

Executive Summary

Overall, soybean, soy meal and rapeseed/mustard fell during the month in review (Jan). However, the prices showed signs of recovery towards the end of the month, but failed to suppress the December's level.

Domestic soybean extended losses on sluggish buying from crushers/processors due to disparity on crushing. Poor soy meal shipments and higher edible oil imports has made the crushing unviable. Besides, bearish international factors like higher soybean production estimates for South America and lower palm oil export sales from major exporters engulfed the oils and fats markets eventually pressuring domestic market.

Besides, there is still imports parity in soy oil of Argentine origin at Indian ports, cautious soybean buyers due to the quality concern this season has made the imports attractive for the importers.

The domestic demand in soyoil and meal is moderate and likely to be flat in near-term. Soy meal exports are likely to ease considering the previous trend, mainly due to demand diversion towards South America.

However, record higher US soybean crushings in first 4 months of US soy marketing season indicating fast disappearance and huge Chinese soybean imports limited the losses in soybean.

Soy meal fell on weak Indian export sales and reports are higher soybean production in South America. Besides, better supplies due to record high US soybean crushings in the first 4 months of marketing year remained bearish for the market too.

Besides, demand shift towards South America and forward bookings ahead new crop in the region continue to pressure the Indian soy meal market. India's soy meal export sales in the month of December fell by 8.5%.

The export enquiries in soy meal continue to be low due to demand shift as South American meal prices are competitive compared to India's.

The RM seed prices declined tracking losses in soybean and weak global oil and fats market. Better edible oil imports including soy, palm and sunflower oils remained bearish for the seed leading to fall in demand of crusher. Further, increase in domestic planting acreage in the seed this season added to the bears.

Besides, recent fall in palm oil exports from major exporters kept the lid in the international palm oil prices. Malaysia exports 1.03 million tons of palm oil and its derivatives during Jan 1-25, down 9.4 percent on m-o-m basis - Cargo surveyor Intertek.

The edible oil inventories are Edible oils stock as on 1st January, 2014 at various ports of India is estimated at 745,000 tons which includes (CPO 450,000 tons, RBD Palmolein 150,000 tons, Degummed Soybean Oil 25,000 tons, Crude Sunflower Oil 100,000 tons and Canola Rape Oil 20,000 tons) and about 850,000 tons in pipelines.

The RM seed prices are likely to remain under downward pressure due to weak global and domestic factors in near-term.

Again, sizeable increase in RM seed and other rabi oilseeds acreage domestically, rise in US and South American soybean production estimates, lower crude will continue to create downwards pressure in the oilseeds.

Recent rise in import duty in refined edible oils has failed to boost the seed prices. Oilseeds and meal prices are expected to feature range-bound movement with new crop supply pressure globally and domestically.

International

- ❖ World soybean production is pegged at 287.8 million tons in the current year MY (2013/14), up 0.2 million tons from the previous forecast. Brazil's soy crop projection pegged at 89.5 million tons and Argentina's to 54 million tons because of dry weather - Oil world.
- ❖ Recent rains in Argentina have proved beneficial for soy in the northern part of the farmbelt, but other growing areas are still suffering from an intense drought, reported by the Buenos Aires Grains Exchange.
- ❖ The Buenos Aires Grains Exchange kept its 53 million ton forecast for the 2013/14 soybean harvest unchanged despite welcome rains in the past week, which followed a hot and dry December that limited planting and stunted development of young soy plants. In the previous season, Argentina produced 48.5 million tons of soybean.
- ❖ Oil World estimates sharp rise in world oilseed inventories by 20 Mn T to a record 95 Mn T at the end of this season, with record inventories expected in soybeans, rapeseed and sunflowerseed.
- ❖ Oil World estimated global production of 7 oilseeds at a record high of 490.9 Mn T this season, a staggering 32.0 Mn T above last season. This is equivalent to a year-on-year increase of 7%.
- ❖ World production of the three major seed oils, viz. soya oil, sunflower oil and rapeseed oil, is forecast to increase by as much as 4.6 Mn T in 2013/14 – Oil World.
- ❖ World production of 8 oilmeals is expected to witness 139.1 Mn T in Oct/March 2013/14, considerably above 132.2 Mn T achieved a year before.
- ❖ Brazilian soybeans are now setting the tone on the world market and have significantly improved their competitiveness.

