

## Executive Summary

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Soybean, soy meal and rapeseed/mustard fell on global and domestic factors during the month under review.

**Soybean:** Soybean edged-lower on fall in crushing due to lower soy oil and meal demand in domestic and international front. The crush margin remained discouraging for the crushers (-2059/MT) and only need base buying was featured in the physical market.

Improved edible oil imports by India in recent months and comfortable inventory in the same has hit it's offtake in the domestic physical market.

US soybean planting is reported above 5 year average and also ahead from the same period last year. Soybean emergence too is up compared to 5 year average and also above the same period last year.

The monsoon is expected to hit India – Kerala, on 6th Jun. The domestic soybean planting will get delayed this season.

We feel the soybean prices will recover on weak supplies and expected scarcity of good quality bean for seeding this season. However, higher Malaysian palm oil and rising inventories of the oil, faster pace in US soybean planting and comfortable edible oil stocks in domestic market will limit the gains.

**Soy meal:** Soy meal prices fell in tandem with soybean on weak export sales in the meal due to shift in demand and current sluggish poultry demand at domestic front.

Competitive South American meal prices due to peak soybean season followed by harvest in Brazil, Argentina, Uruguay and Paraguay which commenced in March and April lead in international demand diversion towards the region.

The domestic soybean crush margin is negative and discouraging for the solvent extractors. Soybean crushing is already weak due to feeble demand in soy oil and fall in soy meal shipments.

India's soy meal export during April 2014 was 0.076 MMT as compared to 0.1.0 MMT in the same period of previous year showing a decrease of 24.35%.

During current Oil year, (October - September), exports during October 2013 to April, 2014 were 2.4 MMT as against 2.7 MMT last year, showing a decrease by 24.36%.

The soy meal prices are likely to rebound and once again head upwards on weak soybean supplies and likely scarcity of quality beans for seeding this season.

**Rapeseed/Mustard:** RM seed prices remained under pressure during the month under review. The seed prices were weak due to supply pressure followed by the seed harvesting as well as the plunge in the Malaysian palm oil during the period.

Rising seasonal palm oil production and eventually the stocks in Malaysia continued to pressure the domestic mustard seed. The buyers were in wait and watch situation anticipating further fall in the prices.

The stock of palm oil in Malaysia was being reported a 3 months high in April, details discussed under the RM seed below.

We expect fresh buying in near-term from stockists and millers to build up seed inventories in the peak season.

The domestic seed prices are expected to rebound on declining peak supplies and underlying buying interest among stockists and solvent extractors.

Overall, underlying current in oils and fats market is bullish, though few bearish factors prevalent in the market will limit the upside in short-term.

## International

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- ❖ US soybean planting is reported at 78% by 1 Jun which is above 5 year average of 70% and also ahead from 55% during the same period last year. Soybean emergence is reported at 50% slightly higher than 5 year average of 45% and above 29% during the same period last year. The factor is bearish for the international soybean for short-term.
- ❖ As per the USDA latest report, soybean production on global front is likely to be around 300 million tonnes, higher than 284 million tonnes in 2013/14, which is adding weight to the global soybean stocks and ultimately hurting the prices.
- ❖ Soybean imports in China during April 2014 is estimated around 6.5 million tons, nearly 40.6% higher than the imports in March 2014, which stood around 4.62 million tons. This is a supportive factor for the bean prices in the international benchmark.
- ❖ Soybean crop in Brazil, which is in the end phase of harvesting is estimated to produce 86.57 million tonnes of oilseed, which was earlier expected to be around 86.08 million tonnes, as forecasted in April, said Conab, the Agriculture Ministry's crop supply agency.
- ❖ As per Brazilian trade ministry, Brazil exported 8.25 million tons of soybean in April compared with 6.23 million tons in March. While, on the other hand, Brazil exported 115,900 tons of soybean oil in April, down 1800 tons from last month.
- ❖ Malaysian palm oil products export for Apr. rose 1.7 percent to 1.22 million tons from 1.20 million tons shipped during Mar., cargo surveyor Societe Generale de Surveillance. Indonesia lowered its export tax for crude palm oil to 12 percent for May from 13.5 percent in April - Indonesian Trade Ministry.
- ❖ As per Oil World, global palm oil imports during April-to-June 2014 seen at 10.5 million tons down 0.9 million tons from previous quarter (Jan.-March) in expectation of good buying from major importers ahead of Muslim festivities in late June.

