

## Executive Summary

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Soybean, soy meal and RM seed improved on some gains in international oils and fats market especially in BMD CPO, which further fueled buying in the domestic market during the period under review.

### **Soy meal:**

- ❖ Soy meal continued downtrend tracking weak demand for Indian origin oil meals from the overseas market.
- ❖ Unattractive Indian meal prices compared to the meal of South American origin have hit the Indian meal exports during the 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. India's soy meal shipments plunged 98.5% Y-o-Y in August.

### **Soybean:**

- ❖ Soybean rebound on supportive international oils and fats markets during the week under review. Extended gains in BMD CPO initially during the week lend support to the domestic cash bean prices.
- ❖ Reports of improved Malaysian palm oil this month after a long period remained positive for the BMD CPO thus leading support to domestic soybean and RM seed during the period. Exports of Malaysian palm oil products for Sep. 1-15 rose 33.7 percent to 735,334 tonnes from 549,784 tonnes shipped during Aug. 1-15 - cargo surveyor Societe Generale de Surveillance.
- ❖ Overall, the soybean market is under pressure with bearish world supply scenario this season. Forecast of record US 2014-15 soybean production followed by higher yield boosted by favourable weather in the US mid-west.
- ❖ In the September USDA report, U.S. oilseed production for 2014/15 is projected at 3.913 billion bushels (116.2 million tons), up 2.5% last month. As discussed earlier, 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.

**RM Seed:**

- ❖ RM seed featured gains in benchmark, Jaipur, on supportive buying during the week in review. Further, recovery in the BMD CPO lent support to the domestic RM seed prices.
- ❖ Improved demand in rapeseed/mustard seed oil ahead upcoming festivities has lead to fresh RM seed buying by the stockists and the millers. The crushing of the seed has increased in
- ❖ Cargo surveyor Intertek Testing Services showed that Malaysian palm oil shipments during 1-10 September surged 41 percent compared with the same period a month ago. However, the shipments in previous weeks were quite weak which resulted in inflating the palm oil stocks in Malaysia.
- ❖ Malaysian palm oil inventories rose 22 percent to 2.05 million tons in August compared to the last month highest since March 2013 due to lower demand for palm oil and higher palm oil production.

## International Highlights

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- ❖ US soybean crop is reported under good condition. Soybeans crop as on Sep 14, dropping leaves is reported at 24% slightly lower from 5 year average at 32% and at par with the the same period last year. Further, the crop is 72% in good to excellent condition, which is better than last year (50%). The weather in the US mid-west continues to be favorable for the standing crop, which is a bearish factor.
- ❖ Lanworth raises the US soybean yield to 47 bushels per acres from 46.7 bushels per acres and soybean production for 2014 seen at 3.873 billion bushels (near 105 million tons), up 0.021 billion bushels from previous estimates.
- ❖ As per Dorab Mistry, Palm oil prices should ease towards MYR 1,900 per tons (\$594/T) over the next few weeks in order to stay competitive and recapture market share from competing veg. oils. However, prices are unlikely to dip below MYR 1900 per tons. Moreover, Argentina soyoil prices at port were seen between \$730-750 tons from October to December.
- ❖ China, the biggest soybean importer, bought 6.03 million tonnes of soybeans in August, down 19.3 percent from 7.47 million tonnes in July, figures from the General Administration of Customs of China showed. China's Imports of vegetable oils in August were 470,000 tonnes, down 27.7 percent from the previous month.
- ❖ MPOB Report's Highlights - Malaysian palm oil inventories rose 22 percent to 2.05 million tons in August compared to the last month highest since March 2013 due to lower demand for palm oil and higher palm oil production. On the production front, palm oil output rose by 22 percent to 2.03 million tons on m-o-m basis.

Report was bearish for palm oil as market participants were expecting 1.95-1.98 MMT of palm oil inventories as of August.

- ❖ As per Agroconsult, Brazil is likely to produce 95.1 million tons of soybeans in 2014-15, up 1 million tons from previous estimates. Moreover, Argentina soybean crop output for 2014-15 seen at 56.6 millions tons. Soybean palnting in Brazil is likely to commence from late September.
- ❖ 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.
- ❖ 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 Meal Prices at Key Spot Markets:**

#### **Soy DOC Rates at Different Centers**

Centres	Ex-factory rates (Rs/ton)		
	19-Sep-14	12-Sep-14	Parity To
Indore (MP)	31000-31500	31500	Gujarat, MP
Kota	30500	31000	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	32500	33000	Mumbai, Maharashtra
Nagpur (42/46)	31500-32000	32000-32500	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	33300	33700	Andhra, AP, Kar ,TN
Latur	33200	29500	-
Sangli	33800	34000	Local and South
Sholapur	34000	33700	Local and South
Akola	31900	31500	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Hingoli	32900	33100	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Bundi	31700	31000	-

