

Executive Summary

Soybean, RM seed and soy meal continued downtrend on weak global and domestic factors during the week under review.

Soy meal:

- ❖ Soy meal fell on domestic and international factors during the week under review. Soy meal was the biggest loser in the soy complex at CBOT in recent weeks, now at 3-month low.
- ❖ Further, India's soy meal exports continues to be weak, the shipments are lower than expected due to competitive price of the meal of US and South American origin in the international market.
- ❖ Besides, even domestic soy meal demand remained sluggish in recent months due to poor off-take from poultry industry, which was reeling under stress for lower than expected poultry demand.
- ❖ Reports of avian influenza in Kerala kept the poultry demand lower than expected from south India in December and even in January when the demand improves seasonally.
- ❖ In Follow Up Report No.5 dated 28 January to the World Organisation for Animal Health (OIE), the veterinary authority in India reported one further outbreak of highly pathogenic avian influenza of the H5N1 subtype.
- ❖ The latest outbreak was reported on a commercial turkey farms at Kureepuzha in the state of Kerala. Starting on 18 January, 1,628 birds in the flock of 10,531 died and 6,475 were destroyed. (Source: The Poultry Site).

Soybean:

- ❖ The soybean continued downward movement primarily pressured by international benchmark, CBOT, which fell on prospects of record soybean production in South American this season.
- ❖ The weekly domestic soybean supplies stood at 3.65 lakh bags in MP compared to 4.55 lakhs previous week. The farmers were not keen in offloading the beans at the lower prices, hence lower supplies.
- ❖ Continued fall in the crude mineral oil (US \$44.45/bl - WTI NYMEX) remained a major pressurizing factor for soybean.

- ❖ Further, soy meal, the biggest loser in soy complex and slowed down demand in bean from the key buyers like China after aggressive buying remained negative for the domestic soybean too.
- ❖ Recent rains over most of the Brazil's and Argentina's soybean growing area and favourable weather in South America will boost the soybean yield.
- ❖ Both, Brazil and Argentina are likely to harvest record soybean in 2014/15. Argentina's area under soybean is reported around 20.4 million hectares and expected to produce 54.5-55 million tonnes of soybean.
- ❖ Besides, Brazil's 2014/15 soybean production estimates vary from record 93.9 - 95.5 million tonnes. Analyst Safras and Mercado has trimmed the Brazil's soybean out to 95 million tonnes from 95.9 million earlier.

Soy meal:

- ❖ Soy meal fell on domestic and international factors during the week under review. Soy meal was the biggest loser in the soy complex at CBOT in recent weeks, now at 3-month low.
- ❖ Further, India's soy meal exports continues to be weak, the shipments are lower than expected due to competitive price of the meal of US and South American origin in the international market.
- ❖ Besides, even domestic soy meal demand remained sluggish in recent months due to poor off-take from poultry industry, which was reeling under stress for lower than expected poultry demand.
- ❖ Reports of avian influenza in Kerala kept the poultry demand lower than expected from south India in December and even in January when the demand improves seasonally.
- ❖ In Follow Up Report No.5 dated 28 January to the World Organisation for Animal Health (OIE), the veterinary authority in India reported one further outbreak of highly pathogenic avian influenza of the H5N1 subtype.
- ❖ The latest outbreak was reported on a commercial turkey farms at Kureepuzha in the state of Kerala. Starting on 18 January, 1,628 birds in the flock of 10,531 died and 6,475 were destroyed. (Source: The Poultry Site).

RM Seed:

- ❖ RM seed fell straight 4th week tracking steep fall in BMD CPO and fag end of the domestic seed season.

