

## Executive Summary

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Soybean, soy meal and RM seed fell on weak global factors pressuring oils and fats market during the period under review.

### **Soy meal:**

- ❖ Soy meal witnessed losses in sync with the soybean during the month under review. India's weak export sales during the season followed by limited availability and uncompetitive prices compared to the International meal continued to remain bearish for domestic meal.
- ❖ India's soy meal shipments plunged 98.5% Y-o-Y in August. India's soy meal shipments during August 2014 was just 2778 tones as compared to 1,83,965 tones in the same period of previous year.
- ❖ Bearish soybean supply scenario this season will improve the availability of meal which will weigh on the soy meal prices in coming months.
- ❖ Indian soy meal exporters are facing great difficulties in finding demand for the upcoming season. The forward bookings for new crop (Nov-Dec delivery) are currently very low.

### **Soybean:**

- ❖ Soybean fell straight fourth month on continued bearish global factors and sluggish buying in the domestic market, during the week under review.
- ❖ Benchmark CBOT soybean is reeling under pressure after the forecast for favourable weather in the US mid-west, soy growing region, while BMD CPO is currently reeling under pressure witnessing five-year low due to weak export sales with lower Chinese and EU demand.
- ❖ Private analytics firm Informa Economics raised its estimates of U.S. 2014 soybean production to 3.876 billion bushels, from 3.7 billion previously. Informa raised its soy yield forecast to 46.1 bushels per acre, from 44.5 in August.
- ❖ Lanworth has already 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. Pro Farmer's US soybean output estimate is in line with the USDA.

**RM Seed:**

- ❖ RM seed prices witnessed mild losses in benchmark, Jaipur, the fall was limited due to supportive buying in cash market by the stockists and the millers.
- ❖ Renewed demand in mustard oil followed by festivities and likely improvement in demand in the same from West Bengal will lend support to the seed prices at higher levels. The stockists and the millers will cover their stock in view of the upcoming demand.
- ❖ Exports of Malaysian palm oil products fell 4.8 percent from a month earlier to 1,288,117 tonnes in August, cargo surveyor Intertek Testing Services said, however it improved from steeper losses earlier in the month of August as improved demand from India offset weaker imports by China and Europe. Fall in exports will consequently improve the palm oil inventories pressuring benchmark BMD CPO which will further weigh on domestic RM seed prices.

## International Highlights

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- ❖ Overall, US soybean crop is reported under good condition. Soybeans under setting pods, as on Aug 31, is reported at 95% which is at par with the 5 year average and slightly up from 91% compared to the same period last year. Soybean crop dropping leaves is reported at 5% slightly lower from 5 year average at 7% and slightly up from 3% during the same period last year. Further, the crop is 72% in good to excellent condition, which is better than last year (54%). The weather in the US mid-west continues to be favourable for the standing crop, which is a bearish factor.
- ❖ Exports of Malaysian palm oil products fell 4.8 percent from a month earlier to 1,288,117 tonnes in August, cargo surveyor Intertek Testing Services said, however it improved from steeper losses earlier in the month of August as an improved demand from India offset weaker imports by China and Europe.
- ❖ The continued demand for US soybeans brought total sales on the books (outstanding old-crop sales and new-crop bookings) to a new high of 22.4 Mn T – Oil World.
- ❖ Soya meal shipments of 6 major countries fell to 4.8 Mn T in July, primarily on account of reduced shipments from Argentina, Brazil and India.
- ❖ The reserved farmer selling in Argentina and the pronounced reduction of inventories in Brazil resulted in a major slowdown of South American soybean shipments in August – Oil World.
- ❖ Chinese has slashed the soybean plantings by 7% this year, claiming that with the reduced soybean prices they cannot make a profit. Instead, they have planted more corn.
- ❖ The palm oil production in Malaysia is estimated to reach a record 19.7 million tons to 19.9 million tons. Further, Indonesia's output is likely an all-time high of 30.5 million tons or more this year. Production is estimated by Dorab Mistry, Director at Godrej International Ltd. Both the countries account for 86% of world total supplies.