- ❖ Stock of palm oil in Malaysia is being reported a three month high in April. Palm oil stock reached to 1.77 MMT in April, which was 1.69 MMT in March. The stockpile in Malaysia, world second largest palm grower, is putting pressure on the benchmark prices i.e. FCPO. It should be noted that bench mark prices have noticed a drastic drop of 12 percent since touching 2,916 ringgit (\$900) per tonne in March, the highest price level since September 2012. Production on other hand is being estimated at a median of 1.53 million tonnes, 2.4 percent higher and highest since December 2013. Malaysian Palm oil export recorded with median at 1.29 MMT, 3.8 percent higher than the 1.24 MMT export in March.
- ❖ As per the USDA latest report, soybean production on global front is likely to be around 300 million tonnes, higher than 284 million tonnes in 2013/14, may restrict one way gain.
- ❖ As per Brazilian trade ministry, Brazil exported 8.25 million tons of soybean in April compared with 6.23 million tons in March. While, on the other hand, Brazil exported 115,900 tons of soybean oil in April, down 1800 tons from last month.

**Oilseed Prices at Key Spot Markets:**

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Commodity / Centre	Prices (Rs/Qtl)				Change					
Soybean	31-May-14		30-Apr-14							
	Low	High	Low	High						
Indore –Plant	4300	4500	4700	4800	-300					
Indore–Mandi	4200	4400	4300	4800	-400					
Nagpur-Plant	NR	NR	NR	NR	-					
Nagpur – Mandi	NR	NR	NR	NR	-					
Kota-Plant	4400	4425	4450	4550	-125					
Kota – Mandi	4000	4400	4200	4550	-150					
Bundi-Plant	4300	4350	4700	4700	-350					
Bundi-Mandi	4300	4400	4650	4700	-300					
Baran-Plant	4600	4600	4700	4800	-200					
Baran-Mandi	4300	4600	4600	4700	-100					
Bhawani Mandi Jhalawar–Kota-Plant Delivery	4500	4500	4800	4800	-300					
Jhalwar-Mandi	4000	4450	4500	4800	-350					
Rapeseed/Mustard										
Jaipur-(Condition)	3455	3460	3520	3525	-65					
Alwar-(Condition)	3350	3360	3350	3350	10					
SriGanganagar-(Non-Condition-Unpaid)	2975	3000	3125	3130	-130					
New Delhi–(Condition)(New Crop)	3480	3485	3430	3435	50					
Kota-Non-(Condition)	3000	3100	3100	3200	-100					
Agra-(Condition)	3625	3630	3700	3700	-70					
Neewai	3200	3220	3325	3325	-105					
Hapur (UP)(New Crop)	Closed	Closed	3500	3500	-					
Groundnut Seed										
Rajkot	NR	NR	Closed	Closed	-					
Sunflower Seed										
Gulbarga	NR	NR	NR	NR	-					
Latur	NR	NR	-	-	-					
Sholapur(New Crop)	3600	3700	3700	3850	-150					
Sesame Seed (Mumbai (White98/2/1 FM)						10600	10600	13250	13250	-2650

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-May-14	30-Apr-14	
	Madhya Pradesh	981000	683000	298000
	Maharashtra	NA	552000	-
	Rajasthan	158000	177000	-19000
	Bundi (Raj)	4470	5500	-1030
	Baran (Raj)	37300	36000	1300
	Jhalawar (Raj)	14450	24600	-10150
Rapeseed/Mustard	Rajasthan	4310000	7190000	-2880000
*Soybean: 1 bag = 90 kg; RM Seed: 1 bag = 85 kg				

## Soybean

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Soybean edged-lower on fall in crushing due to lower soy oil and meal demand in domestic and international front. The crush margin remained discouraging for the crushers (-2059/MT) and only need base buying was featured in the physical market.

Improved edible oil imports by India in recent months and comfortable inventory in the same has hit it's offtake in the domestic physical market.

India in recent months has bought refined RBD palmolein (898,715 vs 874,187 MT), crude sunflower oil (688,846 vs 510,118 MT), and degummed crude soy oil (641,286 vs 299,727 MT) in higher volume during Nov – Apr, leading to the rise in inventories.

Besides, weak export sales in soy meal remained negative for the soybean crushers. After the formation of the new government, the buyers seemed cautious for fear of strong measures against food inflation by the government.

US soybean planting is reported at 78% by 1 June which is above 5 year average of 70% and also ahead from 55% during the same period last year. Soybean emergence is reported at 50% slightly higher than 5 year average of 45% and above 29% during the same period last year.