- ❖ Favourable weather in the seed growing area with recent rains in parts of mustard seed growing states remained beneficial for the standing RM seed crop. The rains will eventually boost the RM seed yield.
- ❖ However, the domestic planted area is reportedly lower by 7.6% (65.14 lha) compared to the same period last year. India's area under RM seed was 71.4 lakh hectares in 2013.
- ❖ The early mustard crop seed is expected to hit the market after 15th of February.
- ❖ Though the seed prices fell in recent days, but the better overseas demand in rapeseed extract of Indian origin this season from major destinations like Iran, Vietnam and Indonesia limited the losses in the seed.
- ❖ India's RM seed closely tracks Malaysian palm oil which is as discussed has sharply fell in recent days.
- ❖ The exports of Malaysian palm oil products for Jan. 1-25 fell 19.0 percent to 877,730 tonnes from 1,083,151 tonnes shipped during Dec. 1-25, as reported by cargo surveyor Societe Generale de Surveillance. This is again bearish for the palm and subsequently domestic mustard seed market.

International Highlights

- ❖ USDA's announcement marked the third cancellation of soybean sales to China in January due to a seasonal shift to South America countries from US. USDA announced soybean sales cancellation to China details as follow - On 27 Jan. about 120,000 tons, 20 Jan. about 174,000 tons and on 16 Jan. 285,000 tons.
- ❖ China has imported a record 8.53 million tonnes of soybeans in December which is up 41.5% on the month and 16.8% higher than the previous record set in December 2013, revealed customs data.
- ❖ Pakistan's importers bought about 66,000 tonnes of soybeans from US and it is currently in talks about buying about 60,000 tonnes from Brazil also.
- ❖ Commerzbank forecast soybean price to \$9.75 a bushel for Q1 2015 and prices likely to stay remain stagnant to \$9.50 a bushel for the next quarters in 2015. Prices reported as quarter average, front Chicago futures contract.
- ❖ Brazil's Agriculture Ministry's crop supply agency Conab has estimated its 2014/15 soybean production at record 95.8 million tonnes, higher than the USDA. It also said Brazil is expected to export a record 49.6 million tonnes of the soybean, which is sharply higher from the 45.6 million tonnes estimated to be exported during the current season.
- ❖ The global production of soybeans has been raised by 1.3 Mn T to 309.1 Mn T, 24.3 Mn T, by Oil World, above last season – Oil World.

- ❖ India's 2013/14 soyoil imports stood at 1.95 Mn T against 1.09 Mn T in 2012/14 season. Palm oil purchases were slightly lower at 7.29 Mn T against 8.29 Mn T last season. Sunflower oil imports were recorded at 1.51 Mn T against 0.97 Mn T in 2012/13.
- ❖ As per Oil World, the global supplies of palm oil is expected to rise by only 2.2 Mn T in Oct/Sept 2014/15, which is down from an average annual growth of 3.9 Mn T in the past 3 seasons.
- ❖ China's soybean import is estimated to 73.5 Mn T in Oct/Sept 2014/15 by the Oil World.
- ❖ As per Abiove, Brazil's soybean crop for 2014/15 is estimated at 91 million tons and exports forecast at 48 million tons. As per Oil World, oilseed production may rise to 519.7 million tons, up 4.31 percent from 2013-1. The total oilseeds production includes 310.80 million tons of soybean, 68 million tons of rapeseed, 41.4 million tons of sunflower seed and rests others.
- ❖ The total oilmeals consumption of five N. African countries in 2014/15 is estimated at 6.2-6.3 Mn, which has more than doubled within 10 years.
- ❖ India's import requirements of vegetable oils are set to increase to a new high of 12.2 Mn T in 2014/15, as reported by Oil World.
- ❖ Oil World has estimated a combined soya meal imports of 8 key countries in Southeast Asia at a record 16.6 Mn T next season, which is up 1.4 Mn T on the year.
- ❖ 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.
- ❖ 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.
- ❖ 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.

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

Centres	Ex-factory rates (Rs/ton)		
	30-Jan-15	23-Jan-15	Parity To
Indore (MP)	28000	27700	Gujarat, MP
Kota	28000	27200-27500	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	29500	29500	Mumbai, Maharashtra
Nagpur (42/46)	29200	29000	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	28600	28500	Andhra, AP, Kar ,TN
Latur	30000	29700	-
Sangli	30000	29800	Local and South
Sholapur	30000	29800	Local and South
Akola	28300	28000	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Hingoli	28500	28500	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Bundi	28000	27500	-

