

## Executive Summary

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Oilseeds and oil meals markets witnessed a bearish trend during the month of December.

Soybean prices declined due to weaker demand in the spot markets and bearish trend in international markets. However, lower arrivals in the key spot markets of Madhya Pradesh restricted excessive fall. Internationally, soybeans on CBOT also witnessed a fall on pressure from South American sowing progress along with record output estimates.

The daily arrivals in the spot markets of Madhya Pradesh were comparatively lower during the month which provided some support to the market. However, it is being expected that better quality arrivals may hit the market in January easing the supply constraints. Also, estimates of higher soybean production in major producing nations of US and South America remain a negative force for the global markets and will be a factor to watch out in the coming days.

In the US, soybeans on CBOT featured weak sentiments during the past month. Pressure from higher output forecasts in South America as well as favorable weather conditions in the key producing regions impacted the market. However, strong demand for the US soybeans and robust Chinese buying is still providing support to the market sentiments. However, it is being feared that China may have overbooked soybeans and will finish their booking needs from the US once shipments from Brazil commence.

In Brazil, most analysts are expecting a record soybean crop output putting a bearish tone to the prices. Sowing is over and the weather conditions are currently favorable in most areas. However, some regions have been impacted by heavy rainfall. Besides, farmers in Brazil are reportedly contemplating a second soybean crop this season instead of corn. Meanwhile, logistics and port infrastructure issues are likely to remain a big challenge for Brazil in the coming season. In Argentina, higher temperature and forecast of lower rainfall in the coming days is likely to impact the soybean plantation in key regions. The main producing regions are still witnessing favorable conditions but outlook for coming days is a concern for the growers and will be a key factor to watch out for.

Rapeseed/mustard seed prices in key spot markets witnessed a bearish tone during the month of December on good sowing progress of the rabi oilseed across major producing regions amid mostly favorable weather conditions. Higher sowing area has raised prospects for increased output. Further, declining trend in BMD CPO also imparted resistance to the rapeseed markets.

Soy meal prices featured a weak tone during the month of December in conjugation with the soybean prices. Moderate exports demand was reported from traders amid limited availability of beans in the local markets. This trend is likely to weaken in the coming days due to limited soy meal exports buying enquiries as well as lower demand from domestic feed industry.

As per latest projections by traders, India's soya meal exports are likely to decline more than a quarter to 3 million tons in the year to September 2014 as overseas buyers opt for cheaper supplies from South America. It was reported that since the moisture content was higher than stipulated level some of the cargoes faced rejection, thereby resulting in problems in fulfilling export commitments on time.

