

Executive Summary

Steady to weak sentiments featured in the domestic oilseeds and meal markets during the week in review.

The soybean prices hovered around the previous week's level in the absence of fresh buying and the market was looking for the news.

The soybean supplies further declined in the key physical markets after festive buying which got over the previous week. The soybean arrivals were already lower with the fall in crushers's demand and gradual shift in mustard seed crushings which is now in full swing with the new crop supplies.

Overall, the soybean prices are at the higher levels with the underlying bullish fundamentals. Severe dry weather in Malaysia, Indonesia and Thailand has hit the palm production which will eventually lower the palm oil production in near-term.

The soybean prices are expected to feature range-bound movement and hover around the current levels during the week.

Soy meal extended losses on weak export sales and widening disparity on crushing soybeans. India's soy meal shipments declined by 68% in Feb 2014 compared to the corresponding period last year.

The domestic crush margin continues to be in negative and the disparity is currently quite wide making it solvent extractors unviable for crushing the seed.

Demand shift from major soy meal buyers to South America due to price competitiveness followed by rise in crushings with harvesting of the beans in progress in the region continued to remain bearish for the domestic soy meal.

Of the top 5 buyers (Iran, Japan, France, Korea and Thailand) of soy meal of Indian origin Japan and Thailand skid to 10th and 19th position from 2nd and 5th position in the month of February 2014.

Indian soy meal exports are unlikely to pick up in coming months due to demand diversion and the prices are expected to featured range-bound movement with weak-bias in near-term on likely lower soy meal shipments in days ahead.

Domestic mustard seed continued downward movement on supply pressure with harvesting of the seed in full swing across major grown states/region.

Besides, persistence of weakness in BMD CPO during the week pressured the domestic seed market.

The new crop supplies are continuously increasing, as expected; all India arrivals have reached to 4.50 - 4.95 lakh bags a day compared to 4.10 - 4.15 lakh bags a day a week ago.

However, reports of severe dry weather in key palm growing parts of Malaysia, Indonesia and Thailand is likely to lend upward support to the Malaysian palm oil after the correction in BMD CPO gets factorized after short-term bearish fundamentals, which will eventually support India's rapeseed/mustard seed market in coming days.

Active buying in the new seed by the solvent extractors and the stockists is expected to rebound and feature short-term gains on bullish underlying current.

Soybean crop damage in South America, bullish reports on palm oil inventories in Malaysia and dry weather in Malaysia, Indonesia and Thailand will continue to remain positive for the oil and fats markets.

However, higher estimates of global soybean production followed by record outturn in Brazil and Argentina despite crop losses will cap the gain in oilseeds.

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

International Highlights

- ❖ Abiove has cut the forecast for the Brazil's current soybean crop to a still-record 86.1 million tonnes from 88.6 million tonnes in February. Besides, it estimated 44 million tonnes will be available for the exports.
- ❖ Agroconsult has cut its estimate for Brazilian soybean production to 89.2 million tons from 90.8 million in a March 7 report. This month, researcher Celeres reduced its forecast to 84.9 million tons from 89.2 million, while INTL FCStone slashed its estimate to 87.5 million from 90.3 million.
- ❖ Brazilian analyst Safras and Mercado has revised its soybean production downwards by 6.2% to 86.1 million tonnes due to drought/dry weather in January and early February. That would still be higher by 5% compared to previous season's harvest, as reported by Safras.
- ❖ As of March 1, edible oil stock at various ports is estimated at 4,75,000 tonnes. It consists of 2,40,000 tonnes of crude palm oil, 1,10,000 tonnes of refined palmolein, 50,000 tonnes of degummed soyabean oil, 65,000 tonnes of crude sunflower oil and 10,000 tonnes of canola rape oil and about 7,70,000 tonnes in the pipelines. Inventory – both at ports and transit – was reduced by 2,70,000 tonnes to 12,45,000 tonnes, due to lower imports in the last two months.
- ❖ China is likely to see 5.05 million metric tons (tonnes) of soybean imports delivered to ports in February, slightly higher than the earlier forecast of 5 million tonnes, the Ministry of Commerce (MOC) said in a report released.
- ❖ Brazilian soybean growers will harvest less than previously estimated after low rainfall and high temperatures harmed crops in the largest exporter of the oilseed used in tofu to cooking oil, the government said. The production outlook for the 2013-2014 season was cut to 85.4 million metric tons from last month's 90 million-ton forecast, agricultural agency Conab said by e-mail today
- ❖ China canceled about 0.4 million tons of U.S. soybeans in the two weeks to March 6 and also canceled 0.5 million tons from South America countries, mainly from Brazil due to ample supplies at Chinese ports – Oil World.
- ❖ China cancelled up to 600,000 tons of South American soybean cargoes for shipment between March and May, due to cases of bird flu and negative crush margins curb demand – (Reuters).
- ❖ Rosario grains exchange pegged Argentina's soybean production at 54.7 million tons for 2013/14 due to bad weather condition.