Soy DOC at Port

Centers	Port Price	
	30-Jan-15	23-Jan-15
Kandla (FOR) (INR/MT)	29000	28400
Kandla (FAS) (USD/MT)	470	462

International Soy DOC			
Argentina FOB USD/MT	28-Jan-15	10-Dec-14	Change
Soybean Pellets	413	442	-29
Soybean Cake Flour	413	442	-29
Soya Meal	421	450	-29
Soy Expellers	421	450	-29

Sunflower (DOC) Rates	Ex-factory rates (Rs/ton)		
Centers	30-Jan-15	23-Jan-15	Change
Adoni	19400	19800	-400
Khamgaon	NA	NA	-
Parli	19800	20400	-600
Latur	19000	19800	-800

Groundnut Meal (Rs/MT)	30-Jan-15	23-Jan-15	Change
Basis 45%, Saurashtra	24700	25000	-300
Basis 40%, Saurashtra	21700	22000	-300
GN Cake, Gondal	25000	25500	-500

Mustard DOC/Meal	30-Jan-15	23-Jan-15	Change
Jaipur (Plant delivery)	15400	16000	-600
Kandla (FOR Rs/MT)	16400	16700	-300

Progress of Sown Area – Rabi Oilseeds, India

In the official *rabi oilseeds* planting report (week ending 23 Jan 2015), the area coverage under *Rabi* oilseeds is reported at 78.47 lakh hectares, down 9.7% from 86.89 lakh ha during the same period last year. Of the major oilseeds, rapeseed/mustard seed sowing is reported down by 7.6% at 65.14 lha compared to 70.52 lha during the same period last year. Groundnut at 5.18 lha vs 6.13 lha, safflower at 0.95 lha vs 1.74 lha, sunflower at 2.74 lha vs 4.00 lha, sesamum 0.86 lha vs 0.60 lha, linseed 3.12 lha vs 3.42 lha during the same period last year.

Crop	As on 23 Jan 2015	As on 23 Jan 2014	% Change
Rapeseed/Mustard	65.14	70.52	-7.6
Groundnut	5.18	6.13	-15.5
Safflower	0.95	1.74	-45.4
Sunflower	2.74	4.00	-31.5
Sesamum	0.86	0.60	43.3
Linseed	3.12	3.43	-9.0
Others	0.48	0.47	2.1
Total Oilseeds	78.47	86.89	-9.7

(Area in lakh hectares) Source: GOI

Soybean

The soybean continued downward movement primarily pressured by international benchmark, CBOT, which fell on prospects of record soybean production in South American this season.

The weekly domestic soybean supplies stood at 3.65 lakh bags in MP compared to 4.55 lakhs previous week. The farmers were not keen in offloading the beans at the lower prices, hence lower supplies.

Continued fall in the crude mineral oil (US \$44.45/bl - WTI NYMEX) remained a major pressurizing factor for soybean.

Further, soy meal, the biggest loser in soy complex and slowed down demand in bean from the key buyers like China after aggressive buying remained negative for the domestic soybean too.

Recent rains over most of the Brazil's and Argentina's soybean growing area and favourable weather in South America will boost the soybean yield.

Both, Brazil and Argentina are likely to harvest record soybean in 2014/15. Argentina's area under soybean is reported around 20.4 million hectares and expected to produce 54.5-55 million tonnes of soybean.

Besides, Brazil's 2014/15 soybean production estimates vary from record 93.9 - 95.5 million tonnes. Analyst Safras and Mercado has trimmed the Brazil's soybean out to 95 million tonnes from 95.9 million earlier.

China had imported a record 8.53 million tonnes of soybeans in December which is up 41.5% on the month and 16.8% higher than the previous record set in December 2013, revealed customs data. The U.S. Department of Agriculture reported that China cancelled purchases of 120,000 tonnes of U.S. soybeans and unknown destinations purchased 111,000 tonnes of U.S. soybeans during the week under review.

US soybean net sales of 888,200 MT for 2014/2015 were up noticeably from the previous week and 41 percent from the prior 4-week average.

The domestic soybean prices are expected to slightly gain in the upcoming week but the gains will be limited considering weakness in crude, higher soybean supply scenario and lower US soybean crush in recent weeks.