## International

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- ❖ According to Rosario exchange, Argentina's soybeans production for 2013-14 is expected to be 55 million tons, up from 48.3 million tons of output seen last year. The planting area for soybean is up 6 percent from previous year to 20.7 million hectares. Sowing has progressed to 80 percent of the expected area as of 30 Dec 2013.
- ❖ According to data released by cargo surveyor Intertek Testing Services, exports of Malaysian palm oil products for Dec fell 1.1 percent to 1,433,910 tons from 1,449,664 tons shipped in November.
- ❖ As per Indonesia's agriculture ministry, the country's 2014 soybeans production is expected at 1.5 million tons, up 86 percent from previous year. The country is expected to import 700,000 tons of soybeans.
- ❖ According to Safras & Mercado, farmers in Brazil have sold about 33 percent of their 2013-14 soybeans, lower than the last year sales pace of 48 percent during the same period.
- ❖ As per the Chinese Ministry of Commerce, China is likely to import 6.67 million tons of soybean in December 2013, higher than its previous forecast of 6.34 million tons. Also, the soybean imports in January are projected to fall to 2.37 million tons.
- ❖ According to data released by cargo surveyor Societe Generale de Surveillance, exports of Malaysian palm oil products for Dec 1-25 fell 7.6 percent to 1,137,374 tons from 1,230,878 tons shipped during Nov. 1-25.
- ❖ As per the data released by General Administration of Customs of China. China imported 6.03 million tons of soybeans and 0.56 million tons of rapeseed in November 2013.
- ❖ As per Indonesian ministry, Indonesia kept its export tax for crude palm oil unchanged at 12 percent for January. As per Indonesian Palm Oil Association, Indonesia's crude palm oil and its derivatives exports rose 8 percent to 2.01 million tons in November compared with the previous month. Indian buyers imported 529,520 tons of palm oil products in November.
- ❖ According to Argentina's Agriculture Ministry, the 2013-14 soybean planting area is reported at 20.80 million hectares compared to its previous estimate of 20.70 million hectares.
- ❖ As per German government's statistics, the winter rapeseed sown area is reported at 1.43 million hectares, down from last year by 1.80 percent. As per Britain's farm ministry, the rapeseed production for the current year is estimated at 2.13 million tons, down from last year by 17 percent.
- ❖ Informa Economics has pegged the 2014 soybean plantings at 81.929 million acres, lower from its previous estimate by 1.9 million acres.
- ❖ In Brazil's main soy growing areas, there is a concern of cases of Asian rust, a fungus that has caused losses in output in previous years. This is primarily due to a rainy December month mostly in the regions of Goias and Sao Paulo.
- ❖ As per the latest WASDE report, the 2013-14 ending soybean stocks were pegged at 150 million bushels as compared with the November estimate of 170 million bushels. Exports were increased by 25 million bushels to 1.475 billion bushels and crush was up by 5 million to 1.690 billion bushels. Brazil's production estimate was kept unchanged at 88 million tons.
- ❖ As per Informa Economics, global rapeseed production for 2014-15 is projected at 68.5 million tons, down 0.5 million tons from last year. Output in Canada s forecast at 16.9 Mn t, EU at 21.1 Mn t, China at 14.1Mn t and India at 7.2 Mn t.

**Oilseed Prices at Key Spot Markets:**

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		31.12.2013	30.11.2013	
	Indore –Plant	3850-3910	3900-4000	-90
	Indore –Mandi	3600-3875	3700-3900	-25
	Nagpur-Plant	3675	3725-3750	-75
	Nagpur – Mandi	3200-3500	3500-3800	-300
	Kota-Plant	3800	3900	-100
	Kota – Mandi	3600	3800	-200
	Bundi-Plant	3770-3775	3900	-125
	Bundi-Mandi	3600-3700	-	-
	Baran-Plant	3700	3875-3900	-200
	Baran-Mandi	3500-3600	3800-3900	-300
	BhawaniMandiJhalawar – Kota Plant Delivery	3825	3900	-75
	Jhalwar-Mandi	3600-3900	3400-4000	-100
Rapeseed/Mustard	Jaipur – C	3645-3650	3830-3835	-185
	Alwar – C	3500	3800	-300
	Sri Ganganagar	3325	-	-
	New Delhi – C	3600	3700	-100
	Kota (Non-Condition)	2950-3050	3225	-175
	Agra - C	3800	3975	-175
	Neewai	3450	3700	-250
	Hapur (UP)	3575	3650	-75
Groundnut Seed	Rajkot	660	-	-
Sunflower Seed	Gulbarga	-	3000-3250	-
	Latur	3325-3450	3250-3450	Unch
	Solapur	3325-3450	3250-3450	Unch
Sesame Seed	Mumbai (White98/2/1 FM)	13500	14500	-1000

Soybean Prices are in INR per Qtl, Arrivals(1 bag=90 kg). Mandi prices – Loose, Mustard Seed Prices are in INR per Qtl, Arrival (1 bag=85 kg) C – Condition (42%), \*Groundnut seed inRs/20 kg, Sunflower Seed in Rs/qtl.

### Oilseed Arrivals in Key Centers

Commodity	Centre	Arrivals in Bags/Qtl		Change
Soybean		31.12.2013	30.11.2013	
	Madhya Pradesh	3285000	4205000	-920000
	Maharashtra	2435000	3450000	-1015000
	Rajasthan	235000	476000	-241000
	Bundi (Raj)	20600	64000	-43400
	Baran (Raj)	39000	124000	-85000
	Jhalawar (Raj)	19700	63500	-43800
Rapeseed/Mustard	Rajasthan	1037000	1276000	-239000
*Soybean: 1 bag = 90 kg; RM Seed: 1 bag = 85 kg				

## Rabi Sown Area - Oilseeds, India

As per the official *Rabi* oilseeds planting (as on 2 January 2014), the area coverage under *Rabi* oilseeds is reported at 83.77 lakh hectares, up 6.10 percent from previous year. Of the major oilseeds, rapeseed/mustard seed sowing is reported up by 7.20 percent compared to last year.

