

Executive Summary

Soybean and meal rebound tracking gains in the international market while RM seed fell ahead new crop supply during the week under review.

Soybean:

- ❖ The soybean rebound tracking gains in the international market during the week under review. Gains in crude and weakness in US dollar eventually pushed up the CBOT soybeans.
- ❖ Besides, rising Malaysian palm oil lifted the international oils and fats markets lending additional boost to the market.
- ❖ However, record soybean production estimates by various analysts for Brazil and Argentina after a bigger US soybean and lower crude limited the gains.
- ❖ 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 have trimmed the Brazil's soybean out to 95 million tonnes from 95.9 million earlier.
- ❖ Argentina's soybean production is estimated record-high at 57 million tonnes in the 2014-15 season, the Buenos Aires Grains Exchange forecast in its first harvest forecast for 2014/15.
- ❖ Farmers in the Pampas grains belt will start harvesting soy in the month of March. Argentina's highest production to date stood at 55 million tonnes, harvested in the 2009-10 season.
- ❖ In yet, another development, early soybean crop harvest is getting started in some parts of Brazil. Mixed result for soy yield witness from farms.

Soy meal:

- ❖ Soy meal rebound in tandem with the soybean after straight 4-week fall. Gains in crude and weakness in US dollar in recent days remained supportive for the meal, which was the biggest loser in the international benchmark, CBOT.

- ❖ However, India's soy meal exports continued to be slow and are much below expectations. This is due to the competitive international meal prices, including the meal of US, Brazil and Argentine origin compared the meal of Indian origin. India's soy meal exports figures are discussed below, which are sharply lower as compared to the previous years.
- ❖ Bearish global supply scenario will keep the soy meal prices lower this season, though global demand for oils and fats are rising every year.
- ❖ As discussed earlier, 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.
- ❖ 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.

RM Seed:

- ❖ RM seed fell consecutive 5th week on weak global and domestic factors during the week in review.
- ❖ In the latest development in the RM seed, the commencement of the new crop seed supplies in the domestic market remained bearish for the seed. Besides, lower BMD CPO in conjunction with soy and crude mineral oil remained pressurising factors.
- ❖ Favourable weather in the 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.
- ❖ 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.
- ❖ Exports of Malaysian palm oil products for January fell 14.6 percent to 1,109,188 tonnes from 1,298,461 tonnes shipped during December - cargo surveyor Societe Generale de Surveillance.
- ❖ 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.

International Highlights

- ❖ Brazil based analyst Safras & Mercado forecast a 2014/15 Brazilian soybean output at 95.0 million tonnes, down from 95.9 million tonnes estimated in December.
- ❖ Argentina's soybean production is estimated record-high at 57 million tonnes in the 2014-15 season, the Buenos Aires Grains Exchange forecast in its first harvest forecast for 2014/15.
- ❖ Farmers in the Pampas grains belt will start harvesting soy in the month of March. Argentina's highest production to date stood at 55 million tonnes, harvested in the 2009-10 season.
- ❖ 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.
- ❖ 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)		
	6-Feb-15	30-Jan-15	Parity To
Indore (MP)	29000	28000	Gujarat, MP
Kota	29000	28000	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	30500	29500	Mumbai, Maharashtra
Nagpur (42/46)	29800	29200	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	30100	28600	Andhra, AP, Kar ,TN
Latur	30400	30000	-
Sangli	31000	30000	Local and South
Sholapur	29800	30000	Local and South
Akola	29500	28300	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Hingoli	29900	28500	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Bundi	29000	28000	-

Soy DOC at Port

Centers	Port Price	
	6-Feb-15	30-Jan-15
Kandla (FOR) (INR/MT)	29050	29000
Kandla (FAS) (USD/MT)	471	470

International Soy DOC

Argentina FOB USD/MT	5-Feb-15	29-Jan-15	Change
Soybean Pellets	404	413	-9
Soybean Cake Flour	404	413	-9
Soya Meal	412	421	-9
Soy Expellers	412	421	-9

Sunflower (DOC) Rates

Centers	Ex-factory rates (Rs/ton)		
	6-Feb-15	30-Jan-15	Change
Adoni	19600	19400	200

Khamgaon	NA	NA	-
Parli	20200	19800	400
Latur	19400	19000	400

Groundnut Meal (Rs/MT)	6-Feb-15	30-Jan-15	Change
Basis 45%, Saurashtra	25000	24700	300
Basis 40%, Saurashtra	22000	21700	300
GN Cake, Gondal	25500	25000	500

Mustard DOC/Meal	6-Feb-15	30-Jan-15	Change
Jaipur (Plant delivery)	15000	15400	-400
Kandla (FOR Rs/MT)	15700	16400	-700

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 3.43 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 rebound tracking gains in the international market during the week under review. Gains in crude and weakness in US dollar eventually pushed up the CBOT soybeans.