Oilseed Prices at Key Spot Markets:

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		31.1.2014	31.12.2013	
	Indore –Plant	3900-4000	3850-3910	+90
	Indore –Mandi	3750-3925	3600-3875	+50
	Nagpur-Plant	3760	3675	+85
	Nagpur – Mandi	3500-3700	3200-3500	+200
	Kota-Plant	3850	3800	+50
	Kota – Mandi	3700	3600	+100
	Bundi-Plant	3825	3770-3775	+50
	Bundi-Mandi	3700	3600-3700	Unch
	Baran-Plant	3850	3700	+150
	Baran-Mandi	3600-3800	3500-3600	+200
	BhawaniMandiJhalawar – Kota Plant Delivery	3900	3825	+75
	Jhalwar-Mandi	3700-3900	3600-3900	Unch
Rapeseed/Mustard	Jaipur – C	3470-3475	3645-3650	-175
	Alwar – C	3400	3500	-100
	Sri Ganganagar	3100	3325	-225
	New Delhi – C	3500	3600	-100
	Kota (Non-Condition)	3000	2950-3050	-50
	Agra - C	3650	3800	-150
	Neewai	NR	3450	-
	Hapur (UP)	3450	3575	-125
Groundnut Seed	Rajkot	640	660	-
Sunflower Seed	Gulbarga	NR	NR	-
	Latur	3250-3450	3325-3450	Unch
	Solapur	3300-3500	3325-3450	+50
Sesame Seed	Mumbai (White98/2/1 FM)	12500	13500	-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		31.1.2014	31.12.2013	
	Madhya Pradesh	1717000	3285000	-1568000
	Maharashtra	1510000	2435000	-925000
	Rajasthan	213000	235000	-22000
	Bundi (Raj)	7500	20600	-13100
	Baran (Raj)	41700	39000	+2700
	Jhalawar (Raj)	24100	19700	+4400
Rapeseed/Mustard	Rajasthan	976000	1037000	-61000
*Soybean: 1 bag = 90 kg; RM Seed: 1 bag = 85 kg				

Rabi Sown Area - Oilseeds, India

As per the official *Rabi* oilseeds planting (week ending 30 January 2014), the area coverage under Rabi oilseeds is reported at 89.29 lakh hectares, up 3.6% from 86.18 lakh ha previous year. Of the major oilseeds, rapeseed/mustard seed sowing is reported up by 6.0% compared to last year.

Crop	Jan 30 2014	Jan 30 2013	% Change
Rapeseed/Mustard	71.17	67.17	6.0
Groundnut	7.52	8.11	-7.3
Safflower	1.77	1.48	19.6
Sunflower	4.13	4.86	-15.0
Sesamum	0.77	0.6	28.3
Linseed	3.48	3.32	4.8
Others	0.45	0.64	-29.7
Total Oilseeds	89.29	86.18	3.6

(Area in lakh hectares) Source: GOI

Soybean

Domestic soybean extended losses on sluggish buying from crushers/processors due to disparity on crushing. Poor soy meal shipments and higher edible oil imports has made the crushing unviable. Besides, bearish international factors like higher soybean production estimates for South America and lower palm oil export sales from major exporters engulfed the oils and fats markets eventually pressuring domestic market.

Besides, there is still imports parity in soy oil of Argentine origin at Indian ports, cautious soybean buyers due to the quality concern this season has made the imports attractive for the importers.

The domestic demand in soyoil and meal is moderate and likely to be flat in near-term. Soy meal exports are likely to ease considering the previous trend, mainly due to demand diversion towards South America.

However, record higher US soybean crushings in first 4 months of US soy marketing season indicating fast disappearance and huge Chinese soybean imports limited the losses in soybean.

Balance Sheet – Soybean, India

Fig. in MnT

Oil Year (Oct-Sep)	2009-10	2010-11	2011-12	2012-13	2013-14 (Projected)
Carry In	0.45	1.12	0.37	0.40	0.32
Production	9.67	10.10	12.00	12.50	12.70
Imports	0.00	0.00	0.00	0.00	0.00
Total Availability	10.12	11.22	12.37	12.90	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 fell on weak Indian export sales and reports are higher soybean production in South America. Besides, better supplies due to record high US soybean crushings in the first 4 months of marketing year remained bearish for the market too.

Besides, demand shift towards South America and forward bookings ahead new crop in the region continue to pressure the Indian soy meal market. India's soy meal export sales in the month of December fell by 8.5%.

The export enquiries in soy meal continue to be low due to demand shift as South American meal prices are competitive compared to India's.

The demand shift to South America is evident due to the competitive prices there ahead new crop supplies. The soybean harvesting is picking up the pace in Brazil and peak Argentine harvesting is expected in March. The major international meal buyers have begun to place the orders – forward booking to take the opportunity of price competitiveness.