Soy meal

Soy meal fell on domestic and international factors during the week under review. Soy meal was the biggest loser in the soy complex at CBOT in recent weeks, now at 3-month low.

Further, India's soy meal exports continues to be weak, the shipments are lower than expected due to competitive price of the meal of US and South American origin in the international market.

Besides, even domestic soy meal demand remained sluggish in recent months due to poor off-take from poultry industry, which was reeling under stress for lower than expected poultry demand.

Reports of avian influenza in Kerala kept the poultry demand lower than expected from south India in December and even in January when the demand improves seasonally.

In Follow Up Report No.5 dated 28 January to the World Organisation for Animal Health (OIE), the veterinary authority in India reported one further outbreak of highly pathogenic avian influenza of the H5N1 subtype.

The latest outbreak was reported on a commercial turkey farms at Kureepuzha in the state of Kerala. Starting on 18 January, 1,628 birds in the flock of 10,531 died and 6,475 were destroyed. (Source: The Poultry Site)

As discussed in the previous week, that the domestic solvent extractors are facing severe crisis followed by continued disparity on crushing the beans and lower than expected commitment of soy meal export from the beginning of the season continued to pressure the market.

The market was already under pressure after NOPA's December report which revealed lower than expected crushing, United States processed 165.383 million bushels of soybeans in December. The volume was below the record-large crush during the same period in 2013 but was below the market expectations.

The overseas meal demand slightly improved m-o-m but it remained significantly lower compared to the same period last year.

India's soy meal shipments during December 2014 was 1,94,012 tones as compared to 4,70,799 tones in the same period of previous year.

On a financial year basis, the export during first 9 months of current financial year i.e. April 2014 to December 2014 is 4,31,368 tones as compared to 20,60,704 tones in the same period last year, showing a decrease of 79.07%.

The top 3 buyers of Indian soy meal in December were France, Belgium and Iran.

Narrowing price spread is a positive signal for India with India's meal prices getting competitive over Argentina and expectation of overseas buyers diverting back to India, but the situation could not turn out to be positive except for some y-o-y increase in volume in shipments.

India's soy meal exports improved to 193,832 tonnes in December from 110,806 tonnes in Nov., the Solvent Extractors' Association of India. Of total oilmeal shipments in Dec., soy meal comprised of 193832 tonnes, rapeseed meal (129,707 tonnes), ricebran extraction (18,200 tonnes) and castorseed meal was 48,072 tonnes.

Considering the current scenario, we feel that India may not be able to regain the lost market this season which it lost last season due to prices competitive in US, and South American meal followed by record supply scenario.

India's soy meal export will only pick-up in 2014/15 season if it's prices are highly competitive to the major soy exporters.

The soy meal prices are likely to feature mild gains on need based buying this week but overall remain under pressure on bearish global supply scenario.

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. Iran, Japan, Europe, Thailand, Vietnam, Indonesia and South Korea could be seen as the major destinations for Indian soy meal exports.

India's Y-o-Y soy meal prices are lower. Soy meal export price, FOR Kandla (Feb – Mar delivery) was quoted between Rs 28,300 – 29,000/MT compared to Rs 34,800 – 35,500/MT during the same period last year.

Recommendation: India's soy meal prices are under global supply pressure. Indian meal exporters are advised to aggressively explore the lost markets last season especially traditional South and Far-East Asian destinations and Iran. India is into the period of higher exports considering seasonality. The domestic meal prices are likely to feature steady to firm tone during in near-term. FOR, Kandla (Feb – Mar delivery) is expected to rebound and the quotes will be between the range of Rs.30500 – 31500/MT levels in the upcoming week.

Technical Analysis:

NCDEX Soybean Futures



Soybean Spot, Indore



*Note: Daily Chart

Support & Resistance NCDEX Soybean – Feb. contract

S1	S2	PCP	R1	R2
3249	3167	3405	3505	3600

- The weekly candlestick chart pattern reveals prices rebound after a fall.
- Prices closed below 9-day and 18-day EMA.
- RSI and stochastic are rising in neutral zone.
- MACD is rising in negative territory.
- The prices are expected to feature gain in coming week.
- Trade Recommendation (NCDEX Soybean – Feb.) Week: BUY Above 3400. Levels: Target – 3500; T2- 3550, SL -3340.

