

Executive Summary

Soybean, soy meal posted gains on domestic factors while rapeseed/mustard declined on weak global oils and fats market during the week in review.

The domestic soybean prices extend gains primarily due to the significant fall in the supplies followed by the strike called on by the traders in the grain markets of Madhya Pradesh. Hence, the soybean supplies were limited for more than a week and the cash markets of MP were left without the participation of both the buyers as well as the sellers during the week in review.

The strike was called-on by the traders in protest against the Food Safety and Standard Act proposed to be rolled out in the state which consequently hit the arrivals leading to higher quotes in the beans.

However, the domestic soybean crush disparity has widened in recent months and it is unviable to crush for many solvent extractors with lower soy meal exports commitment and better import parity in edible oils.

The local buyers remained concerned on quality of the beans mainly affected due to the incessant rains in the major soybean producing belt at the time of cultivation.

The upcoming weeks will witness the rise in the soybean supplies as the strike has been called-off by the traders and the prices of the beans are likely to feature weak tone. The harvesting in Brazil is picking up the pace, recent rains in Argentina remained beneficial for the crop and crushing is discouraging for the domestic solvent extractors, the factors will certainly play bearish role for the beans.

Soy meal witnessed gains tracking the higher domestic beans due to the limited supplies during the week in review. Overall, the soy meal fundamentals are not strong as the exports are moderate and the exports inquiries are just limited.

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.

RM seed fell on weak crusher's demand associated with losses in BMD CPO owing to weak export sales in palm oil from the major exporting countries. Besides, higher inventories in Malaysian palm oil of 1.98 Mn T, up 0.3% m-o-m stock, remained bearish for international palm oil. Indian rapeseed closely follows BMD CPO.

Besides, the planting area under RM seed is higher by 6% this season compared to previous year; this will eventually boost the seed production this season. The planted area this season is around 71 lakh hectares compared to 67.5 lakh hectares previous year.

Further, parity in edible oil imports remained discouraging for the domestic solvent extractors. Better, imports in edible oils including palm, soy and sunflower and comfortable stocks remained bearish for the rapeseed.

The seed prices are expected to featured range-bound movement with weak-bias in near-term.

International Highlights

- ❖ 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 | 24.1.2014 | |
| | Indore –Plant | 3900-4000 | 3900-3950 | +50 |
| | Indore –Mandi | 3750-3925 | 3600-3825 | +100 |
| | Nagpur-Plant | 3760 | 3750 | +10 |
| | Nagpur – Mandi | 3500-3700 | 3400-3750 | -50 |
| | Kota-Plant | 3850 | 3800 | +50 |
| | Kota – Mandi | 3700 | 3700 | Unch |
| | Bundi-Plant | 3825 | 3800-3825 | Unch |
| | Bundi-Mandi | 3700 | 3700-3800 | -100 |
| | Baran-Plant | 3850 | 3650 | +200 |
| | Baran-Mandi | 3600-3800 | 3550 | +250 |
| | Bhawani Mandi Jhalawar– Kota Plant Delivery | 3900 | 3850-3900 | Unch |
| | Jhalawar-Mandi | 3700-3900 | 3600-3900 | Unch |
| Rapeseed/Mustard | Jaipur – C | 3470-3475 | 3595-3600 | -125 |
| | Alwar – C | 3400 | 3400 | Unch |
| | Sri Ganganagar(Non- Condition-Unpaid) | 3100 | 3200 | -100 |
| | Delhi–(Condition) | 3500 | 3590 | -90 |
| | Kota | 3000 | 3000-3100 | -100 |
| | Agra-(Condition) | 3650 | 3775 | -125 |
| | Neewai | NR | NR | - |
| | Hapur-(UP) | 3450 | 3550 | -100 |
| Groundnut Seed | Rajkot | 640 | NR | - |
| Sunflower Seed | Gulbarga | NR | NR | - |
| | Latur | 3250-3450 | 3300-3475 | -25 |
| | Sholapur | 3300-3500 | 3300-3475 | +25 |
| Sesame Seed | Mumbai (White98/2/1 FM) | 12500 | 12650 | -150 |

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 (31/1/2014) | Week End (24/1/2014) | |
| | Madhya Pradesh | 287000 | 145000 | +142000 |
| | Maharashtra | 350000 | 395000 | -45000 |
| | Rajasthan | 57000 | 30000 | +27000 |
| | Bundi (Raj) | 500 | 1300 | -800 |
| | Baran (Raj) | 11500 | 4700 | +6800 |
| | Jhalawar (Raj) | 5800 | 3400 | +2400 |
| | | | | |
| Rapeseed/Mustard | Rajasthan | 237000 | 230000 | +7000 |

Progress of Sown Area – Rabi 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

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Soy meal

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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 week. 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.