Besides, rising Malaysian palm oil lifted the international oils and fats markets lending additional boost to the market.

However, record soybean production estimates by various analysts for Brazil and Argentina after a bigger US soybean and lower crude limited the gains.

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 have trimmed the Brazil's soybean out to 95 million tonnes from 95.9 million earlier.

Argentina's soybean production is estimated record-high at 57 million tonnes in the 2014-15 season, the Buenos Aires Grains Exchange forecast in its first harvest forecast for 2014/15.

Farmers in the Pampas grains belt will start harvesting soy in the month of March. Argentina's highest production to date stood at 55 million tonnes, harvested in the 2009-10 season.

In yet, another development, early soybean crop harvest is getting started in some parts of Brazil. Mixed result for soy yield witness from farms.

USDA in its weekly export sales report, reported export sales of U.S. soybeans in the week ended Jan. 29 at 489,600 tonnes for 2014/15, which is considered to be in line with trade estimates.

Better sales are attributed to better Chinese buying, the major US soybean importer.

Considering the current factors, the overall factors for domestic soybeans are bearish not only for short-term but even for medium and long term. The solvent extractors have severely affected by soybean crushing disparity. The negative crush margin continues to be a discouraging for the soybean crushers.

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 rebound in tandem with the soybean after straight 4-week fall. Gains in crude and weakness in US dollar in recent days remained supportive for the meal, which was the biggest loser in the international benchmark, CBOT.

However, India's soy meal exports continued to be slow and are much below expectations. This is due to the competitive international meal prices, including the meal of US, Brazil and Argentine origin compared the meal of Indian origin. India's soy meal exports figures are discussed below, which are sharply lower as compared to the previous years.

Bearish global supply scenario will keep the soy meal prices lower this season, though global demand for oils and fats are rising every year.

As discussed earlier, 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 overseas meal demand fell m-o-m which was higher for last couple of months, besides it remained significantly lower compared to the same period last year.

India's soy meal shipments during January, 2015 was 1.04 lac tons as compared to 3.64 lac tons in January, 2014 showing a decrease by 71.48% over the same period of last year.

On a financial year basis, the export during April'2014 to January'2015 is 5.35 lac tons as compared to 24.25 lac tons in the same period of previous year showing a decrease of 77.92%.

During current Oil year, (October – September), total exports during October 2014 to January, 2015 are 4.38 Lac tones as against 15.49 Lac tones last year, showing a decrease by 71.69%.

Iran, France and Indonesia remained the top 3 buyers of Indian soy meal in January 2015.

Despite narrowing price spread compared to previous month India's meal prices still remained dearer to South American meal prices unlike previous years, hence the situation could not turn out to be positive except for some y-o-y increase in volume in shipments in previous months.

India's soy meal exports declined to 104,426 tonnes in January from 193,832 tonnes in Dec., the Solvent Extractors' Association of India. Of total oilmeal shipments in Jan., soy meal comprised of 104,426 tonnes, rapeseed meal (44,361 tonnes), ricebran extraction (5850 tonnes) and castorseed meal was (5,255 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 country'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 29,000 – 30,600/MT compared to Rs 35,300 – 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 range bound move with weak bias in near-term. FOR, Kandla (Feb – Mar delivery) is expected to rebound and the quotes will be between the range of Rs.29000– 29,500/MT levels in the upcoming week.*

Technical Analysis:

NCDEX Soybean Futures



Soybean Spot, Indore



*Note: Daily Chart

Support & Resistance NCDEX Soybean – Apr. contract

S1	S2	PCP	R1	R2
3314	3235	3444	3622	3700

- The weekly candlestick chart pattern reveals, the prices closed above previous week's close.
- Prices closed above 18-day EMA.
- RSI and stochastic are easing in neutral zone.
- MACD is rising in negative territory.
- The prices are expected to feature gain in coming week.
- Trade Recommendation (NCDEX Soybean – Apr.) Week: BUY Above 3440. Levels: Target – 3500; T2- 3550, SL -3404.

Trade Recommendation Soybean - Spot: Soybean prices will remain under pressure but may witness mild gain 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 consecutive 5th week on weak global and domestic factors during the week in review.

