Pradesh	0.18	0.14	0.16	0.20	0.28	0.20	0.33	0.30	-47.00	198.20	374.10
Karnataka	0.23	0.18	0.22	0.20	0.25	0.20	0.29	0.25	-21.00	188.80	239.60
Chattisgarh	0.13	0.15	0.15	0.15	0.16	0.10	0.18	0.14	-7.00	518.40	559.00
Gujarat	0.00	0.00	0.00	0.08	0.09	0.10	0.11	0.00	-24.00	353.90	466.60
Rest of India	0.09	0.02	0.12	0.05	0.06	0.10	0.07	0.06	All India		
G.Total	9.67	9.30	10.33	10.69	12.03	11.4	13.95	12.10	-22.00	353.20	452.40

**Planting Progress:** Current: 95.39 lha. Last year by this time: 117 lha.

## Soybean

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Soybean extended losses in cash market on weak crusher's buying and spurt in the supplies during the week in review. Disparity in soybean crushing is already discouraging for the crushers with improved cheaper imports in edible oils and lower soy meal export sales this season.

The soybean planting is almost done and the ideal plating period getting over hence the soybean arrivals slightly improved with active farmer's taking account that the bean demand for seeding is almost over.

India's soybean planting has picked up with improved rains in recent days. The planting was significantly lower initially this season owing to deficit rains over the growing regions.

India's area coverage under soybean, as on 31 Jul 2014, was reported at 95.39 lakh ha compared to 117 lha (-23%) during the same period last year. The planting has picked up with the improved rains in the growing region. The all India departure of monsoon in the first week of August was reported at -17% which was -42% early in July.

India's soybean area coverage this season is expected to fall, around 10%, compared to previous year (122.2 lha) as there are reports of soybean farmers shifting their area to cotton and rice, these are the crops which can be planted little late whereas soybean can't be stretched too long.

Overall, US soybean crop is reported under good condition. Soybean blooming, as on Aug 04, is reported at 79% which is slightly above 5 year average of 76% and above 65% compared to the same period last year.

The crop is 57% in pod formation stage which is above 5 year average of 48% and also higher as compared to 36% during the same period last year. Further, the crop is 71% in good to excellent condition, which is better than last year. The factors are considered to be bearish for the international soybean for short-term.

The soybean prices will feature range-bound movement on weak bias followed by sluggish buying and weak international market in near-term.

## Soy meal

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Soy meal featured losses in tandem with soybean pressured the weak international market during the week under review.

Weak soy meal export sales and international soy meal buyers shifting to South-America for competitive price remained a prime pressurizing factor for domestic meal. India's July export sales plunged 94%.

Besides, the US 2014/15 soybean crop is seen at record high this season which will boost the soy meal supplies this season globally. This will eventually pressure the domestic meal prices, if there is no renewed overseas demand in the same.

India's soy meal exports fell 94%, during July 2014 it stood just at 6682 tones as compared to 1,07,037 tones in the same period of previous year.

On a financial year basis, the export during current financial year i.e. April 2014 to July 2014 is 0.93 Lac tonnes as compared to 5.18 Lac tones in the same period of previous year showing a decrease of 82%.

Soybean meal exports have declined sharply in the past six months due to poor supply of soybean coupled with high price led to total disparity in international market.

During current Oil year, (October-September), total exports during October 2013 to July, 2014 is 20.58 Lac tones as against 31.15 Lac tones in the same period of previous year, showing a decrease by 34%.

Shift in demand of international buyers towards South-America due to their competitive meal prices continues to pressure the meal of Indian origin. India's soy meal exports continues to remain 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.

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. Besides, India is likely to plant soybean slightly lower than the previous season due to late and less rains, which in turn is a bullish factor for domestic meal to some extent. India's planting is likely to be 10% lower this season compared to the previous year.

*Preference of the soy meal of Indian origin mainly by the South-East countries due to logistic and freight advantage 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 got stronger. Soy meal export price, FOR Kandla (Aug - Sep delivery) was quoted higher between Rs 37,000-38,375/MT compared to Rs 30,500-31,000/MT during the same period last year. However, it fell w-o-w from 39,000-39,500/MT to 37,000-38,375/MT.

**Recommendation:** FOR Kandla (Aug - Sep delivery) was quoted higher between Rs 37,000-38,375/MT compared to Rs 30,500-31,000/MT during the same period last year. 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 Rs. 37,000 – 37,500/MT levels in the upcoming week.

## Technical Analysis:

### NCDEX Soybean Futures



### Soybean Spot, Indore



\*Note: Daily Chart

### Support & Resistance NCDEX Soybean – Oct contract

S2	S1	PCP	R1	R2
3400	3468	3560	3750	3808

- Weekly soybean candlestick chart pattern reveals fall in the prices.
- Prices closed below 9-day and 18-day EMA.
- RSI and stochastic are easing in neutral zone.
- MACD is falling in positive territory.
- The prices are expected to feature losses in coming week.
- **Trade Recommendation (NCDEX Soybean – Oct) Week: SELL** Below 3565. Levels: Target – 3500; T2- 3450, SL -3604.

