

Executive Summary

Soybean and soy meal prices declined while rapeseed/mustard seed prices featured slight gains during the past week.

Soybean prices at major spot markets extended losses during the past week. Soybean prices have been pressured by moderate demand in the spot markets and bearish trend in international markets. However, weak supplies in the key spot markets of Madhya Pradesh restricted excessive fall. Internationally, soybeans on CBOT also witnessed a fall as pressure from South American sowing progress with record output estimates provided strong resistance to the prices.

In the US, soybeans on CBOT featured weak sentiments during the week. 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. 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.

Soy meal prices also depicted a weak trend during the week in review, in tandem with the domestic soybean prices, led by a weaker exports demand by overseas exporters. Meanwhile, lower arrivals during the current season have led to limited availability of high quality beans in the local markets pushing the prices. Also, weakness in the international markets pressured the domestic markets.

Moderate exports demand was reported from traders amid limited availability of beans in the local markets. There are concerns over damage to the soybean crop due to which traders have revised their projections for soy meal exports. 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. Lower supplies have raised the domestic prices, pulling down the exports demand.

RM seed prices in key spot markets across Rajasthan and Gujarat recovered during the week and ended with gains. A sharp drop in temperature in the northern regions of India led to concerns over crop growth in producing regions which supported the prices. Reportedly, cold wave conditions are being seen in some parts of Rajasthan. However, pressure from the good sowing progress of the rabi oilseeds across major producing regions restricted gains. Higher sowing area has raised prospects for increased output. Rapeseed prices will continue to feel pressure on moderate demand for oils and sufficient carry over stock.

International Highlights

- ❖ 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.
- ❖ At the import front, IBIS figures revealed that Indian buyers imported 6.84 lakh tons of crude palm oil, 2.63 lakh tons of RBD palmolein, 1.51 lakh tons of crude sunflower oil and 0.212 lakh tons of crude palm kernel oil during 1-29 Dec. 2013 majorly from Indonesia, Malaysia and Thailand. While, India imported 0.34 lakh tons of crude soybean degummed oil during Dec 1-29, 2013 majorly from Brazil and Argentina.
- ❖ 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 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.
- ❖ 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.
- ❖ 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 rising 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.

Oilseed Prices at Key Spot Markets:

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		3.1.2014	27.12.2013	
	Indore –Plant	3825-3880	3850-3925	-45
	Indore –Mandi	3600-3825	3650-3860	-35
	Nagpur-Plant	3640	3650	-10
	Nagpur – Mandi	3500	3200-3700	-200
	Kota-Plant	3750	3800-3850	-100
	Kota – Mandi	3600	3600-3700	-100
	Bundi-Plant	3800	3775	+25
	Bundi-Mandi	3700-3750	3650-3700	+50
	Baran-Plant	3775	3750	+25
	Baran-Mandi	3200-3700	3400-3700	Unch
	Bhawani MandiJhalawar– Kota Plant Delivery	3850-3875	3750-3775	+100
	Jhalawar-Mandi	3500-3900	3000-3850	+50
Rapeseed/Mustard	Jaipur – C	3680-3685	3650-3655	+30
	Alwar – C	550	3600	-50
	Sri Ganganagar(Non- Condition-Unpaid)	3300	3300	Unch
	Delhi–(Condition)	3650	3600	+50
	Kota	3000-3100	3000-3100	Unch
	Agra-(Condition)	3825	3825	Unch
	Neewai	NA	3550	-
	Hapur-(UP)	3600	3600	Unch
Groundnut Seed	Rajkot	660	665	-5
Sunflower Seed	Gulbarga	-	-	-
	Latur	3325-3450	3325-3450	Unch
	Sholapur	3325-3450	3325-3450	Unch
Sesame Seed	Mumbai (White98/2/1 FM)	13500	13250	+250