The soybean planting in India will get delayed due to late arrival in monsoon. The farmers in Maharashtra where the planting begins early as compared to Madhya Pradesh and Rajasthan say they intent to plant little later than usual this season, after a couple of rain spells. The soybean planting in Maharashtra commences between 15-20 Jun, which is now not possible this season.

The monsoon is hits India – Kerala, on 6th June, slightly later than usual.

Overall, the prospects of India's soybean planting are good as the overall realization to farmers in soybean remained better during the season.

We feel the soybean prices will recover on weak supplies and the expected scarcity of good quality bean for seeding this season. However, higher Malaysian palm oil and rising inventories of the oil, faster pace in US soybean planting and comfortable edible oil stocks in domestic market will limit the gains.

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## 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>	<b>12.50</b>	<b>11.00</b>
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>	<b>11.33</b>
Crush	9.00	10.85	11.97	12.58	10.50
Exports	0.00	0.00	0.00	0.00	0.00
Total Usage	9.00	10.85	11.97	12.58	10.50
Carry Out	1.12	0.37	0.40	0.32	0.82
Monthly Use	0.75	0.90	1.00	1.05	0.88
Stock/Consumption Ratio	0.12	0.03	0.03	0.03	0.08
Stock to Month Use Ratio	1.49	0.41	0.40	0.31	0.94

Source: Agriwatch

- **Trade Observations:** *Currently the soybean supplies are thin and the crushing is sluggish due to lean season. About 65% of the seed have been offloaded in the market during the season.*
- The outturn estimates for soybeans has been revised downwards by 12% to 11.0 Mn T from our previous estimate of 12.7 Mn T.
- The downward revision is primarily due to higher than expected crop losses in Madhya Pradesh parts of Rajasthan.
- We expect 2013/14 soybean crush above 10.5 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

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Soy meal prices fell in tandem with soybean on weak export sales in the meal and current sluggish poultry demand at domestic front.

The meal exports from India were already sluggish which further declined to major destinations in last couple of months due to demand shift.

The demand diversion of the major international buyers was primarily due to competitive South American meal prices due to peak soybean season followed by harvest in Brazil, Argentina, Uruguay and Paraguay which commenced in March and April.

The domestic soybean crush margin is negative and discouraging for the solvent extractors. Soybean crushing is already weak due to feeble demand in soy oil and fall in soy meal shipments.

However, the global soy meal trade is reported at the normal pace. In recent international consignments, a Philippines based syndicate of animal feed makers has bought 83,475 metric tons of soy meal from US and Argentina in a tender closed 27 May 2014.

Reportedly, one consignment of 39,475 MT of soy meal was bought at US \$91.5/MT over CBOT October soy meal contract for Oct. 5-25 shipment from Argentina. The other consignment of 44,000 MT was purchased at a premium of US \$96/MT over CBOT Dec. soy meal contract for Nov. 10-30 shipment from the US Pacific Northwest coast.

Further, another group of Philippines based feed makers bought about 120,000 MT of soy meal on the tender which closed Apr. 15.

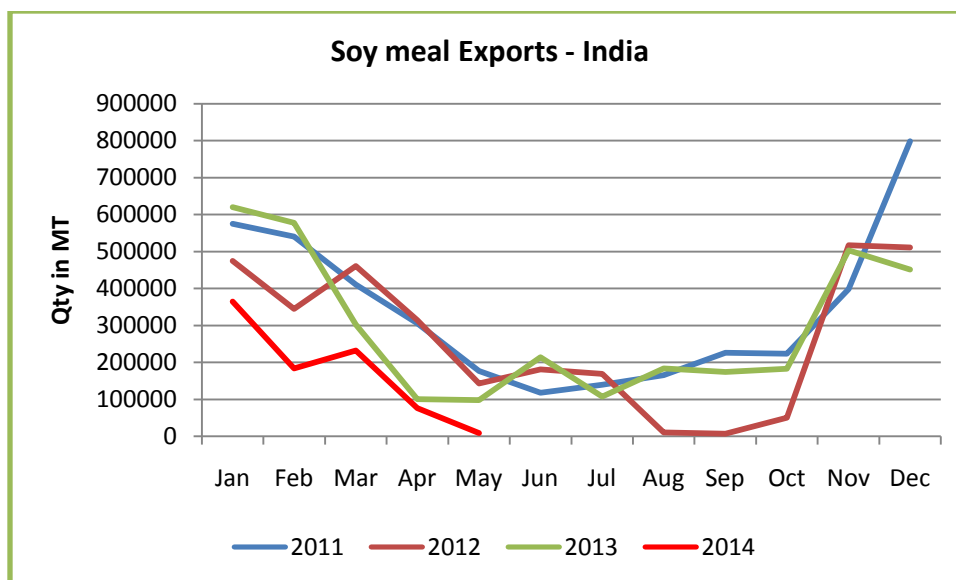
India's soy meal export during April 2014 was 0.076 MMT as compared to 0.1.0 MMT in the same period of previous year showing a decrease of 24.35%.

