

## Executive Summary

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The domestic soybean and meal edged-up tracking firm global cues while rapeseed/mustard seed fell on heavy arrival pressure during the week under review.

The soybean prices slightly gained on need based buying and gains in international benchmark CBOT soybeans during the week in review.

Both buyers and sellers are cautious and are not actively participating ahead finance year ending, the traders are busy maintaining their books.

The soybean crushing is lower due to the widening disparity, sluggish soy meal export sales and higher imports of edible oils in recent past.

The crushing units are running below their actual capacity at around 25-30% or just 8-10 days in month.

The soybean prices are expected to feature gains on expected fresh buying with active participation in the new fiscal year.

Soy meal witnessed gains in line with soybean on firm global cues. Concern over South American crop loss due to dry weather and bullish soy meal supply scenario remained supporting factor for domestic soy meal too. Besides, dry weather in palm producing regions of South-East Asia remained positive for the domestic oils and fats market.

However, India's soy meal shipment continued to be weak as a result of demand shift of major buyers to South America due to their competitive meal prices owing to increased availability in meal with new crop supplies and improved crushings.

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

Indian soy meal exports are unlikely to pick up in medium-term due to demand diversion while 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 price extended losses on heavy arrival pressure followed by harvesting of the seed in major growing region in full swing. Besides, weaknesses in Malaysian palm oil with slowdown in usage and exports from Malaysia and other key palm oil exporters in recent weeks remained bearish for the domestic seed.

India's mustard seed closely tracks Malaysian palm oil. However, tight supplies in palm oil along with dry weather in Malaysia, Thailand and Indonesia will limit the losses in domestic seed.

Besides, buyers and sellers were not actively participating in the market during the week due to finance year ending. We feel fresh and active buying from millers and stockiest will revive within a week.

However, the seed prices will remain under pressure due to heavy arrivals in the seed but likely active buying by the solvent extractors and stockists will limit the losses in near-term.

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

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- ❖ Indonesia increased its export tax for crude palm oil to 13.5 percent in April from 10.5 percent in March - Indonesian Trade Ministry.
- ❖ As per Malaysian government, Malaysia has raised its crude palm oil export tax for April to 5.5 percent, last month 5% in March.
- ❖ 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.
- ❖ South America's top five producing countries soybean production forecast at 151.45 million tons in the 2013-14 season, 0.85 million tons higher from the February estimate. Moreover, Brazil and Argentina soybean production estimate for 2013/14 at 84.5 million and 53.5 million tons respectively – 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.
- ❖ 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.

**Oilseed Prices at Key Spot Markets:**

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		28-Feb-14	21-Feb-14	
	Indore –Plant	4225-4330	3950-4050	+280
	Indore –Mandi	4050-4250	3750-3950	+300
	Nagpur-Plant	4150	3850	+300
	Nagpur – Mandi	3900-4000	3500-3800	+200
	Kota-Plant	4200	3900	+300
	Kota – Mandi	4000-4100	3600-3800	+300
	Bundi-Plant	4100	3850	+250
	Bundi-Mandi	4075	3700-3750	+325
	Baran-Plant	4200	3850	+350
	Baran-Mandi	3800-4100	3600-3700	+400
	Bhawani Mandi Jhalawar– Kota Plant Delivery	4250	3950	+300
	Jhalawar-Mandi	3900-4200	3600-3950	+250
Rapeseed/Mustard	Jaipur – C	3380-3385	3485	-100
	Alwar – C	3200	3435	-235
	Sri Ganganagar(Non- Condition-Unpaid)	3080	3150	-70
	Delhi–(Condition)	3425	3500	-75
	Kota	2800-3000	2700-3000	Unch
	Agra-(Condition)	3675	3700	-25
	Neewai	3075	3425	-350
	Hapur-(UP)	3350	3325	+25
Groundnut Seed	Rajkot	670	640	+30
Sunflower Seed	Gulbarga	NR	NR	-
	Latur	3450-3650	Closed	-
	Sholapur	3600-3750	3400-3600	+150
Sesame Seed	Mumbai (White98/2/1 FM)	12450	12550	-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 (28/2/2014)	Week End (21/2/2014)	
Soybean				
	Madhya Pradesh	265000	515000	-250000
	Maharashtra	300000	510000	-210000
	Rajasthan	87000	71000	+16000
	Bundi (Raj)	1250	950	+300
	Baran (Raj)	8700	11000	-2300
	Jhalawar (Raj)	3500	4400	-900
Rapeseed/Mustard	Rajasthan	2210000	1130000	+1080000

## 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
<b>Total Oilseeds</b>	<b>93.01</b>	<b>90.8</b>	<b>2.4</b>

(Area in lakh hectares) Source: GOI

## Soybean

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## Soy meal

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Soy meal witnessed gains in line with soybean on firm global cues. Concern over South American crop loss due to dry weather and bullish soy meal supply scenario remained supporting factor for domestic soy meal too.