Oilseed Prices at Key Spot Markets:

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		21-Feb-14	14-Feb-14	
	Indore –Plant	3950-4050	3925-4025	+25
	Indore –Mandi	3750-3950	3500-3900	+50
	Nagpur-Plant	3850	3800	+50
	Nagpur – Mandi	3500-3800	3500-3750	+50
	Kota-Plant	3900	3900	Unch
	Kota – Mandi	3600-3800	3750-3800	Unch
	Bundi-Plant	3850	3825	+25
	Bundi-Mandi	3700-3750	3700	+50
	Baran-Plant	3850	3850	Unch
	Baran-Mandi	3600-3700	3500-3750	-50
	Bhawani Mandi Jhalawar– Kota Plant Delivery	3950	3875	+75
	Jhalawar-Mandi	3600-3950	3500-3900	+50
Rapeseed/Mustard	Jaipur – C	3485	3490	-5
	Alwar – C	3435	3450	-15
	Sri Ganganagar(Non- Condition-Unpaid)	3150	3060	+90
	Delhi–(Condition)	3500	3500	Unch
	Kota	2700-3000	2800-3200	-200
	Agra-(Condition)	3700	3700	Unch
	Neewai	3425	3400	+25
	Hapur-(UP)	3325	3400	-75
Groundnut Seed	Rajkot	640	640	Unch
Sunflower Seed	Gulbarga	NR	NR	-
	Latur	Closed	3300-3500	-
	Sholapur	3400-3600	3350-3550	+50
Sesame Seed	Mumbai (White98/2/1 FM)	12950	12850	+100

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
		Week End (21/2/2014)	Week End (14/2/2014)	
Soybean				
	Madhya Pradesh	515000	350000	+165000
	Maharashtra	510000	520000	-10000
	Rajasthan	71000	90000	-19000
	Bundi (Raj)	950	800	+150
	Baran (Raj)	11000	15000	-4000
	Jhalawar (Raj)	4400	7700	-3300
Rapeseed/Mustard	Rajasthan	242000	118000	+124000

Progress of Sown Area – Rabi Oilseeds, India

As per the official *Rabi* oilseeds planting (week ending 13 Mar 2014), 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.

Crop	Mar 2014	Mar 2013	% Change
Rapeseed/Mustard	71.36	67.46	5.8
Groundnut	8.92	10.11	-11.8
Safflower	1.79	1.5	19.3
Sunflower	4.4	5.3	-17.0
Sesamum	2.46	2.4	2.5
Linseed	3.59	3.36	6.8
Others	0.49	0.67	-26.9
Total Oilseeds	93.01	90.8	2.4

(Area in lakh hectares) Source: GOI

Soybean

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Soy meal

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India's oilmeal shipments fell 53% in Feb 2014 compared to the same period last year while soy meal exports declined by 68% in Feb 2014 compared to the corresponding period last year. Japan which stood at second position after Iran in buying soy meal of Indian origin slipped to 19th position in Feb.

India's shipment of soy meal during February, 2014 was 1.83 lac tons as compared to 5.77 lac tons in February, 2013 showing a decrease by 68.28% over the same period of last year.

This decline in the export is primarily due to lower arrival of soybean resulting the lower crushing.

On a financial year basis, the export during April'2013 to February'2014 is 26.09 lac tons as compared to 31.13 lac tons in the same period of previous year showing a decrease by 16.19%.

During current Oil year, (October - September), total exports during October'2013 to February'2014 are 17.32 lac tones as against 22.77 lac tones last year, showing a decrease by 23.94%.

Soy meal prices are expected feature firm tone on varied bullish factors hovering in the oils and fats market.

The demand shift to South America due to the competitive prices there ahead new crop supplies, this has already hit the India's meal exports. The soybean harvesting is at full swing in Brazil and peak Argentine harvesting is expected in late March. The major international meal buyers have begun to place the orders – forward booking to take the opportunity of price competitiveness.

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.

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 gains during the past week. Soy meal, FOR Kandla exports price (Mar-Apr delivery) was quoted between Rs 37,950-38,650/MT compared to Rs 31,500-32,000/MT during the same period last year.

