

## Executive Summary

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Soybean, soy meal and RM seed fell in sync consecutive second week on lackluster buying. RM seed got a setback which posted continuous gains in past several weeks.

### **Soy meal:**

- ❖ Soy meal continued downtrend in tandem with soybean during the period under review. India's sluggish soy meal export sales this season remained the key factor for the weakness in soy meal.
- ❖ In a major development, It is noted that the soy meal price spread between Argentina and India has narrowed which was wider for quite some time owing to the competitive Argentine meal prices as compared to India's.
- ❖ India's July export sales plunged 94%.
- ❖ India's oilmeal exports fell to 177,011 tonnes in July from 282,703 tonnes a year earlier.

### **Soybean:**

- ❖ Soybean fell straight 4th week on bearish global factors and lower domestic crushing demand. Availability of edible oils at competitive price in the international market has boosted India's imports in the same in recent months.
- ❖ The international analyst, Lanworth has raised its forecast of the U.S. 2014 soybean yield to 46.7 bushels per acre from 46.4 previously. This translates to U.S. soybean production of 3.855 billion bushels, up from USDA's projection at 3.816 billion bushels.
- ❖ India's area coverage under soybean, as on 21 Aug 2014, was reported at 109.09 lakh ha compared to 121.3 lha (-10%) during the same period last year. The all India departure of monsoon on 22 August is reported at -19% which was -42% early in July.

### **RM Seed:**

- ❖ RM seed fell consecutive third week on cautious buying during the week in review. Weak global factors including drastic fall in BMD CPO and lower CBOT soybeans continued to pressure the oilseeds market.
- ❖ Sluggish buying was featured in the cash market in anticipation of further fall in the prices.

- ❖ Continued fall in Malaysian palm oil owing to lower exports eventually leading to the boost in the inventories remained prime factor for the pressure in the domestic RM seed. The domestic RM seed closely tracks BMD CPO.
- ❖ The seed prices are likely to rebound on upcoming festive mustard oil demand in near-term.

## International Highlights

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- ❖ Overall, US soybean crop is reported under good condition. Soybean blooming, as on Aug 18, is reported at 95% which is at par with the 5 year average but slightly above 91% compared to the same period last year. The crop is 83% in pod formation which is above 5 year average of 79% and also above 70% 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 international analyst, Lanworth has raised its forecast of the U.S. 2014 soybean yield to 46.7 bushels per acre from 46.4 previously. This translates to U.S. soybean production of 3.855 billion bushels, up from its previous estimate of 3.806 billion, issued on Aug. 11. USDA projected the soybean yield at 45.4 bushels per acre and production at 3.816 billion bushels in its August 11 report. Pro Farmer is already in US mid-west for crop tour.
- ❖ Germany's winter rapeseed output is estimated at 5.8 million tonnes in 2014, up from 5.7 million tonnes in 2013, German farmer's association, DBV said.
- ❖ Oil World has estimated the Canadian canola crop at 14.7 Mn T in 2014 which is considerably below the record 17.96 Mn T last year.
- ❖ EU-28 rapeseed outturn has turned out higher than expected there is an upward revision to 23.5 Mn T. EU rapeseed exports are also improving.
- ❖ In Jan/Dec 2014 Brazil's soya oil shipments are seen falling to a 14-year low of only 1.28 Mn T to accommodate the higher domestic demand of the biodiesel industry – Oil World.
- ❖ Significantly huge crushings and exports in the first 8 months of the season is likely to cut Brazilian soybean inventories to only about 17.7 Mn T as of Sept 1, 2014 – Oil World.

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

Centres	Ex-factory rates (Rs/ton)		
	22-Aug-14	14-Aug-14	Parity To
Indore (MP)	34700-35000	36000	Gujarat, MP
Kota	33800-38000	35000	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	37000	37500	Mumbai, Maharashtra
Nagpur (42/46)	NA	37000	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	NA	37000	Andhra, AP, Kar ,TN
Latur	31300	38000	-
Sangli	38000	38000	Local and South
Sholapur	NA	38000	Local and South
Akola	NA	35500	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Hingoli	NA	38000	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Bundi	33800	34500	-

**Soy DOC at Port**

Centers	Port Price	
	22-Aug-14	14-Aug-14
Kandla (FOR) (INR/MT)	36500	37000
Kandla (FAS) (USD/MT)	604	606

International Soy DOC			
Argentina FOB USD/MT	21-Aug-14	14-Aug-14	Change
Soybean Pellets	485	465	20
Soybean Cake Flour	485	465	20
Soya Meal	493	473	20
Soy Expellers	493	473	20

Sunflower (DOC) Rates		Ex-factory rates (Rs/ton)		
Centers		22-Aug-14	14-Aug-14	Change
Adoni		23200	23500	-300
Khamgaon		NA	NA	-
Parli		23300	23500	-200