- ❖ Private analytics firm Informa Economics raised its estimates of U.S. 2014 soybean production to 3.876 billion bushels, from 3.7 billion previously. Informa raised its soy yield forecast to 46.1 bushels per acre, from 44.5 in August.
- ❖ 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.

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

Centres	Ex-factory rates (Rs/ton)		
	5-Sep-14	29-Aug-14	Parity To
Indore (MP)	32000	33500-34500	Gujarat, MP
Kota	32500	33600-33800	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	34300	34600	Mumbai, Maharashtra
Nagpur (42/46)	32900-33400	33500-34000	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	34800	35100	Andhra, AP, Kar ,TN
Latur	29500	30000	-
Sangli	36000	37800	Local and South
Sholapur	34800	36800	Local and South
Akola	33000	34000	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Hingoli	34100	34800	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Bundi	31700	33700	-

**Soy DOC at Port**

Centers	Port Price	
	5-Sep-14	29-Aug-14
Kandla (FOR) (INR/MT)	29500	35500
Kandla (FAS) (USD/MT)	488	587

**International Soy DOC**

Argentina FOB USD/MT	4-Sep-14	28-Aug-14	Change
Soybean Pellets	430	461	-31
Soybean Cake Flour	430	461	-31
Soya Meal	438	469	-31
Soy Expellers	438	469	-31

Sunflower (DOC) Rates	Ex-factory rates (Rs/ton)		
Centers	5-Sep-14	29-Aug-14	Change
Adoni	22200	22500	-300
Khamgaon	NA	NA	-
Parli	22400	22500	-100

Latur	22000	22200	<b>-200</b>
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Groundnut Meal (Rs/MT)	5-Sep-14	29-Aug-14	Change
Basis 45%, Saurashtra	28000	28500	<b>-500</b>
Basis 40%, Saurashtra	25500	26500	<b>-1000</b>
GN Cake, Gondal	27500	27500	<b>Unch</b>

Mustard DOC/Meal	5-Sep-14	29-Aug-14	Change
Jaipur (Plant delivery)	13200	13000	<b>200</b>
Kandla (FOR Rs/MT)	14100	14000	<b>100</b>

## Progress of Sown Area – Kharif Oilseeds, India

As per the official *kharif oilseeds* planting report (week ending 29 Aug 2014), the area coverage under *Kharif* oilseeds is reported at 172.21 lakh hectares, down 7.8% from 186.7 lakh ha previous year. Of the major oilseeds, soybean sowing is reported down by 9.4% at 110.31 lha compared to 121.80 lha during the same period last year. Groundnut at 35.61 lha vs 41.46, sunflower at 1.67 lha vs 2.15 lha, sesamum 15.33 vs 13.45, niger 0.76 lha vs 1.05 lha and castor at 8.52 lha vs 6.78 lha during the same period last year.

Crop	As on 29 Aug 2014	As on 29 Aug 2013	% Change
Groundnut	35.62	41.46	<b>-14.1</b>
Soybean	110.31	121.81	<b>-9.4</b>
Sunflower	1.67	2.15	<b>-22.3</b>
Sesamum	15.33	13.45	<b>14.0</b>
Niger	0.76	1.05	<b>-28.0</b>
Castor	8.52	6.78	<b>25.6</b>
<b>Total Oilseeds</b>	<b>172.21</b>	<b>186.70</b>	<b>-7.8</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 29.08.14		
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	-19.00	555.70	684.80
Maharashtra	3.03	2.60	3.06	3.21	3.87	3.60	4.49	3.80	-26.00	564.30	767.30
Rajasthan	0.71	0.69	0.90	0.99	1.06	1.00	1.23	0.91	-8.00	465.40	504.70
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	5.00	371.60	352.50
Chattisgarh	0.13	0.15	0.15	0.15	0.16	0.10	0.18	0.14	-10.00	824.00	912.10
Gujarat	0.00	0.00	0.00	0.08	0.09	0.10	0.11	0.10	-33.00	482.80	724.30
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	-18.00	572.90	699.60

**Planting Progress:** Current: 110.31 lha. Last year by this time: 121.81 lha.

## Soybean

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Soybean plunged extending previous losses primarily on weak global factors and dull activity in domestic bean market, during the period under review.