Recommendation: *Indian soy meal is facing stiff price competition from South American meal. India's exports are likely to ease seasonally and South American supplies are to pick up in coming days. 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 35300-35500/MT.*

Technical Analysis:

NCDEX Soybean Futures-Weekly Chart



Soybean Spot, Indore



Support & Resistance NCDEX Soybean – Feb contract

| S2 | S1 | PCP | R1 | R2 |
|------|------|--------|------|------|
| 3220 | 3442 | 3916.5 | 4218 | 4450 |

- Soybean prices extended gains during the week.
- RSI and stochastic are rising in neutral zone supporting the gains.
- MACD is rising in positive territory.
- The prices are expected to feature gains in coming week.
- **Trade Recommendation (NCDEX Soybean – Feb) Week: Buy** between 3900-3915. Levels: Target – 4000; T2- 4050, SL -3852.

Trade Recommendation Soybean Spot: We feel the soybean prices to feature range bound movement with firm-bias in near-term - WEEK. The prices are likely to witness 4000-4200 levels (Indore, Plant basis).

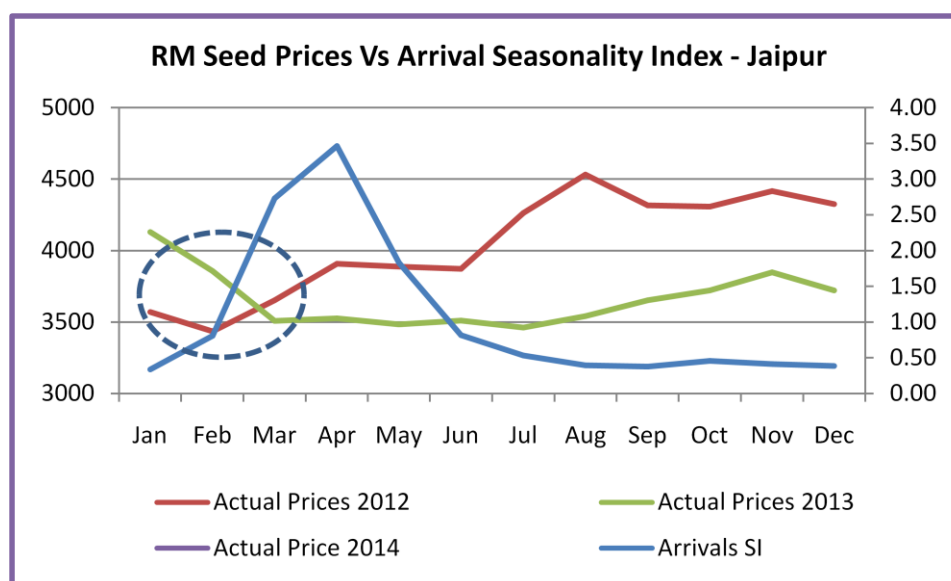
Rapeseed - Mustard Seed

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The seed prices are expected to featured range-bound movement with weak-bias in near-term.

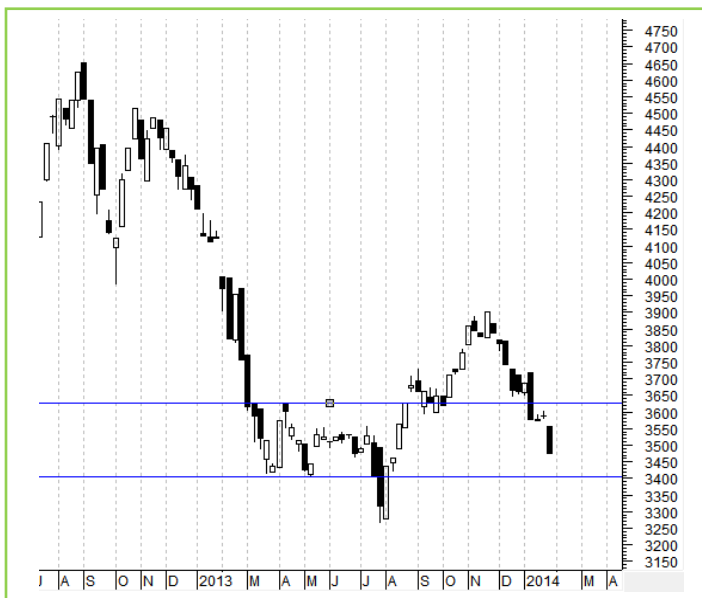


Technical Analysis:

NCDEX RM Seed Futures



RM Seed Spot, Jaipur



Support & Resistance NCDEX RM Seed - Apr contract

| S2 | S1 | PCP | R1 | R2 |
|------|------|------|------|------|
| 3020 | 3139 | 3317 | 3522 | 3633 |

- RM seed extended losses during the week.
- The prices closed below 9-day and 18-day EMA.
- RSI and stochastic are easing in the neutral zone.
- MACD has entered in the negative territory.
- Prices are expected to feature losses in near-term.
- **Trade Recommendation (NCDEX RM SEED - Apr) Week: SELL** between 3300-3310 for a Target – 3250; T2- 3200; SL -3338.

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 3450-3400Rs/ql level in near term.

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