Seasonal fall in the meal exports is likely in coming weeks. India exported about 650,434 MT of soy meal in Jan 2013, we expect India's Jan'14 meal exports little below previous year's level considering 451314 MT in Dec'13.

Soy meal prices are expected to witness steady to weak tone in near-term.

Iran (132452.96 MT), Thailand (81254.28 MT), Vietnam (50262.43 MT) and Japan (40900 MT) remained the top buyers of Indian origin meal in the month of December 2013. However, India registered higher soy meal export sales during finance year and during current oil year (Oct-Sep).

The chances of improving India's meal exports in coming months are bleak as a result of demand diversion. The previous trend reveals that India's soy meal exports fall in upcoming months.

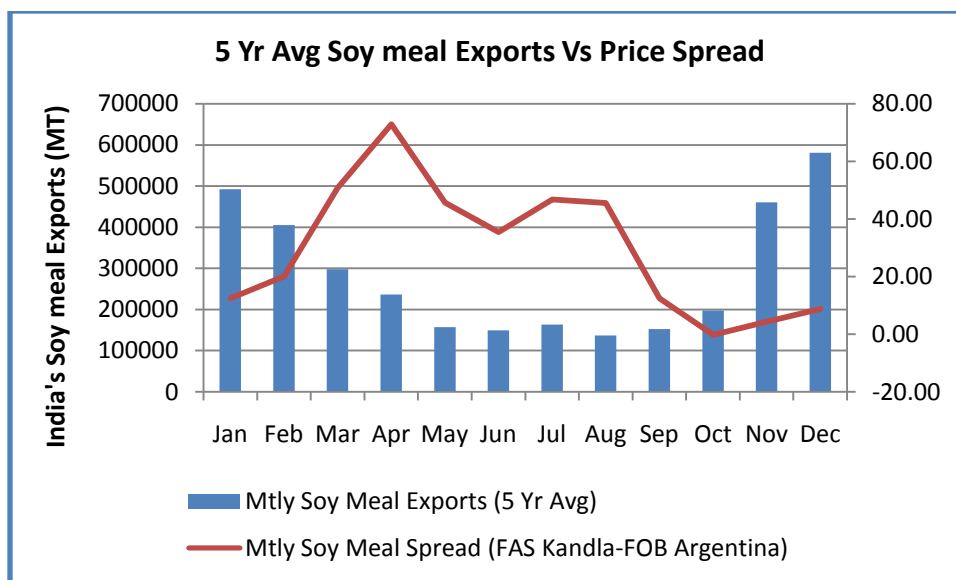
India's exports of soybean meal during December, 2013 was 4.71 lac tons as compared to 5.11 lac tons in December, 2012.

On a financial year basis, the shipment during April'2013 to December'2013 is 20.61 lac tons as compared to 19.16 lac tons in the same period of previous year showing an increase of 7.56%.

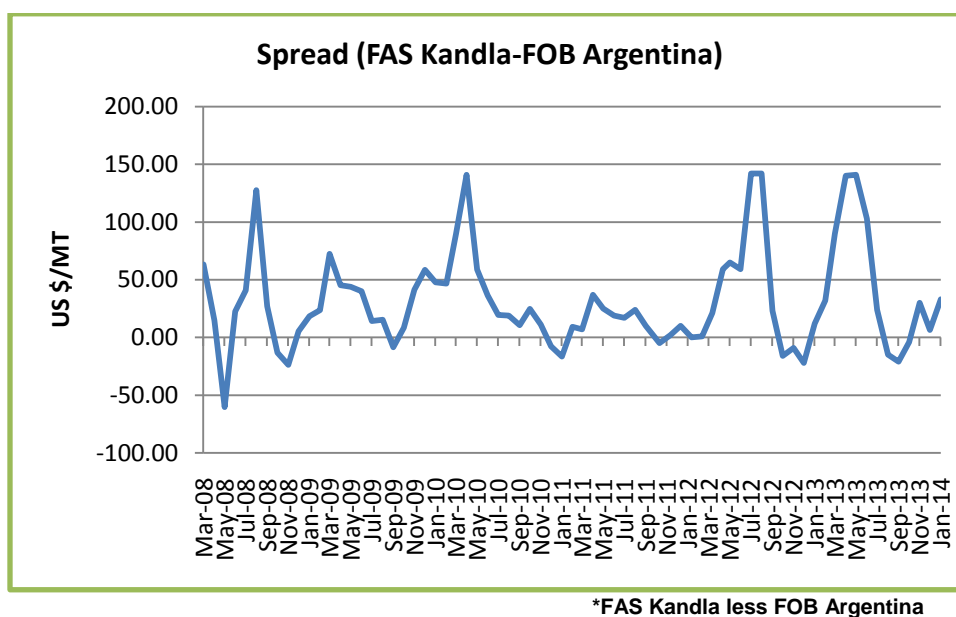
During current Oil year, (October - September), total exports during October 2013 to December, 2013 are 11.84 Lac tones as against 10.79 Lac tones last year, showing an increase by 9.73%.