Latur	23000	23200	-200
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Groundnut Meal (Rs/MT)	22-Aug-14	14-Aug-14	Change
Basis 45%, Saurashtra	28500	28500	Unch
Basis 40%, Saurashtra	26000	26500	-500
GN Cake, Gondal	26500	26000	500

Mustard DOC/Meal	22-Aug-14	14-Aug-14	Change
Jaipur (Plant delivery)	13000	12400	600
Kandla (FOR Rs/MT)	14000	13400	600

## Progress of Sown Area – Kharif Oilseeds, India

As per the official *kharif oilseeds* planting report (week ending 21 Aug 2014), the area coverage under *Kharif* oilseeds is reported at 168.28 lakh hectares, down 8.2% from 183.3 lakh ha previous year. Of the major oilseeds, soybean sowing is reported down by 10% at 109.09 lha compared to 121.3 lha during the same period last year. Groundnut at 35.11 lha vs 40.47, sunflower at 1.65 lha vs 2.11 lha, sesamum 14.45 vs 13.064, niger 0.67 lha vs 1.15 lha and castor at 7.31 lha vs 4.9 lha during the same period last year.

Crop	As on 21 Aug 2014	As on 21 Aug 2013	% Change
Groundnut	35.11	40.77	-13.9
Soybean	109.09	121.31	-10.1
Sunflower	1.65	2.11	-21.8
Sesamum	14.45	13.06	10.6
Niger	0.67	1.15	-41.7
Castor	7.31	4.9	49.2
<b>Total Oilseeds</b>	<b>168.28</b>	<b>183.30</b>	<b>-8.2</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 18.08.14		
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	-11.00	519.60	586.80
Maharashtra	3.03	2.60	3.06	3.21	3.87	3.60	4.49	3.80	-29.00	476.20	672.10
Rajasthan	0.71	0.69	0.90	0.99	1.06	1.00	1.23	0.91	5.00	452.60	430.10
Andhra Pradesh	0.18	0.14	0.16	0.20	0.28	0.20	0.33	0.30	-54.00	232.90	507.30
Karnataka	0.23	0.18	0.22	0.20	0.25	0.20	0.29	0.25	-29.00	222.20	312.00
Chattisgarh	0.13	0.15	0.15	0.15	0.16	0.10	0.18	0.14	-4.00	766.30	795.90
Gujarat	0.00	0.00	0.00	0.08	0.09	0.10	0.11	0.00	-30.00	448.00	642.60
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	-17.00	508.20	614.40

**Planting Progress:** Current: 109.09 lha. Last year by this time: 121.31 lha.

## Soybean

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Soybean fell straight 4<sup>th</sup> week on bearish global factors and lower domestic crushing demand. Availability of edible oils at competitive price in the international market has boosted India's imports in the same in recent months.

India's edible oil imports rose 18 months high in July including crude palm oil, sunflower oil, rapeseed and degum soy oil. Further, India's soy meal export sales remained poor this season.

Estimates of record US soybean production this season by USDA and other international analysts like Lanworth and weak palm oil exports sales from Malaysia altogether remained the pressurizing factors for domestic soybeans.

The international analyst, Lanworth has raised its forecast of the U.S. 2014 soybean yield to 46.7 bushels per acre from 46.4 previously. This translates to U.S. soybean production of 3.855 billion bushels, up from USDA's projection at 3.816 billion bushels.

As discussed earlier, that though India's soybean planting has picked up, India's coverage under soybean 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.

India's area coverage under soybean, as on 21 Aug 2014, was reported at 109.09 lakh ha compared to 121.3 lha (-10%) during the same period last year. The all India departure of monsoon on 22 August is reported at -19% which was -42% early in July.

Overall, US soybean crop is reported under good condition. Soybean blooming, as on Aug 18, is reported at 95% which is at par with the 5 year average but slightly above 91% compared to the same period last year.

The crop is 83% in pod formation which is above 5 year average of 79% and also above 70% 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 continued downtrend in tandem with soybean during the period under review. India's sluggish soy meal export sales this season remained the key factor for the weakness in soy meal.

In a major development, It is noted that the soy meal price spread between Argentina and India has narrowed which was wider for quite some time owing to the competitive Argentine meal prices as compared to India's.

The seasonal price competitiveness eventually shifted the international buyer's demand towards South America thus hitting India's meal exports.

However, narrowing price spread is a positive sign for India with expectation of buyers diverting back with the harvest of new soybean crop in late October.

India's July export sales plunged 94%.

The US is likely to produce record soybean in 2014/15 followed by rise in the planted area and likely better yield with favorable weather for the standing crop in Mid-west. This will eventually increase the global soy meal supplies this season.