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However, India's soy meal shipment continued to be weak as a result of demand shift of major buyers to South America due to their competitive meal prices owing to increased availability in meal with new crop supplies and improved crushings.

As discussed earlier, 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 medium-term due to demand diversion while the prices are expected to featured range-bound movement with weak-bias in near-term on likely lower soy meal shipments in days ahead.

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 (Apr-May delivery) was quoted between Rs 38,200-38,625/MT compared to Rs 32,000-34,050/MT during the same period last year.

**Recommendation:** Soy meal, FOR Kandla exports price (Mar-Apr delivery) was quoted higher between Rs 32,000-34,050/MT compared to Rs 32,000-34,050/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**



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**Support & Resistance NCDEX Soybean – Apr contract**

S2	S1	PCP	R1	R2
4057	4110	4314.5	4450	4652

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- Soybean prices witnessed gains during the week.
- Prices closed above 9-day and 18-day EMA.
- RSI and stochastic are rising in neutral region.
- MACD is rising in positive territory.
- The prices are expected to feature gain in coming week.
- **Trade Recommendation (NCDEX Soybean – Apr) Week: Buy** Above 4310. Levels: Target – 4400; T2- 4445, SL -4256.

**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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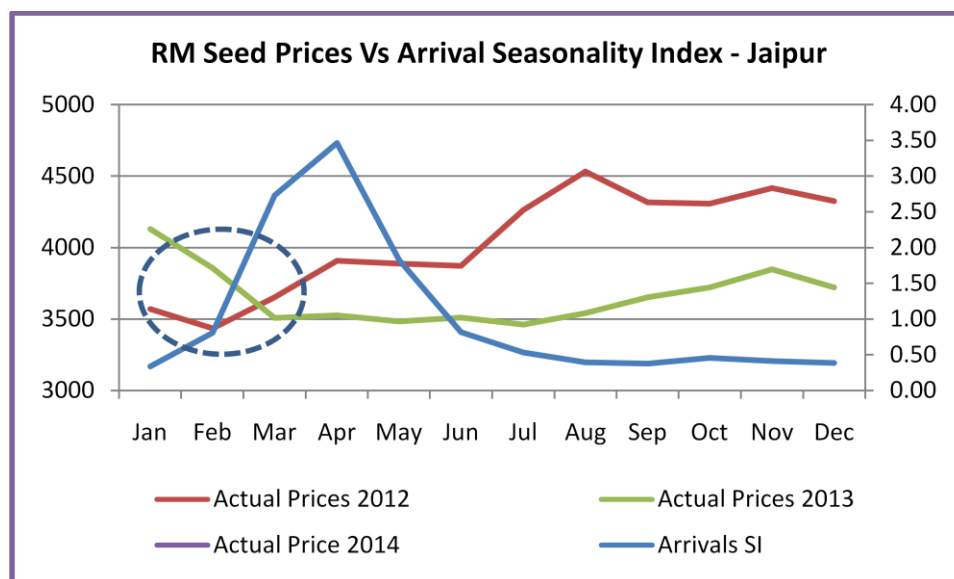
Domestic mustard seed price extended losses on heavy arrival pressure followed by harvesting of the seed in major growing region in full swing. Besides, weaknesses in Malaysian palm oil with slowdown in usage and exports from Malaysia and other key palm oil exporters in recent weeks remained bearish for the domestic seed.



India's mustard seed closely tracks Malaysian palm oil. However, tight supplies in palm oil along with dry weather in Malaysia, Thailand and Indonesia will limit the losses in domestic seed.

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However, the seed prices will remain under pressure due to heavy arrivals in the seed but likely active buying by the solvent extractors and stockists will limit the losses 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
3272	3336	3471	3565	3617

- RM seed rebound on buying support during the week.
- The prices closed above 9-day and 18-day EMA.
- RSI and stochastic are rising in the neutral territory.
- MACD is heading upwards in the negative territory.
- Prices are expected to feature gains in the near-term.
- **Trade Recommendation (NCDEX RM SEED - Apr) Week: BUY** Above 3469 for a Target –3530; T2-3560; SL -3432.

**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 3360 –3450 levels during the week.

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