Although, 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. During the current Oil year Iran, Japan, Europe, Thailand, Vietnam, Indonesia and South Korea are the major destinations for Indian soy meal exports.

However, India's Y-o-Y soy meal prices have witnessed a steady trend during the past weeks. Soy meal (Jan-Feb) export price, FOR Kandla exports was quoted between Rs 33,200-34,400/MT compared to 28,300-28,500/MT during the same period last year.



India's y-o-y soy meal prices for the month of Jan have witnessed an increase. Soy meal (Jan-Feb) exports price, FOR Kandla was quoted between Rs 33,200-35,500/MT compared to 27,800-29,500/MT during the same period last year.



The average monthly soy meal price spread between FAS Kandla and FOB Argentina has widened and was recorded at US \$ 33.0/MT in Jan 2014 compared to US \$ 6.5/MT in Dec'2013. The Indian soy meal prices have remained around the previous month's level while Argentine meal prices have declined ahead new crop supplies, resulting in the widening up 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

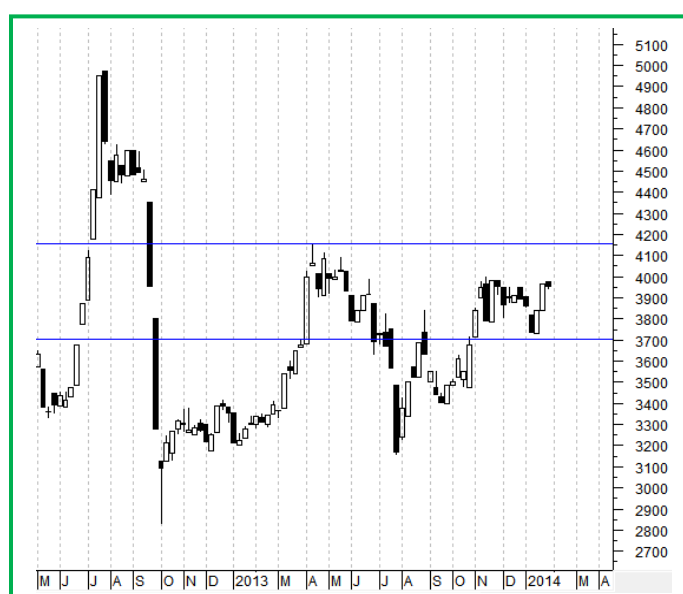
Avg Crush Margin – Jan 2014	Avg Crush Margin – Dec 2013
-2396	-2390

Technical Analysis:

NCDEX Soybean Futures



Soybean Spot, Indore



*In Rs/MT

Support & Resistance NCDEX - Soybean Mar Contract

S2	S1	PCP	R1	R2
3567	3650	3817.5	3948	4033

- The candlestick chart pattern reveals prices could not sustain at higher levels.
- MACD is heading upwards in positive territory.
- RSI and stochastic are rising in neutral region.
- Trade Recommendation (NCDEX Soybean - Feb) – 1 Month: BUY between 3800–3815 levels. T1 – 3900; T2 - 3950; SL – 3753.

Trade Recommendation soybean spot: Soybean prices are expected to feature a range bound movement due to the disparity on crushing the beans, lower soy meal export sales and parity in edible oil imports. Record South American production estimates will be another bearish factor for the beans. The prices are likely to feature range bound movement with weak bias and witness levels around 3850-4100 levels (Indore, Plant basis) during the month.

Rapeseed - Mustard Seed

The RM seed prices declined tracking losses in soybean and weak global oil and fats market. Better edible oil imports including soy, palm and sunflower oils remained bearish for the seed leading to fall in demand of crusher. Further, increase in domestic planting acreage in the seed this season added to the bears.