Overall, the CBOT soybean is under pressure after the forecast for record US soybean production estimates (by several analysts) followed by higher acreage and favourable weather in the US mid-west.

Private analytics firm Informa Economics raised its estimates of U.S. 2014 soybean production to 3.876 billion bushels, from 3.7 billion previously. Informa raised its soy yield forecast to 46.1 bushels per acre, from 44.5 in August.

Lanworth has already 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. Pro Farmer's US soybean output estimate is in line with the USDA.

BMD CPO continued to be weak during the week; it is currently around five-year low due to weak export sales with lower Chinese demand.

Overall, US soybean crop is reported under good condition. Soybean under setting pods, as on Aug 31, is reported at 95% which is at par with the 5 year average and slightly up from 91% compared to the same period last year.

Soybean crop dropping leaves is reported at 5% slightly lower from 5 year average at 7% and slightly up from 3% during the same period last year. Further, the crop is 72% in good to excellent condition, which is better than last year (54%). The weather in the US mid-west continues to be favourable for the standing crop, which is a bearish factor

India's area coverage under soybean this season fell as expected, by around 9%, compared to previous year (122.2 lha) with reports of soybean farmers shifting their area to cotton and rice followed by weak monsoon, 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 29 Aug 2014, was reported at 110.31 lakh ha compared to 121.81 lha (-9.4%) during the same period last year. The all India departure of monsoon on 06 September is reported at -12% which was -42% early in July.

The soybean prices will remain under pressure on bearish global and domestic factors in near-term.

## Soy meal

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Soy meal fell in tandem with the soybean during the week under review. Poor soy meal exports from India this season followed by limited availability and uncompetitive prices compared to the International meal continued to remain bearish for domestic meal.

Besides, Indian soy meal exporters are also facing great difficulties in finding demand for the upcoming season. The forward bookings (Nov – Dec shipment) in meal is weaker than expected and global supplies are expected to be comfortable this season.

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.

It is noted that the soy meal price spread between Argentina and India has narrowed second consecutive month which remained wider for quite long owing to the competitive Argentine meal prices as compared to India's.

Narrowing price spread is a positive signal for India with expectation of buyers diverting back with the harvest of new soybean crop in late October.

India's soy meal shipments plunged 98.5% Y-o-Y in August.

India's soy meal shipments during August 2014 was just 2778 tones as compared to 1,83,965 tones in the same period of previous year.

On a financial year basis, the export during current financial year i.e. April 2014 to August 2014 is 0.96 Lac tonnes as compared to 7.02 Lac tones in the same period of previous year showing a decrease of 86.30%.

During current Oil year, (October-September), total exports during October 2013 to August, 2014 is 20.61 Lac tones as against 32.99 Lac tones in the same period of previous year, showing a fall by 37.53%.

Soy meal shipments sharply fell in the past seven months due to poor supply of soybean coupled with high price led to total disparity in international market.

Demand shift 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 remain under pressure on weak global factors. However, India area coverage under soybean has fallen by 9.4% lower than the previous season due to late and less rains, which will cap the losses.



*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 declined. Soy meal export price, FOR Kandla (Nov – Dec delivery) was quoted higher between Rs 29,300 – 29,700/MT compared to Rs 32,750 – 34,750/MT during the same period last year. However, it fell w-o-w from Rs 36,500-38,200/MT to Rs 35,500 – 37,000/MT.