Soybean Prices are in INR/Qtl. Mandi prices – Loose, Mustard Seed Prices are in INR/Qtl.C –Condition (42%),
*Groundnut seed in Rs/20 kg, Sunflower Seed in Rs/Qtl

Oilseed Arrivals in Key Centers:

Commodity	Centre	Arrivals in Bags/Qtl		Chg
Soybean		Week End (3/1/2014)	Week End (27/12/2013)	
	Madhya Pradesh	565000	650000	-85000
	Maharashtra	335000	375000	-40000
	Rajasthan	60000	25000	+35000
	Bundi (Raj)	2200	800	+1400
	Baran (Raj)	10000	5000	+5000
	Jhalawar (Raj)	7500	1500	+6000
Rapeseed/Mustard	Rajasthan	189000	199000	-10000

Progress of Sown Area – Rabi 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
Total Oilseeds	83.77	78.95	6.10

(Area in lakh hectares) Source: GOI

Soybean

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The daily arrivals in the spot markets of Madhya Pradesh were lower during the past week which continues to provide supportive cues to the market. Adverse affect on the yields and quality of soybeans has resulted in less than normal supply of good quality soybeans. However, expectations of improvements in supply situation in the coming days led to slight pressure in the market. Demand for soy meal is reported slightly weak which is resulting in a cautious buying in the domestic soybeans markets.

A poor rate of crushing of soybean has affected soy meal availability. Even quality concerns are there in the market. However, good quality arrivals are expected to hit 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 week. 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 and mostly weak cues from international markets. Bearish South American supply sentiments and higher US soy crop yields are likely to pressure global soy markets restricting the upside.

Soy meal

Soy meal prices also depicted a weak trend during the week in review, in tandem with the domestic soybean prices, led by a weaker exports demand by overseas exporters. Meanwhile, lower arrivals during the current season have led to limited availability of high quality beans in the local markets pushing the prices. Also, weakness in the international markets pressured the domestic markets.

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. 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.

Markets are expected to feel some pressure as US soybean harvest revealed higher production and yields as shipments start from the region. However, robust Chinese buying has supported the US prices. Higher US soybean projection and higher global oilseeds projections likely to pressure the market but indications of robust demand from China will help build up market sentiment in the coming days.

High prices and lower quality have led to poor crushings of soybeans affecting soy meal availability. This has impacted its export and traders may have switched from India to other origins for fulfilling their commitments. 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 lac 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.

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.

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 soybean meal exports.

However, India's Y-o-Y soy meal prices have witnessed a steady trend during the past week. Soy meal (Jan-Feb) export price, FOR Kandla exports was quoted between Rs 35,300-35,900/MT, higher compared to last year.

Recommendation: *Indian soy meal faces price competition from South American soy meal but higher prices have restricted exports lately. India is in the seasonally higher exports period and South American supplies are likely to remain weak. The Indian meal exporters are advised to aggressively market their meal to the countries in vicinity including traditional South and Far-East Asian destinations to materialize the freight and logistics advantage. The prices are expected to feature steady to weak movement. FOR, Kandla is likely to be in the price band of Rs 34,000-35,500/MT.*

Technical Analysis:

NCDEX Soybean Futures-Weekly Chart



Soybean Spot, Indore



Support & Resistance NCDEX Soybean - Feb contract

S2	S1	PCP	R1	R2
3630	3700	3731	3900	4000

- Soybean prices depicted a weak movement during the week in review.
- RSI is edging lower in the neutral zone which indicates weakness in the market.
- Prices are expected to witness a steady to weak tone during the coming week.
- **Trade Recommendation (NCDEX Soybean - Feb) Week: Sell** between 3740-3750. Levels: Target – 3670; SL -3810.

Trade Recommendation Soybean Spot: We feel the soybean prices to feature range bound trend in the near-term - WEEK. The prices are likely to witness 3700-3900 levels (Indore, Plant basis).