Crop	As on 2 Jan 2014	As on 2 Jan 2013	% Change
Rapeseed/Mustard	69.75	65.05	7.20
Groundnut	4.39	4.20	4.50
Safflower	1.70	1.34	26.90
Sunflower	3.65	4.80	-24.00
Sesamum	0.57	0.49	16.30
Linseed	3.33	2.56	30.10
Others	0.38	0.51	-25.50
<b>Total Oilseeds</b>	<b>83.77</b>	<b>78.95</b>	<b>6.10</b>

(Area in lakh hectares) Source: GOI

## Soybean

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Soybean spot markets witnessed a bearish trend during the month of December. Soybean prices declined due to weaker demand in the spot markets and bearish trend in international markets. However, lower arrivals in the key spot markets of Madhya Pradesh restricted excessive fall. Internationally, soybeans on CBOT also witnessed a fall on pressure from South American sowing progress along with record output estimates.

The daily arrivals in the spot markets of Madhya Pradesh were comparatively lower during the month which provided some support to the market. Adverse affect on the yields and quality of soybeans has resulted in less than normal supply of good quality soybeans. Weak crushing of soybean has affected soy meal availability. Even quality concerns are there in the market. However, it is being expected that better quality arrivals may hit the market in January easing the supply constraints. Also, estimates of higher soybean production in major producing nations of US and South America remain a negative force for the global markets and will be a factor to watch out in the coming days.

In the US, soybeans on CBOT featured weak sentiments during the past month. Pressure from higher output forecasts in South America as well as favorable weather conditions in the key producing regions impacted the market. However, strong demand for the US soybeans and robust Chinese buying is still providing support to the market sentiments. Also, concerns of a tight supply situation in the US in the near term also restricted the decline. However, it is being feared that China may have overbooked soybeans and will finish their booking needs from the US once shipments from Brazil commence.

In Brazil, most analysts are expecting a record soybean crop output putting a bearish tone to the prices. Sowing is over and the weather conditions are currently favorable in most areas. However, some regions have been impacted by heavy rainfall. Also, increased humidity and cases of soybean rust as well as caterpillar damage have been reported. These concerns may affect the market and yield/supply estimates may be revised. Harvesting has commenced in the top producing state of Mato Grosso. Besides, farmers in Brazil are reportedly contemplating a second soybean crop this season instead of corn. Due to low prices of corn and left over stocks, farmers may plant more soy in January. Meanwhile, logistics and port infrastructure issues are likely to remain a big challenge for Brazil in the coming season.

In Argentina, higher temperature and forecast of lower rainfall in the coming days is likely to impact the soybean plantation in key regions. The main producing regions are still witnessing favorable conditions but outlook for coming days is a concern for the growers and will be a key factor to watch out for.

Domestic soybean market is expected to feature a steady movement with a weak bias in the coming days on moderate buying in the domestic markets amid weak cues from international markets. Bearish South American supply sentiment is likely to pressure global soy markets restricting the upside. Limited supplies in the domestic market may support the prices.

## Balance Sheet – Soybean, India

*Fig. in MnT*

Oil Year (Oct-Sep)	2009-10	2010-11	2011-12	2012-13	2013-14 (Projected)
<b>Carry In</b>	0.45	1.12	0.37	0.40	0.32
<b>Production</b>	<b>9.67</b>	<b>10.10</b>	<b>12.00</b>	12.50	12.70
Imports	0.00	0.00	0.00	0.00	0.00
<b>Total Availability</b>	<b>10.12</b>	<b>11.22</b>	<b>12.37</b>	<b>12.90</b>	13.03
Crush	9.00	10.85	11.97	12.58	12.95
Exports	0.00	0.00	0.00	0.00	0.00
Total Usage	9.00	10.85	11.97	12.58	12.95
Carry Out	1.12	0.37	0.40	0.32	0.07
Monthly Use	0.75	0.90	1.00	1.05	1.08
Stock/Consumption Ratio	0.12	0.03	0.03	0.03	0.01
Stock to Month Use Ratio	1.49	0.41	0.40	0.31	0.07

Source: Agriwatch

- The outturn estimates for soybeans has been revised downwards by 6% to 12.7 Mn T from our previous estimate of 13.5 Mn T.
- The downward revision is primarily due to add-on in the crop losses in Madhya Pradesh and some parts of Rajasthan.
- We expect 2013/14 soybean crush above 12.95 million tons. India's soy meal prices have to compete with the meal prices of South America, which will eventually make the crushing more viable depending on its exports.