During current Oil year, (October - September), exports during October 2013 to April, 2014 were 2.4 MMT as against 2.7 MMT last year, showing a decrease by 24.36%.

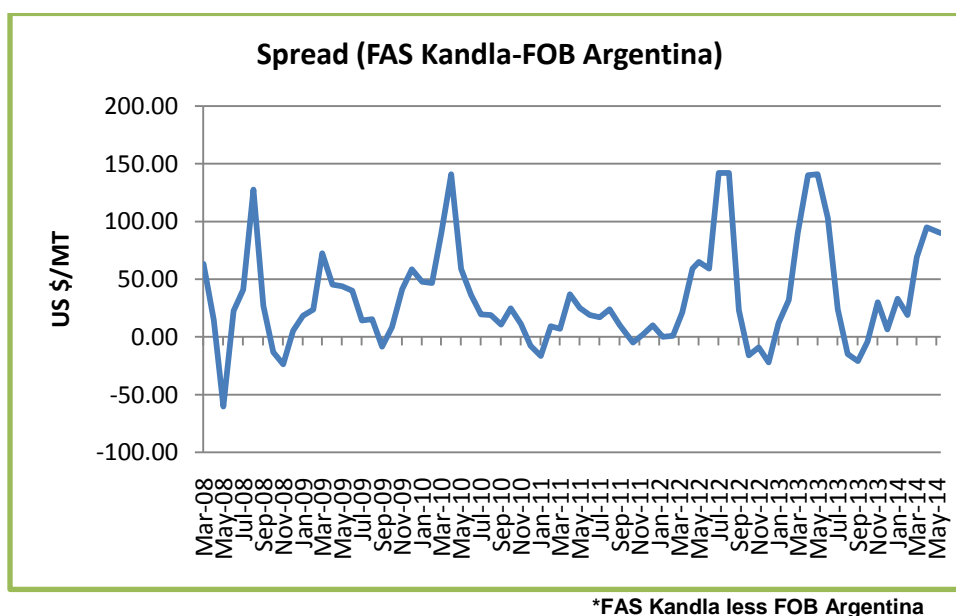
The soy meal prices are likely to rebound and once again head upwards on weak soybean supplies and likely scarcity of quality beans for seeding this season.

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However, India's Y-o-Y soy meal exports prices have continued uptrend. Soy meal, FOR Kandla exports price (Jun-Jul delivery) was quoted between Rs 40,500 – 45,500/MT in May 2014 compared to 34,500-36,150/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 \$ 90/MT in May 2014 compared to US \$ 95/MT in Apr 14. Argentine soy meal export prices are lower as compared to the India's. They are competitive due their new crop supplies expected in the month and improved crushings, resulting further 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). Hence for India exports window remains tight in near to medium-term.

Soy meal	May 2014	Apr 2014	May 2013
FOB – Argentina	542	525	496
FAS – Kandla	632	620	637

**Recommendation:** FOR Kandla exports price (Jun-Jul delivery) was quoted between Rs 40,500 – 45,500/MT in May 2014 compared to 34,500-36,150/MT during the same period last year. Prices are strong despite lower exports, as there is preference for non-GMO soy meal in some of the countries. 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 rebound and witness the prices in the range between 42,000-45,000 levels in the upcoming weeks.

## Soybean Crush Margin

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Avg Crush Margin – May 2014		Avg Crush Margin – Apr 2014		Avg Crush Margin – May 2013	
-2059		-2357		-2020	
Low	High	Low	High	Low	High
-3274	-170	-3470	-910	-3000	-1094

Negative crush margin continued to remain discouraging for the solvent extractors during the month under review. However, the disparity is close to the last year's level. Comfortable edible oil inventories and weak soy meal export sales remained negative for crushing.