Rapeseed - Mustard Seed

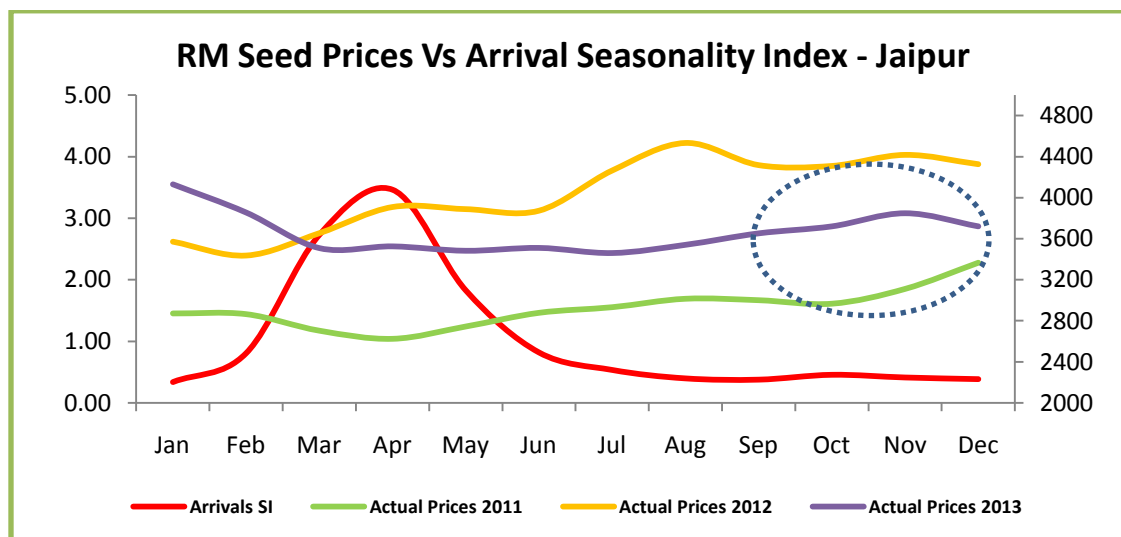
Rapeseed/mustard seed prices in key spot markets across Rajasthan and Gujarat recovered during the week and ended with gains. A sharp drop in temperature in the northern regions of India led to concerns over crop growth in producing regions which supported the prices. Reportedly, cold wave conditions are being seen in some parts of Rajasthan. However, pressure from the good sowing progress of the rabi oilseeds across major producing regions restricted gains. Higher sowing area has raised prospects for increased output. Rapeseed prices will continue to feel pressure on moderate demand for oils and sufficient carry over stock.

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.

As per SEA of India, rapeseed meal exports of India declined to 27,993 tons in November '13 compared to 143,848 tons in October '13 and 66966 tons in November '12. France and Taiwan were the major buyers importing 12,600 and 8,100 tons respectively. Total rapeseed meal exports for the April – November 2013 period have reached 589,509 tons, up from 558,962 tons for the previous 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 increased domestic oilseed acreage and output estimates in the current season are likely to weigh down on the rapeseed markets. However, limited RM seed supplies in the spot markets and emergence of prolonged cold wave conditions in key producing areas may provide support.



Technical Analysis:

NCDEX RM Seed Futures



RM Seed Spot, Jaipur



Support & Resistance NCDEX RM Seed - Apr contract

S2	S1	PCP	R1	R2
3320	3400	3479	3600	3650

- Candlestick chart pattern reveals a bearish tone in rapeseed prices during the week.
- RSI is moving down in the neutral zone indicating weakness in prices in the near term.
- **Trade Recommendation (NCDEX RM SEED - Apr) Week: SELL** between 3480-3500 for a target – 3400; SL -3550.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot, the RM seed prices are expected to feature a range bound movement with a weak bias in the coming days on rabi sowing progress and higher acreage estimates. The prices are likely to witness 3550-3700 Rs/ql level in near term.

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