**Trade Recommendation soybean spot:** Soybean prices are expected to recover on likely gains in international market and sharply lower supplies. The prices are likely to recover and will be in the band of 3900-4000 levels (Indore, Plant basis) during the week.



## Rapeseed - Mustard Seed

RM seed witnessed mild losses primarily pressured by the bullish global oilseeds supply factors. Overall, the RM seed buying remained active in recent weeks.

Both crushers and the stockists are seen active in the cash market to cover their stock to meet the upcoming oil demand in coming days.

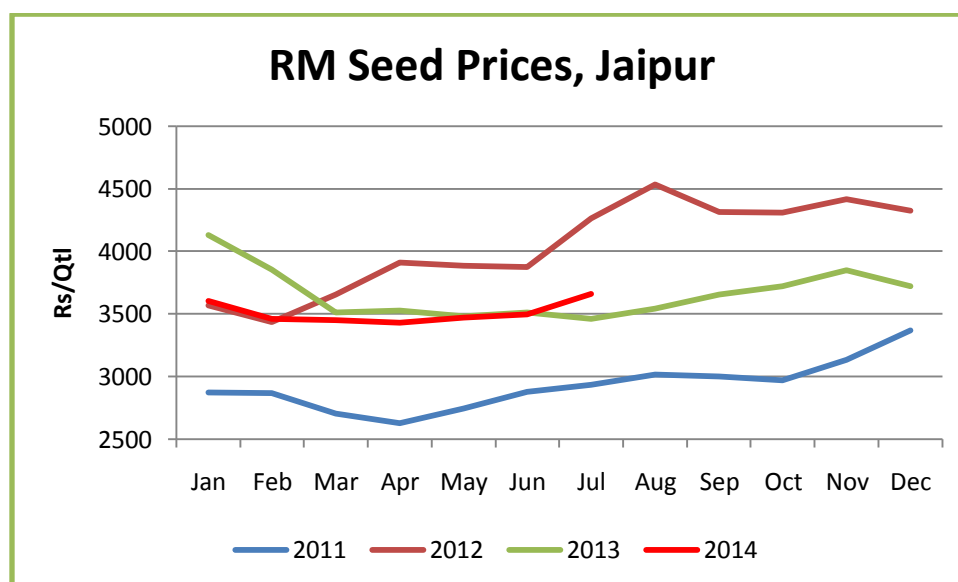
Weakness in international soybean in sync with lower Malaysian palm oil continued to pressure domestic oilseeds including RM seed, but supportive buying limited any major fall.

The RM seed supplies have fallen from previous weeks and the mustard oil demand from pickle manufactures is considerable good, hence the international pressure in oils and fats is unable pull down the domestic RM seed prices.

Exports of Malaysian palm oil products in July fell 2.8 percent to 1,353,516 tons from 1,391,942 tons shipped in June - cargo surveyor Intertek Testing Services. Higher imports witnessed from EU's countries and India and Sub-continent during July.

Palm oil products buying by China slump 11.9 percent to 221,630 tons and India sub Sub-continent imported 367,895, up 0.13 percent on m-o-m basis. Crude palm oil (August) at Bursa Malaysia Derivative exchange is currently trading above MYR 2315.

Overall, the RM seed prices will feature gains on expectation of improved edible oil demand for festivities in coming days.



## Technical Analysis:

### NCDEX RM Seed Futures



\*Note: Daily Chart

### RM Seed Spot, Jaipur



### Support & Resistance NCDEX RM Seed - Aug contract

S2	S1	PCP	R1	R2
3431	3462	3518	3639	3674

- The RM seed fell consecutive third week.
- The prices closed below 9-day and 18-day EMA.
- RSI is and stochastic are falling in the neutral territory.
- MACD is easing in the positive territory.
- Prices are expected to feature gains in near-term.
- **Trade Recommendation (NCDEX RM SEED - Aug) Week: SELL** Below 3525 for a Target -3480; T2-3460; SL -3552.

**Trade Recommendation RM Seed Spot (Jaipur basis):** In spot, the RM seed prices are expected to rebound on likely improved buying at the current levels. Prices of seed are expected to be in the range between 3710-3750 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

### Kharif MSP

- ❖ Government has increased minimum support price (MSP) of sunflower seed by Rs 50 to 3750 a quintal, further a hike of Rs 100 on sesamum and nigerseed at Rs 46,00 and 36,00 a quintal respectively. However, the MSP of soybean and groundnut seeds remained unchanged at Rs 2500-60 and Rs 4000 a quintal respectively this season.

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