## Soy meal

Soy meal prices featured a weak tone during the month of December in conjugation with the soybean prices.

Moderate exports demand was reported from traders amid limited availability of beans in the local markets. This trend is likely to weaken in the coming days due to limited soy meal exports buying enquiries as well as lower demand from domestic feed industry. Also, the prices of other key feed ingredients featured a range bound tone.

There are concerns over damage to the soybean crop due to which traders have revised their projections for soy meal exports. Earlier, it was being estimated by traders and industry officials that India's soy meal exports may be limited to 4 million tons in 2013/14, around 1 million tons lower than previous forecast.

As per latest projections by traders, India's soya meal exports are likely to decline more than a quarter to 3 million tons in the year to September 2014 as overseas buyers opt for cheaper supplies from South America. Due to the yield damage caused by excessive rainfall in the growing regions, supplies of soybeans have been affected. Lower supplies have raised the domestic prices, pulling down the exports demand. It was reported that since the moisture content was higher than stipulated level some of the cargoes faced rejection, thereby resulting in problems in fulfilling export commitments on time.

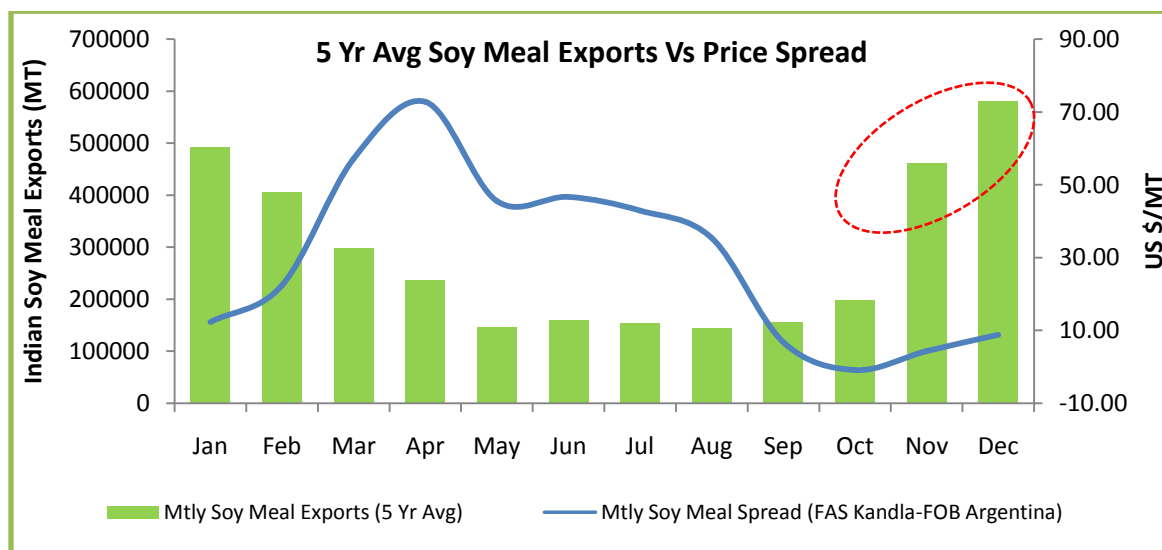
According to the latest release by SOPA, the exports of soybean meal during November 2013 was 5.19 lakh tons as compared to 5.17 lakh tons in November, 2012. On a financial year basis, the export during April'2013 to November 2013 is 15.90 lakh tons as compared to 14.05 lakh tons in the same period of previous year showing an increase of 13.16%.