Trade Recommendation Soybean - Spot: Soybean prices will remain under pressure but may witness mild gain recover after it fell last week. The prices are likely to be in the band of 3400 – 3500 levels (Indore, Plant basis) during the week.

Rapeseed - Mustard Seed

RM seed fell straight 4th week tracking steep fall in BMD CPO and fag end of the domestic seed season.

Favourable weather in the seed growing area with recent rains in parts of mustard seed growing states remained beneficial for the standing RM seed crop. The rains will eventually boost the RM seed yield.

However, the domestic planted area is reportedly lower by 7.6% (65.14 lha) compared to the same period last year. India's area under RM seed was 71.4 lakh hectares in 2013.

The early mustard crop seed is expected to hit the market after 15th of February.

Though the seed prices fell in recent days, but the better overseas demand in rapeseed extract of Indian origin this season from major destinations like Iran, Vietnam and Indonesia limited the losses in the seed.

India's RM seed closely tracks Malaysian palm oil which is as discussed has sharply fell in recent days.

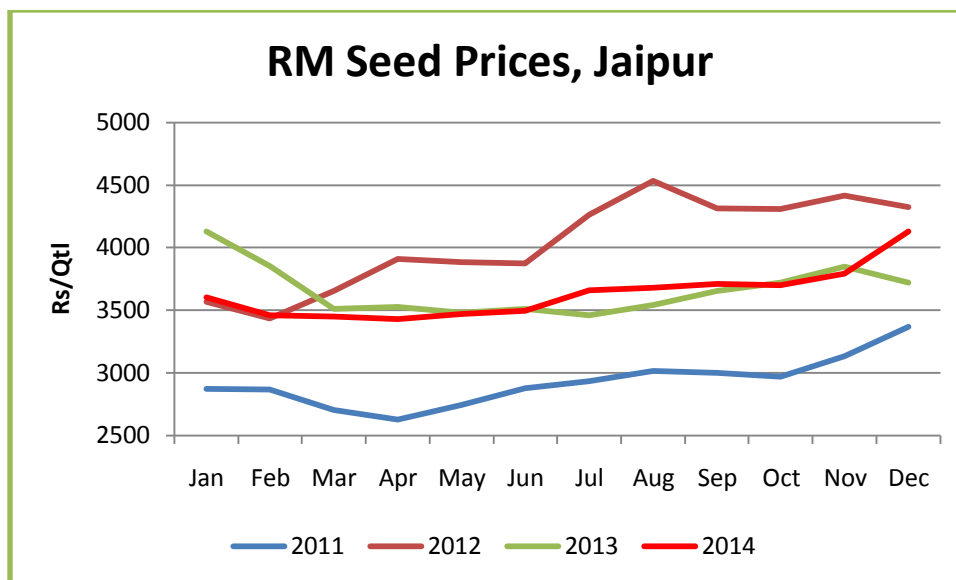
The exports of Malaysian palm oil products for Jan. 1-25 fell 19.0 percent to 877,730 tonnes from 1,083,151 tonnes shipped during Dec. 1-25, as reported by cargo surveyor Societe Generale de Surveillance. This is again bearish for the palm and subsequently domestic mustard seed market.

Malaysia's palm oil stocks at the end of December fell 11.6 percent to 2,013,326 tonnes against a revised 2,276,177 tonnes at the end of November - Malaysian Palm Oil Board. Last year at the same time, stocks were 1,987,111 tons. On the production front, Malaysia's palm oil production during 2014 stood at 19.6 million tons, 2.08% higher from the last year.

Both Indonesia and Malaysia had exempted the export duty on palm oil up till January which was nil since last couple of months and the market is waiting for the decision on the duty for February and upcoming months.

Overall, the factors for the benchmark BMD CPO are bearish which will continue to pressure the domestic RM seed in near-future.