**Recommendation:** *FOR Kandla (Nov – Dec delivery) was quoted higher between Rs 29,300 – 29,700/MT compared to Rs 32,750 – 34,750/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. 29,000 – 29,800/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
2850	2900	3158	3398	3488

- 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 negative territory.
- The prices are expected to feature losses in coming week.
- **Trade Recommendation (NCDEX Soybean – Oct) Week: SELL** Below 3160. Levels: Target – 3060; T2- 3000, SL -3220.

**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 3400 -3500 levels (Indore, Plant basis) during the week.

## Rapeseed - Mustard Seed

RM seed witnessed mild losses in benchmark, Jaipur, the losses was limited by the buying by the stockists and the millers. Further, BMD CPO is weak fell 5- year low during the month.

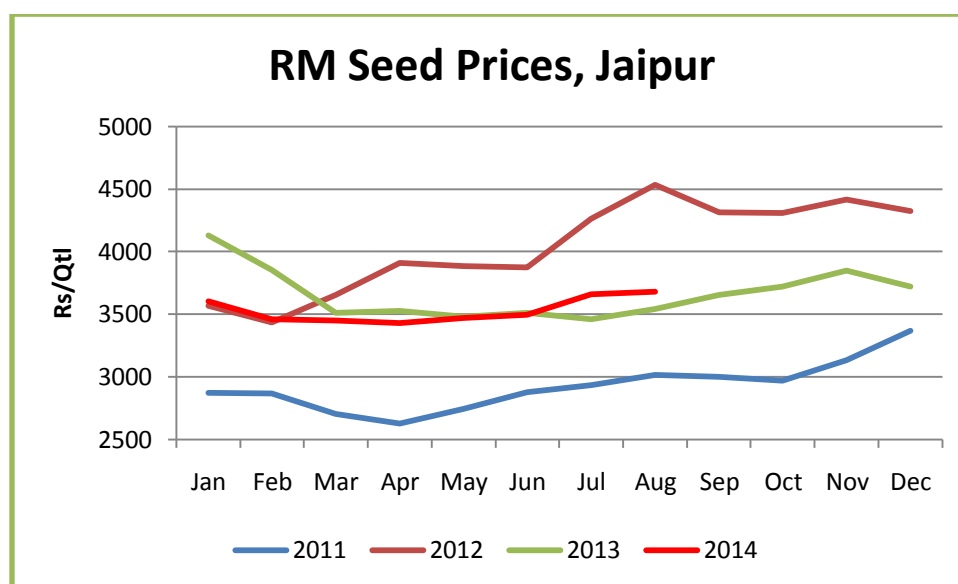
Renewed demand in mustard oil followed by festivities and likely improvement in demand in the same from West Bengal will lend support to the seed prices at higher levels. The stockists and the millers will cover their stock in view of the upcoming demand.

In recent weeks, the domestic seed market was reeling under pressure primarily due to the sharp fall in Malaysian palm oil (BMD CPO) owing to lower export sales from the major producers and thus leading to rise in the inventory.

Exports of Malaysian palm oil products fell 4.8 percent from a month earlier to 1,288,117 tonnes in August, cargo surveyor Intertek Testing Services said, however it improved from steeper losses earlier in the month of August as improved demand from India offset weaker imports by China and Europe.

The palm oil imports of India and subcontinent are reportedly consistent and higher. However lower imports reported from China and European countries. 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.

As expected, the RM seed rebound during the month and it is expected to extend the gains on upcoming 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 – Oct. contract

S2	S1	PCP	R1	R2
3469	3452	3595	3668	3697

- The RM seed extended gains on supportive buying.
- 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 - Oct) Week: BUY** Above 3590 for a Target –3640; T2-3690; SL -3660.

**Trade Recommendation RM Seed Spot (Jaipur basis):** In spot, the RM seed prices are expected to extend the recent gains. Prices of seed are expected to be in the range between 3700-3750 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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