In the latest development in the RM seed, the commencement of the new crop seed supplies in the domestic market remained bearish for the seed. Besides, lower BMD CPO in conjunction with soy and crude mineral oil remained pressurising factors.

Favourable weather in the 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.

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.

Exports of Malaysian palm oil products for January fell 14.6 percent to 1,109,188 tonnes from 1,298,461 tonnes shipped during December - cargo surveyor Societe Generale de Surveillance.

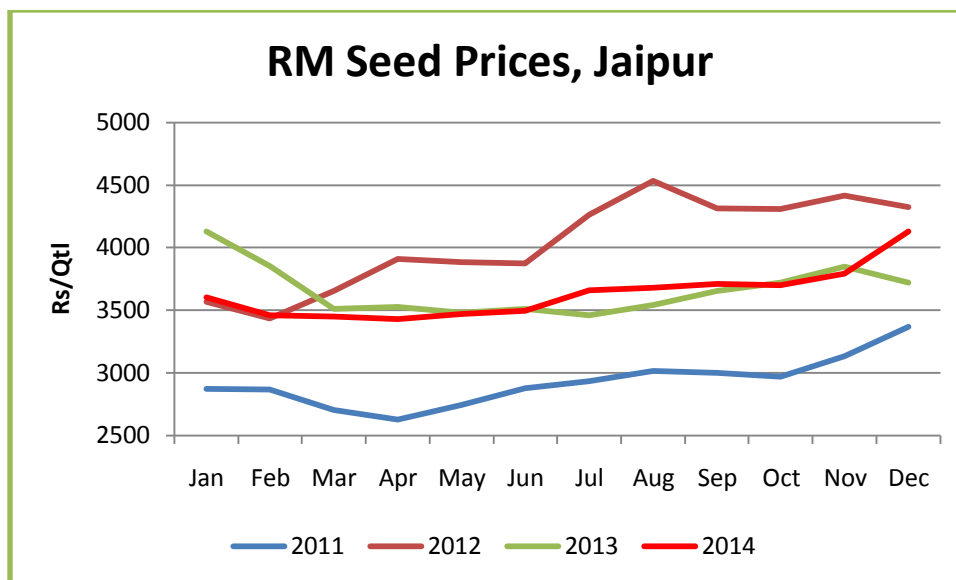
India imported 162,900 tons during January v/s 359,767 tons last month. Moreover, lower demand witnessed from EU's countries and China. China and EU's countries imported 209,800 tons and 185,706 tons respectively during January from Malaysia.

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. This translates into availability of cheaper palm oil in the international market, eventually leading to higher imports by India further negatively affecting the RM seed prices.

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

Overall, the factors for the benchmark BMD CPO are bearish for short-term 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.



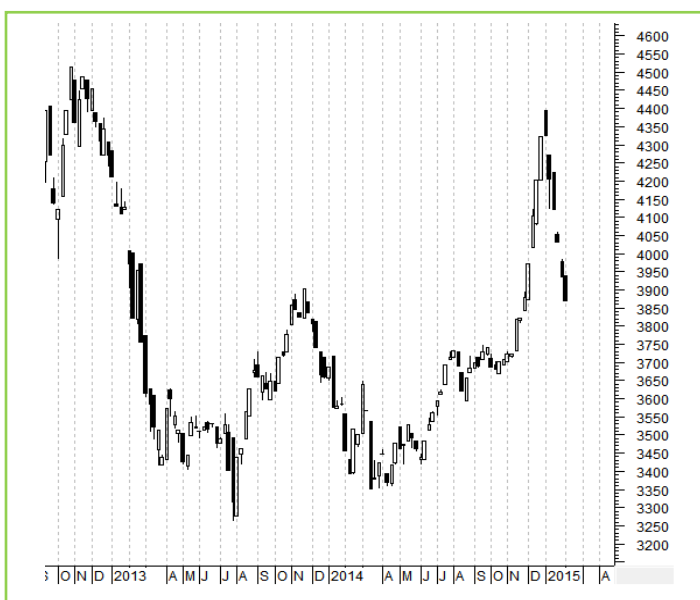
Technical Analysis:

NCDEX RM Seed Futures



*Note: Daily Chart

RM Seed Spot, Jaipur



Support & Resistance NCDEX RM Seed – Apr. contract

S2	S1	PCP	R1	R2
3180	3245	3308	3431	3486

- 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 3310 for a Target – 3250; T2- 3200; SL -3376.

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 3800 – 3850 levels during the week. They were between 3865 – 3940 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.

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