The domestic RM seed is expected to feature mild gains in short-term but weakness in BMD CPO and expected new crop supplies from February will limit the gains in the medium-term.



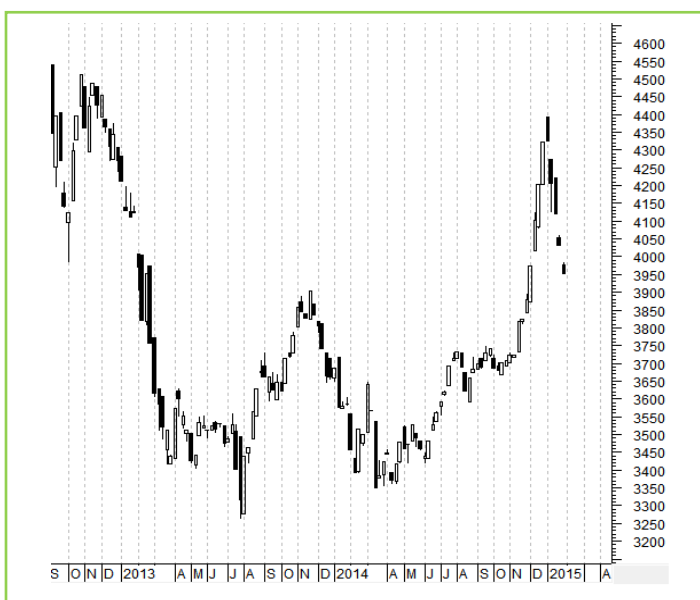
Technical Analysis:

NCDEX RM Seed Futures



*Note: Daily Chart

RM Seed Spot, Jaipur



Support & Resistance NCDEX RM Seed – Apr. contract

S2	S1	PCP	R1	R2
3150	3200	3345	3511	3587

- The weekly candlestick chart pattern reveals weakness in the market.
- The prices closed below 9-day and 18-day EMA.
- RSI and stochastic are easing in the neutral territory.
- MACD is easing in the positive territory.
- Prices are expected to feature losses in near-term.
- **Trade Recommendation (NCDEX RM SEED - Apr) Week: SELL** Below 3350 for a Target – 3300; T2- 3270; SL -3380.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot, the seed is expected to be under international soybean and palm oil pressure. Prices of seed are expected to be between 3940 – 4050 levels during the week. They were between 3945 – 4030 levels during the week under review.

Annexure

Progress of Sown Area – Kharif Oilseeds, India

In the official *kharif oilseeds* planting report (week ending 09 Oct 2014), the area coverage under *Kharif* oilseeds is reported at 178.47 lakh hectares, down 8.4% from 194.90 lakh ha previous year. Of the major oilseeds, soybean sowing is reported down by 10% at 110.22 lha compared to 122.20 lha during the same period last year. Groundnut at 37.25 lha vs 43.19, sunflower at 2.05 lha vs 2.43 lha, sesamum 16.31 vs 14.91, niger 2.28 lha vs 2.33 lha and castor at 10.35 lha vs 9.84 lha during the same period last year.

Crop	As on 09 Oct 2014	As on 09 Oct 2013	% Change
Groundnut	37.25	43.19	-13.8
Soybean	110.22	122.20	-9.8
Sunflower	2.05	2.43	-15.6
Sesamum	16.32	14.91	9.5
Niger	2.28	2.33	-2.1
Castor	10.35	9.84	5.2
Total Oilseeds	178.47	194.90	-8.4

(Area in lakh hectares) Source: GOI

Rabi MSP 2014-15

- ❖ The Cabinet Committee on Economic Affairs has approved the Minimum Support Prices (MSPs) for Rabi Oilseeds Crops of 2014-15 season to be marketed in 2015-16 as follows: The MSP of Rapeseed/Mustard is raised by Rs. 50/Qtl to Rs. 3100/Qtl from Rs. 3050/Qtl earlier. For Safflower too it is increased by Rs. 50/Qtl to Rs. 3050/Qtl from Rs. 3000/Qtl in 2013-14.

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.

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2014 Indian Agribusiness Systems Pvt Ltd.