During current Oil year, (October - September), total exports during October 2013 to November, 2013 are 7.14 Lac tones as against 5.68 Lac tones last year, showing an increase by 25.70%. Iran, France and Japan were the major destinations for Indian soybean meal exports for the month.

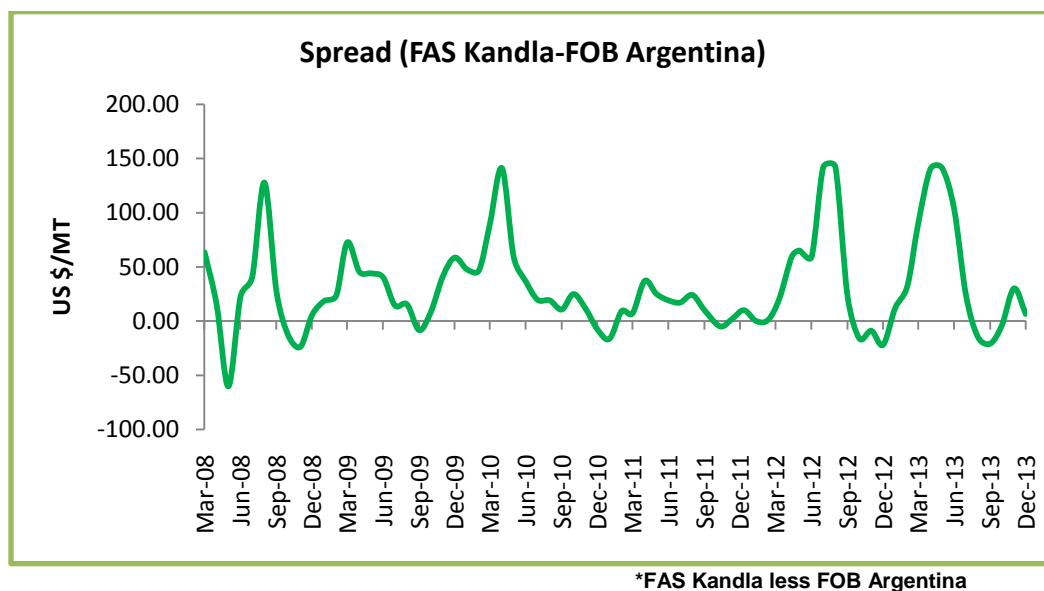
The soy meal prices are expected to feature a steady to weak movement in the near term. Market is likely to witness pressure due to bearish cues from overseas markets and limited demand domestic meal prices are on the higher side. However, tightness in the good quality beans supply in the domestic markets is likely to provide some support to the prices in the near-term.

India's soy meal prices continue to get competition from South American meal. Indian meal is priced higher than the South American meal currently and market is about to enter the seasonally higher exports period. Also, soybeans exports from South America are likely to increase once harvesting of the new crop begins.

Further, preference of the meal of Indian origin mainly by the South-East countries due to logistic and freight advance and demand for non-GMO meal will lend support to the domestic soy meal.



India's y-o-y soy meal prices for the month of December have witnessed an increase. Soy meal (Jan-Feb) exports price, FOR Kandla was quoted between Rs 35,000-36,000/MT compared to 27,525-30,200/MT during the same period last year.



The average monthly soy meal price spread between FAS Kandla and FOB Argentina narrowed and was recorded at US \$ 6/MT in December compared to US \$ 30/MT in November. The Indian soy meal prices have remained steady while Argentine meal prices have appreciated due to tight supplies, resulting in the narrowing down of the spread. Notably, India's soy meal exports are at the optimum levels during the period, October through January. (\*Spread - FAS Kandla less FOB Argentina).

**Recommendation:** FOR, Kandla was quoted between Rs 35,000- 36,000/MT during the month - December. Prices witnessed a sideways movement for the month. Indian meal exporters are advised to market their meal to the countries in vicinity including traditional South and Far-East Asian destinations like Iran. Indian soy meal faces price competition from South American soy meal. India is into the seasonally higher exports period but new crop South American supplies are likely to commence in the coming months. The domestic meal prices are likely to feature steady to weak movement during the coming month. FOR, Kandla is expected to feature range bound movement and feature 33,500-35,500 levels during January.