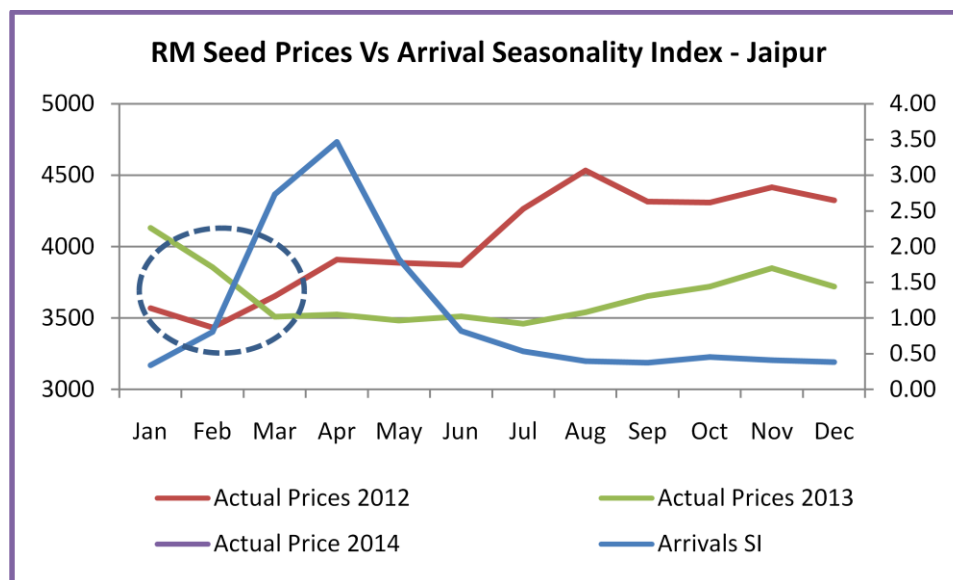
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The RM seed prices are likely to remain under downward pressure due to weak global and domestic factors in near-term.

Again, sizeable increase, 6%, in RM seed (71.17 lha vs 67.17 lha) and other rabi oilseeds acreage domestically, rise in US and South American soybean production estimates, lower crude will continue to create downwards pressure in the oilseeds. Recent rise in import duty in refined edible oils has failed to boost the seed prices.

RM Seed Prices vs Arrivals – Jaipur (Rajasthan)



RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Monthly Arrivals–January	1 Month Ago	Corresponding Period Last Year
9,76,000	10,37,000	10,60,000

The RM seed supplies are expected to boost on likely early crop harvest in Rajasthan and Uttar Pradesh.

We expect the RM seed prices to depict weak sentiments in the coming weeks on higher planted area under the seed and eventually rise in the seed production this season. Besides, higher domestic and global oilseeds production estimates including rise in rapeseed production in EU and Canada will limit the gains during the month.

Balance Sheet – Rapeseed-Mustard Seed, India

(Fig in Mn T)

Marketing Year (Mar-Feb)	2009-2010	2010-11	2011-12	2012-13	2013-14	2014-15F
Carry In	0.45	0.75	0.75	1.25	0.28	0.20
Production	6.2	6	7	6.5	7.2	7.57
Imports	0	0	0	0	0	0
Total Availability	6.65	6.75	7.75	7.75	7.48	7.77
Crush	5.9	6	6.5	7.47	7.28	7.57
Exports	0	0	0	0	0	0
Total Usage	5.9	6	6.5	7.47	7.28	7.57
Carry Out/Ending Stock	0.75	0.75	1.25	0.28	0.20	0.20
Monthly Use	0.49	0.50	0.54	0.62	0.61	0.63
Stock/Consumption Ratio	0.13	0.13	0.19	0.04	0.03	0.03
Stock to Month Use Ratio	1.53	1.50	2.31	0.45	0.33	0.32

(Source: Agriwatch)

- In our preliminary projection, we have pegged India's 2014-15 RM seed outturn at 7.57 Mn T. The production has surpassed the previous season's production followed by higher planted area, 6%, under the seed (7.12 Mn Ha vs 6.72 Mn Ha) and no reports of crop damage due to any adverse weather conditions.
- The carry-in stands at 0.20 Mn T, this season, which is slightly lower than previous year figure, as the crusher's demand remained intact.

Technical Analysis:

NCDEX RM Seed Futures



RM Seed Spot, Jaipur



Support & Resistance NCDEX - RM Seed Apr Contract

S2	S1	PCP	R1	R2
3020	3139	3304	3667	3758

- 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 – Apr) – 1 Month: Sell between 3320–3330 levels. T1 – 3250; T2 - 3200; SL - 3370.

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 higher planted area under the seed and eventually rise in the output this season. Market is expected to trade range bound in the 3300 – 3600 levels during the month.

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