## Technical Analysis:

### NCDEX Soybean Futures



### Soybean Spot, Indore



\*In Rs/MT

### Support & Resistance NCDEX - Soybean Jul Contract

S2	S1	PCP	R1	R2
3763	4040	4285	4741	5019

- Soybean prices fell during the month. But prices seemed to have bottomed out and expected to recover during the month.
- MACD is easing in negative territory.
- RSI and stochastic are falling in neutral zone.
- Trade Recommendation (NCDEX Soybean - Jul) – 1 Month: **BUY** Above 4280. T1 – 4385; T2 - 4620; SL – 4390.

**Trade Recommendation soybean spot, Indore basis:** Soybean prices are expected rebound on weak supply in the beans and likely scarcity of to feature firm tone. Expected lower supplies and forecast for the 2013-14 US soybean carry over to 135 million bushels, down 10 million from previous month remain bullish. South American crop damage and dry weather in major palm growing region of South East Asia will act as bullish factors. The prices are likely to edge-up and will be in the band of 4500-4700 levels (Indore, Plant basis) during the month.

## Rapeseed - Mustard Seed

RM seed prices remained under pressure during the month under review. The seed prices were weak due to supply pressure followed by the seed harvesting as well as the plunge in the Malaysian palm oil during the period.

The benchmark CPO prices have noticed a drastic fall since touching 2,916 ringgit (\$900) per tonne in March, the highest price level since September 2012. CPO, Jul contract, at BMD is currently ruling around 2,400 ringgit per tonne.

The Malaysian palm oil production on other hand is being estimated at 1.53 million tonnes, 2.4 percent higher and highest since December 2013. Malaysian Palm oil export recorded at 1.29 MMT, 3.8 percent higher than the 1.24 MMT export in March. Which is a bearish factor for the domestic mustard seed as it closely tracks the BMD CPO.

Rising seasonal palm oil production and eventually the stocks in Malaysia continued to pressure the domestic mustard seed. The buyers were in wait and watch situation anticipating further fall in the prices.

The stock of palm oil in Malaysia was being reported a 3 months high in April. Palm oil stock reached to 1.77 MMT in April, which was 1.69 MMT in March. The stockpile in Malaysia is exerting pressure on the benchmark prices, BMD. The market is expecting palm oil stock and production report in the second week of Jun, which is expected to be bearish to some extent.

We expect fresh buying in near-term from stockists and millers to build up seed inventories in the peak season.

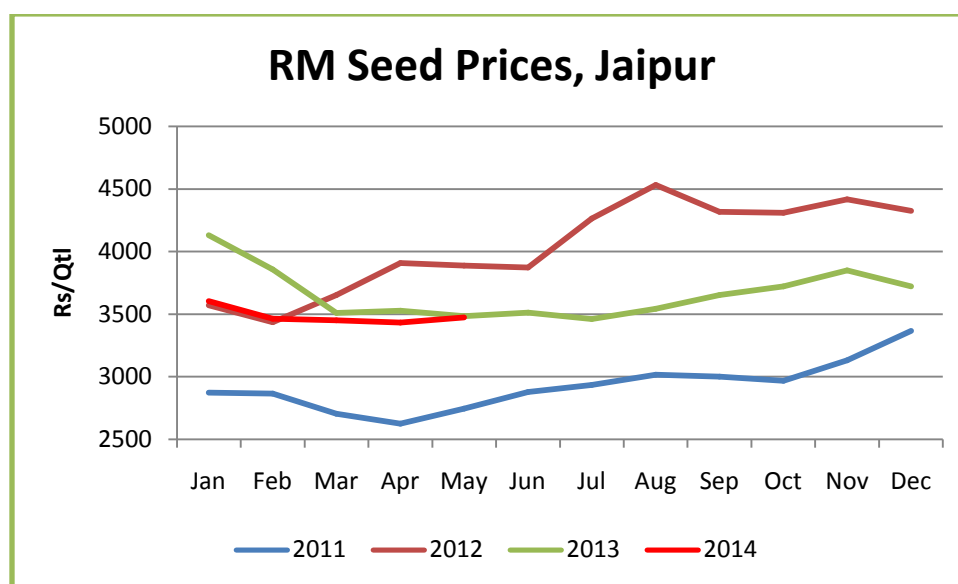
The seed arrivals, India, have fallen in recent weeks from earlier 6.0-7.0 lakh bags to 2.4-2.5 lakh bags in the last week of May.

### RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Monthly Arrivals– May	1 Month Ago	Corresponding Period Last Year
43,10,000	71,90,000	45,85,000

The domestic seed prices are expected to rebound on declining peak supplies and underlying buying interest among stockists and solvent extractors.