## Soybean Crush Margin

<b>Avg Crush Margin – December 2013</b>	<b>Avg Crush Margin – November 2013</b>
-2390	-1940



## **Technical Analysis:**

### **NCDEX Soybean Futures**



### **Soybean Spot, Indore**



\*In Rs/MT

### **Support & Resistance NCDEX - Soybean Feb Contract**

<b>S2</b>	<b>S1</b>	<b>PCP</b>	<b>R1</b>	<b>R2</b>
<b>3600</b>	<b>3700</b>	<b>3792</b>	<b>3880</b>	<b>4000</b>

- The candlestick chart pattern reveals weak trend in the soybean prices during the month's trade.
- The soybean prices are expected to feature range bound trend during the coming month with a weak bias.
- Trade Recommendation (NCDEX Soybean - Feb) – 1 Month: Sell between 3800–3820 levels. T1 – 3700; T2 - 3650; SL – 3900.

**Trade Recommendation soybean spot:** Soybean prices are expected to feature a range bound movement on mostly moderate demand and likely increase in good quality seed supplies in the domestic markets. Less than estimated production figures and seasonal demand are likely to support prices. The prices are likely to feature sideways tone with a weak bias and witness levels around 3650-3950 levels (Indore, Plant basis) during the month.

## Rapeseed - Mustard Seed

Rapeseed/mustard seed prices in key spot markets witnessed a bearish tone during the month of December on good sowing progress of the rabi oilseed across major producing regions amid mostly favorable weather conditions. Higher sowing area has raised prospects for increased output. Further, declining trend in BMD CPO also imparted resistance to the rapeseed markets.

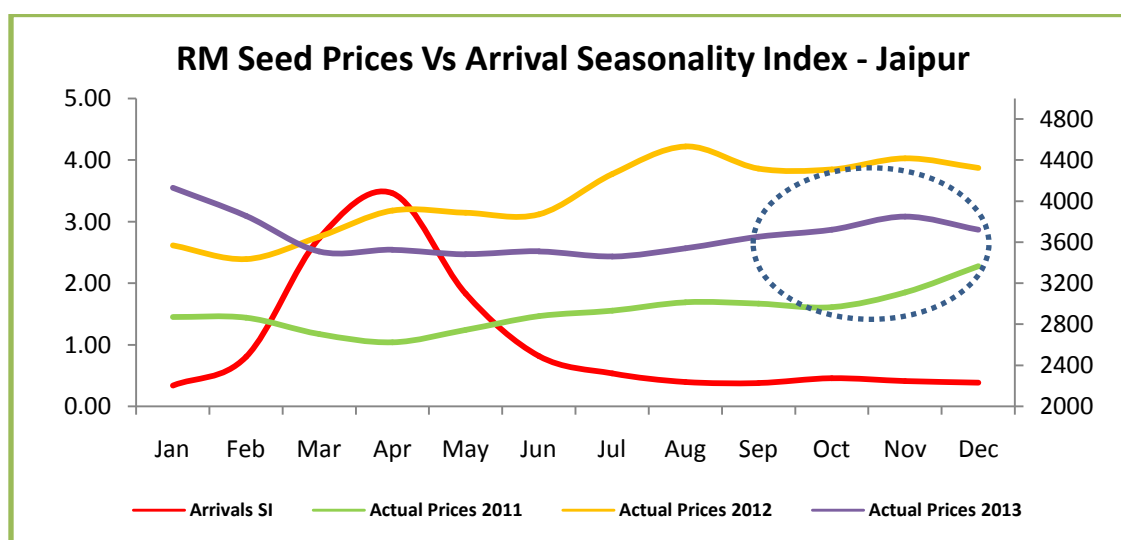
Rapeseed prices are facing pressure currently as demand for oils is moderate which has led to weak RM seed buying from stockists and mills in addition to the advancing rapeseed sowing under way. It is expected that the approaching winter season may uplift the demand for oils and is likely to lend some support to the market. Also, concerns that a sharp drop in temperature in the northern parts of the country could damage the rapeseed crop may support the prices.