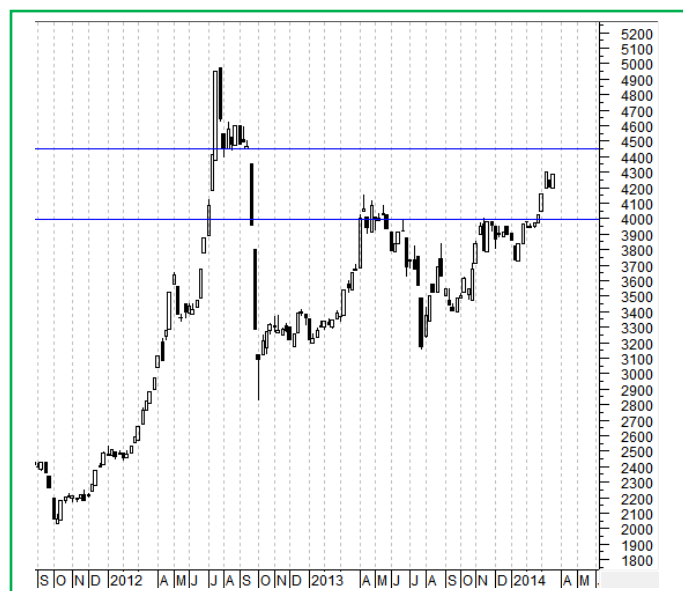
Recommendation: Soy meal, FOR Kandla exports price (Mar-Apr delivery) was quoted between Rs 37,950-38,650/MT compared to Rs 31,500-32,000/MT during the same period last year. Prices surged on bullish global soybean and palm oil reports during the month in review. Indian meal exporters are advised to 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 feature range bound movement with firm bias and the quotes will range between 38,500-40,000 levels in the upcoming week.

Technical Analysis:

NCDEX Soybean Futures-Weekly Chart



Soybean Spot, Indore



Support & Resistance NCDEX Soybean – Apr contract

S2	S1	PCP	R1	R2
4003	4094	4240.5	4421	4494

- Soybean prices witnessed side-ways movement during the week.
- Prices closed above 9-day and 18-day EMA.
- RSI and stochastic are rising in neutral.
- MACD is rising in positive territory.
- The prices are expected to feature gain in coming week.
- **Trade Recommendation (NCDEX Soybean – Apr) Week: Buy** Above 4240. Levels: Target – 4330; T2- 4400, SL -4181.

Trade Recommendation soybean spot: Soybean prices are expected to feature side-ways movement. But, South American crop damage and dry weather in major palm growing region of South East Asia will limit the losses. The prices are likely to feature edge-up and will be in the band of 4250-4350 levels (Indore, Plant basis) during the week.

Rapeseed - Mustard Seed

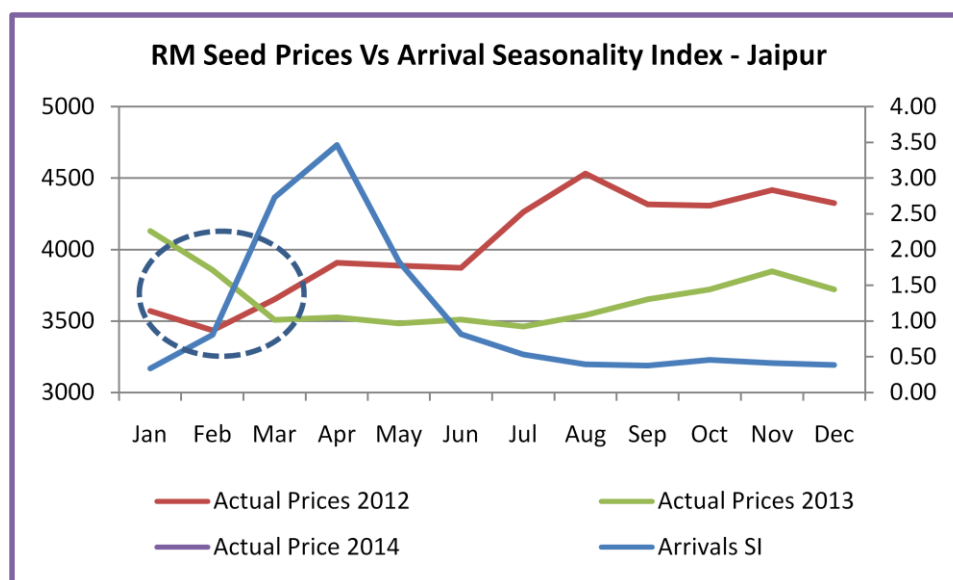
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Active buying in the new seed by the solvent extractors and the stockists is expected to rebound and feature short-term gains on bullish underlying current.



Technical Analysis:

NCDEX RM Seed Futures



RM Seed Spot, Jaipur



Support & Resistance NCDEX RM Seed - Apr contract

S2	S1	PCP	R1	R2
3272	3336	3420	3551	3609

- 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 territory.
- MACD is falling in the negative territory.
- Prices are expected to feature losses in the near-term.
- **Trade Recommendation (NCDEX RM SEED - Apr) Week: SELL** Below 3425 for a Target -3350; T2-3300; SL -3470.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot, the RM seed prices are expected to feature losses on fall in Malaysian palm oil. However, improved seed buying by the stockists and the solvent extractors domestically and severe dry weather in Malaysia, Indonesia and Thailand which will eventually hit the palm oil production in the region will remain limit the losses during the week. Prices of new crop seed are expected to be in the range between 3350–3450 levels during the week.

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