India's oilmeal exports fell to 177,011 tonnes in July from 282,703 tonnes a year earlier.

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 36,500-38,200/MT compared to Rs 31,800-33,400/MT during the same period last year. However, it fell w-o-w from Rs 36,500-38,200/MT to Rs 37,000-38,375/MT.

**Recommendation:** *FOR Kandla (Aug - Sep delivery) was quoted higher between Rs 36,500-38,200/MT compared to Rs 31,800-33,400/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
3350	3372	3420	3532	3597

- 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 3430. Levels: Target – 3330; T2- 3300, SL -3490.

**Trade Recommendation soybean spot:** Soybean prices are expected to remain under pressure on weak global factors and sluggish demand in the domestic market. The prices are likely to be in the band of 3600 -3700 levels (Indore, Plant basis) during the week.

## Rapeseed - Mustard Seed

RM seed fell consecutive third week on cautious buying during the week in review. Weak global factors including drastic fall in BMD CPO and lower CBOT soybeans continued to pressure the oilseeds market.

Sluggish buying was featured in the cash market in anticipation of further fall in the prices.

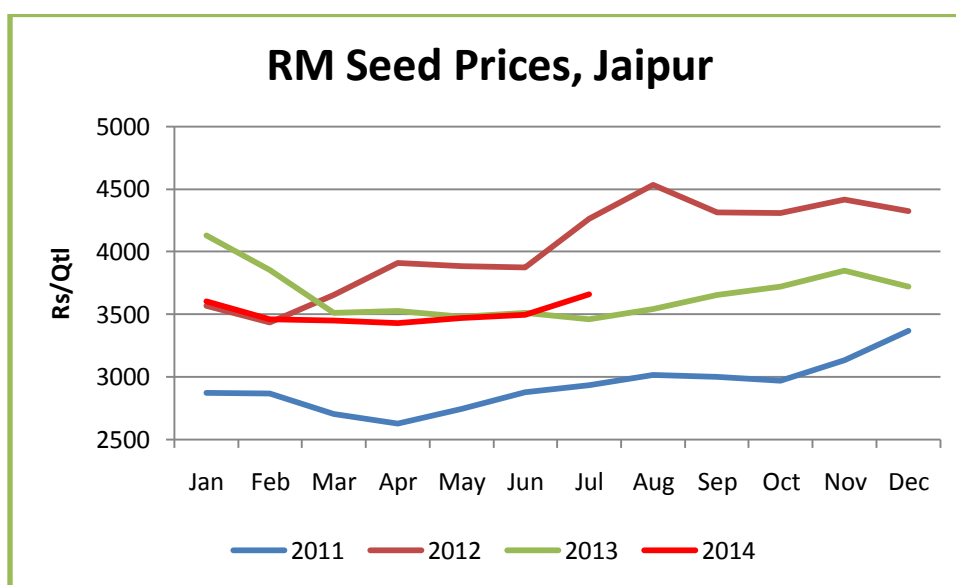
Continued fall in Malaysian palm oil owing to lower exports eventually leading to the boost in the inventories remained prime factor for the pressure in the domestic RM seed. The domestic RM seed closely tracks BMD CPO.

The current inventories of edible oils, as on 1st August, 2014, at various ports is estimated at 570,000 tons (CPO 250,000 tons, RBD Palmolein 50,000 tons, Degummed Soybean Oil 140,000 tons and Crude Sunflower Oil 130,000 tons) and about 1,020,000 tons in pipelines. Total stock, both at ports and in pipelines increased to 1,590,000 tons from 1,485,000 tons in previous months.

Malaysian palm oil products exports during August 1-20 fell 5.39 percent to 822,026 tons from the 868,843 tons shipped during July 1-20 - cargo surveyor Intertek Testing Services. India and subcontinent imported 325,399 tons during the first twenty days of August, up 66.2 percent from last month same period. However, lower imports reported from China and European countries.

As discussed earlier, palm oil products buying by China slump 11.9 percent to 221,630 tons and India subcontinent imported 367,895, up 0.13 percent on m-o-m basis. Crude palm oil (Sep.) at Bursa Malaysia Derivative exchange is currently trading around MYR 1980.

Overall, the RM seed prices will rebound on upcoming fresh festive demand in mustard oil in near-term.



## Technical Analysis:

### NCDEX RM Seed Futures



\*Note: Daily Chart

### RM Seed Spot, Jaipur



### Support & Resistance NCDEX RM Seed – Sept. contract

S2	S1	PCP	R1	R2
3390	3413	3494	3435	3559

- The RM seed rebound on fresh buying.
- The prices closed above 9-day EMA.
- RSI is 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 - Sep) Week: BUY** Above 3490 for a Target –3540; T2-3570; SL -3460.

**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 3670-3700 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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