Domestically, higher rabi oilseeds crop output prospects due to higher acreage will continue to weigh down on the markets. It is expected that India's rapeseed acreage in the current season could be higher by 4.5 percent and output of rapeseed to reach 6.7 million tons from 6.4 million as farmers are likely to take advantage of monsoon-soaked land to grow the rapeseed crop. As per the Ministry of Agriculture, total area sown under rabi oilseeds (as on 2nd January) was reported as 83.77 lakh hectares as compared to 78.95 lakh hectares in the same period last year. Rabi RM seed stood at 69.75 lakh hectares, up from 65.05 lakh hectares in the corresponding period last year.

On the international front, Oil World has estimated that the global production of rapeseed and canola may reach an all-time high 67.7 million tons in 2013-14. Oil World has raised its estimate for rapeseed crushing to 62.8 million tons from 60.4 million tons previously, and up from 61.7 million tons in 2012-13. Expected higher crop yields in Canada and EU countries and higher crushing will put prices under pressure.

Overall, higher global production estimates for rapeseed and higher domestic oilseed output estimates in the current season are likely to put pressure on the rapeseed markets. However, limited RM seed supplies in the spot markets in the coming days and seasonal demand for oils may provide some support.

### RM Seed Prices vs Arrivals – Jaipur (Rajasthan)



## RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Monthly Arrivals–December	1 Month Ago	Corresponding Period Last Year
10,37,000	12,76,000	10,83,000

We expect the RM seed prices to depict weak sentiments in the coming weeks on good planting progress of rabi oilseeds. Higher domestic and global oilseeds estimates including higher rapeseed production in EU and Canada will also provide resistance to the prices.

## Balance Sheet – Rapeseed-Mustard Seed, India

(Fig in Mn T)

Marketing Year (Mar-Feb)	2009-2010	2010-11	2011-12	2012-13	2013-14
<b>Carry In</b>	<b>0.45</b>	<b>0.75</b>	<b>0.75</b>	<b>1.25</b>	<b>0.28</b>
Production	6.2	6	7	6.5	7.95
Imports	0	0	0	0	0
<b>Total Availability</b>	<b>6.65</b>	<b>6.75</b>	<b>7.75</b>	<b>7.75</b>	<b>8.23</b>
Crush	5.9	6	6.5	7.47	8.07
Exports	0	0	0	0	0
Total Usage	5.9	6	6.5	7.47	8.07
<b>Carry Out/Ending Stock</b>	<b>0.75</b>	<b>0.75</b>	<b>1.25</b>	<b>0.28</b>	<b>0.16</b>
Monthly Use	0.49	0.50	0.54	0.62	0.67
<b>Stock/Consumption Ratio</b>	<b>0.13</b>	<b>0.13</b>	<b>0.19</b>	<b>0.04</b>	<b>0.02</b>
Stock to Month Use Ratio	1.53	1.50	2.31	0.45	0.24

(Source: Agriwatch)

- Our preliminary projection for India's 2013-14 RM seed out turn stands at 7.95 Mn T. The production has surpassed the previous season's production followed by higher yield potential with favorable weather for the crop.
- The carry-in stands at 0.28 Mn T which is lower than previous year figure, as crushings were lower in 2011/12. Besides, 2012/13 RM seed production declined as compared to 2011/12.
- We expect the RM seed output higher at 6.5 million tons compared to 6.0 million tons estimated in April 2012. However the 2012/13 production stood lower compared to 2011/12. Lower coverage in RM seed area by 7% in 2011/12, missing winter rains and frost damage hampered the productivity.

**Technical Analysis:**

**NCDEX RM Seed Futures**



**RM Seed Spot, Jaipur**



**Support & Resistance NCDEX - RM Seed Feb Contract**

S2	S1	PCP	R1	R2
3325	3400	3475	3550	3650

- The RM seed prices featured a weak tone during the month.
- Prices are likely to feature bearish tone in the coming days.
- Trade Recommendation (NCDEX RM SEED – Feb) – 1 Month: Sell between 3490–3500 levels. T1 – 3420; T2 - 3375; SL - 3550.

**Trade Recommendation RM Seed Spot (Jaipur basis):** In spot, the RM seed prices are expected to mostly feature range bound movement with a weak bias on improved sowing conditions and higher output estimates amid limited supplies. Market is expected to trade range bound in the 3300 – 3600 levels during the month.

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