## Soy DOC at Port

Centers	Port Price	
	19-Sep-14	12-Sep-14
Kandla (FOR) (INR/MT)	35000 (Ready Delivery)	29200
Kandla (FAS) (USD/MT)	576	480

International Soy DOC			
Argentina FOB USD/MT	18-Sep-14	11-Sep-14	Change
Soybean Pellets	409	410	-1
Soybean Cake Flour	409	410	-1
Soya Meal	417	418	-1
Soy Expellers	417	418	-1

Sunflower (DOC) Rates	Ex-factory rates (Rs/ton)		
Centers	19-Sep-14	12-Sep-14	Change
Adoni	21500	22000	-500
Khamgaon	NA	NA	-
Parli	21500	22000	-500
Latur	21000	21800	-800

Groundnut Meal (Rs/MT)	19-Sep-14	12-Sep-14	Change
Basis 45%, Saurashtra	28000	27000	1000
Basis 40%, Saurashtra	25000	24000	1000
GN Cake, Gondal	26500	26500	Unch

Mustard DOC/Meal	19-Sep-14	12-Sep-14	Change
Jaipur (Plant delivery)	13700	13300	400
Kandla (FOR Rs/MT)	14700	14300	400

## Progress of Sown Area – Kharif Oilseeds, India

As per the official *kharif oilseeds* planting report (week ending 12 Sep 2014), the area coverage under *Kharif* oilseeds is reported at 175.26 lakh hectares, down 8.5% from 191.61 lakh ha previous year. Of the major oilseeds, soybean sowing is reported down by 9.9% at 110.14 lha compared to 122.20 lha during the same period last year. Groundnut at 36.41 lha vs 42.58, sunflower at 1.81 lha vs 2.31 lha, sesamum 15.67 vs 14.08, niger 1.5 lha vs 1.51 lha and castor at 9.73 lha vs 8.93 lha during the same period last year.

<b>Crop</b>	<b>As on 12 Sep 2014</b>	<b>As on 12 Sep 2013</b>	<b>% Change</b>
Groundnut	36.41	42.58	-14.5
Soybean	110.14	122.20	-9.9
Sunflower	1.81	2.31	-21.6
Sesamum	15.67	14.08	11.3
Niger	1.50	1.51	-0.7
Castor	9.73	8.93	9.0
<b>Total Oilseeds</b>	<b>175.26</b>	<b>191.61</b>	<b>-8.5</b>

(Area in lakh hectares) Source: GOI

## Soybean

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Soybean rebound on supportive international oils and fats markets during the week under review. Extended gains in BMD CPO initially during the week lend support to the domestic cash bean prices.

Reports of improved Malaysian palm oil this month after a long period remained positive for the BMD CPO thus leading support to domestic soybean and RM seed during the period. Exports of Malaysian palm oil products for Sep. 1-15 rose 33.7 percent to 735,334 tonnes from 549,784 tonnes shipped during Aug. 1-15 - cargo surveyor Societe Generale de Surveillance.

Overall, the soybean market is under pressure with bearish world supply scenario this season. Forecast of record US 2014-15 soybean production followed by higher yield boosted by favourable weather in the US mid-west.

Lanworth raises the US soybean yield to 47 bushels per acres from 46.7 bushels per acres in August and soybean production for 2014 is seen at 3.873 billion bushels, up 0.021 billion bushels from previous estimates.

US soybean crop is reported under good condition. Soybeans crop as on Sep 14, dropping leaves is reported at 24% slightly lower from 5 year average at 32% and at par with the the same period last year.

Further, the crop is 72% in good to excellent condition, which is better than last year (50%). 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, as on 12 Sep 2014, was reported at 110.14 lakh ha compared to 122.20 lha (-9.9%) during the same period last year. The all India departure of monsoon on 18 September is reported at -12% which was -42% early in July.

The soybean prices will continue to feature weakness pressured by weak global and domestic factors in near-term.

## Soy meal

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Soy meal featured downtrend tracking weak demand for Indian origin oil meals from the overseas market.

Unattractive Indian meal prices compared to the meal of South American origin have hit the Indian meal exports during the 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. 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 between Rs 29,000 – 29,500/MT compared to Rs 29,300 – 29,600/MT previous week.