RM Seed Prices – Jaipur (Rajasthan)



## 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
<b>Carry In</b>	<b>0.45</b>	<b>0.75</b>	<b>0.75</b>	<b>1.25</b>	<b>0.28</b>	<b>0.20</b>
Production	6.2	6	7	6.5	7.2	7.74
Imports	0	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>7.48</b>	<b>7.94</b>
<b>Crush</b>	<b>5.9</b>	<b>6</b>	<b>6.5</b>	<b>7.47</b>	7.28	7.74
Exports	0	0	0	0	0	0
Total Usage	5.9	6	6.5	7.47	7.28	7.74
<b>Carry Out/Ending Stock</b>	<b>0.75</b>	<b>0.75</b>	<b>1.25</b>	<b>0.28</b>	<b>0.20</b>	<b>0.20</b>
Monthly Use	0.49	0.50	0.54	0.62	0.61	0.65
<b>Stock/Consumption Ratio</b>	<b>0.13</b>	<b>0.13</b>	<b>0.19</b>	<b>0.04</b>	<b>0.03</b>	<b>0.03</b>
Stock to Month Use Ratio	1.53	1.50	2.31	0.45	0.33	0.31

(Source: Agriwatch)

- ***Trade Observations: Currently the RM seed supplies are gradually falling from the peak supplies. Prices remained under seasonal supply pressure in recent weeks, but they are expected to improve on better buying in coming weeks.***
- We have revised our previous estimate and have pegged India's 2014-15 RM seed outturn at 7.7 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 Jul Contract

S2	S1	PCP	R1	R2
3302	3379	3436	3591	3727

- The RM seed prices plunged during the month, but seemed to have bottomed out.
- RSI and stochastic are easing in neutral region.
- Prices are likely to feature gains during the month.
- Trade Recommendation (NCDEX RM SEED – Jul) – 1 Month: **BUY** Above 3430 levels. T1 – 3530; T2 – 3580; SL – 3370.

**Trade Recommendation RM Seed Spot (Jaipur basis):** The seed prices have again fell to 3415-3420 level after it recovered from the recent low at 3358 a couple of weeks back. In spot, the RM seed prices are expected to feature gains underlying buying interest to cover the stocks by the stockists and the millers. However, weakness in Malaysian palm oil will pressure seed market to some extent during the month. Prices of seed are expected to recover and will be in the range between 3500–3600 levels during the month, Jun.

## Annexure

### Rabi Sown Area - Oilseeds, India

<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

As per the final official *Rabi* oilseeds planting report, 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.



## Soy Meal Export (In MT)

	2008	2009	2010	2011	2012	2013	2014
<b>Jan</b>	521243	521243	240318	574996	474993	619793	364443.7
<b>Feb</b>	375098	375098	220552	540360	344240	577589	183551
<b>Mar</b>	224639	224639	163666	410537	460464	302131	232176
<b>Apr</b>	539175	100106	60264	305033	313832	100312	75884
<b>May</b>	326875	77018	60575	176819	142588	97547	8226
<b>Jun</b>	241508	109923	98400	117600	180987	213564	
<b>Jul</b>	282438	58268	166632	139547	168341	107038	
<b>Aug</b>	205890	127299	176138	165510	10005	183555	
<b>Sep</b>	68443	171955	290868	225921	6525	173381	
<b>Oct</b>	88723	219721	404960	223594	49840	182724	
<b>Nov</b>	647400	297340	443488	397659	517103	503269	
<b>Dec</b>	655882	328225	611157	798041	510698	451314	
<b>Total</b>	<b>4177314</b>	<b>2610835</b>	<b>2937018</b>	<b>4075617</b>	<b>3179616</b>	<b>3512217</b>	<b>864280.3</b>

Source: SEA

**Highlights of IOPEPC Crop Survey in Gujarat:** Indian Oilseeds and Produce Export Promotion Council in its rabi crop survey report of groundnut and sesame seed in the state of Gujarat pegged groundnut production of the state at 18,7347 tonnes which planted in 93,200 ha.

The total study area of the council including others stood at 96331 ha and the production along with Gujarat is estimated at 193258 tonnes.

Sesame seed production in the state of Gujarat is pegged at 126,817 tonnes which was planted in 135,700 ha.

The total study area of the council including others stood at 138,075 ha and the production along with Gujarat is estimated at 128,878 tonnes.

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