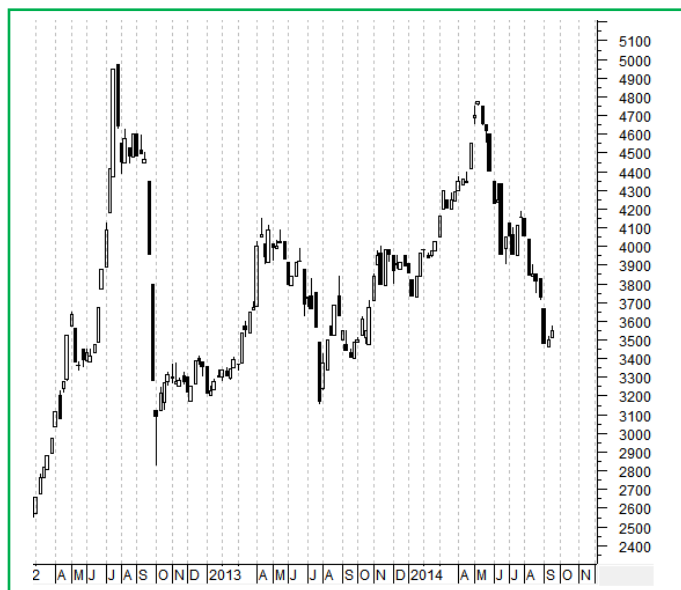
**Recommendation:** FOR Kandla (ready delivery) was quoted between Rs 35,000-37000/MT. Indian meal exporters are advised to market their meal to the countries in vicinity including traditional South and Far-East Asian destinations and Iran. Indian soy meal faces price competition from South American 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. 34000-35000/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
2945	2970	3177	3255	3285

- Weekly soybean candlestick chart pattern reveals gain in the prices.
- Prices closed below 9-day and 18-day EMA.
- RSI and stochastic are rising in neutral zone.
- MACD is heading upwards in negative territory.
- The prices are expected to feature gains in coming week.
- **Trade Recommendation (NCDEX Soybean – Oct) Week: Sell** below 3150. Levels: Target – 3000; T2- 2990, SL -3240.

**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 featured gains in benchmark, Jaipur, on supportive buying during the week in review. Further, recovery in the BMD CPO lent support to the domestic RM seed prices.

Improved demand in rapeseed/mustard seed oil ahead upcoming festivities has lead to fresh RM seed buying by the stockists and the millers. Moreover, diminishing seed arrivals add fuel to the market.

Exports of Malaysian palm oil products for Sep. 1-15 rose 33.7 percent to 735,334 tonnes from 549,784 tonnes shipped during Aug. 1-15 - cargo surveyor Societe Generale de Surveillance. India imported 226,365 tons of palm oil products from Malaysia during 1-15 Sept., up 32.9 percent from the same period of last month.

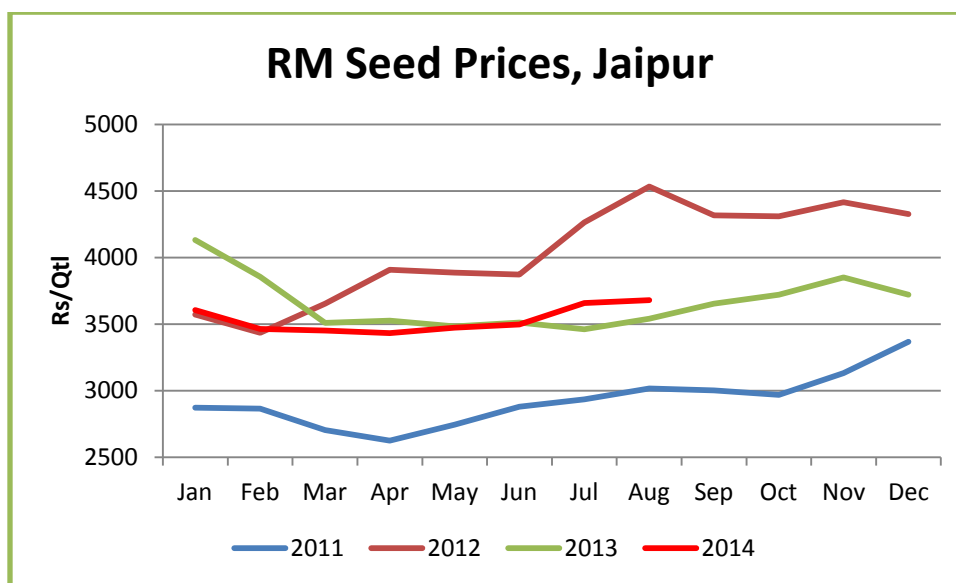
Malaysian palm oil inventories rose 22 percent to 2.05 million tons in August compared to the last month highest since March 2013 due to lower demand for palm oil and higher palm oil production.

On the production front, Malaysian palm oil output rose by 22 percent to 2.03 million tons on m-o-m basis. Report was bearish for palm oil as market participants were expecting 1.95-1.98 MMT of palm oil inventories as of August, reports MPOB.

The domestic RM seed closely tracks BMD CPO.

However, SEA of India revealed that during the current oil year (Nov-Oct) 2013-14, Indian buyers imported 49.38 lakh tons of CPO and 13.50 lakh tons of RBD palmolein till August. The higher imports weigh on the domestic seed and bean prices in recent months.

As expected, the RM seed rebound during the week 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
3545	3576	3632	3689	3715

- 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: SELL** below 3635 for a Target –3580; T2-3565; SL -3668.

**Trade Recommendation RM Seed Spot (Jaipur basis):** In spot, the RM seed prices are expected to trade range bound. Prices of seed are expected to be in the range between 3700-3750 levels during the week. They were between 3700-3750 level during the week under review.

## 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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