

Executive Summary

Soybean, soy meal and rapeseed/mustard plunged on weak global cues and decline in domestic demand during the week under review.

Soybean fell on weak demand from solvent extractors followed by lower demand in soy oil and feeble export sales in soy meal. Higher vegoil imports in previous months which raised the inventories lead to further fall in the domestic crushings which was already facing disparity with lower export sales in soy meal this season.

Reports of higher palm oil inventories in Apr. with Malaysia remained another bearish factor for oil and fats market. Palm oil stock reached to 1.77 MMT in April, which was 1.69 MMT in March. This is not only pressuring the CPO prices but also major oilseeds.

However, Indian soybean cultivators may face the problem getting quality seed for sowing this season as the soybean crop was badly hit due to heavy rains in 2013, which lead to unhealthy growth in soybean. Further, soybean exports for seeding (allowed only in very small quantity) have slightly increased this year to destinations which prefer non-GM soybean farming. This will further lead to scarcity in the soybeans for domestic seeding this season.

Indian farmers are expected to plant soybean slightly higher this season on better bean prices, the area under planted soybean in 2013 stood at 12.2 Mn ha up 14.3% from 10.6 Mn ha in 2012.

US soybean planting is reported at 33% by 18 May which is below 5 year average of 38% but ahead from 21% during the same period last year. Soybean emergence is reported at 9% slightly below 5 year average of 11% and above 3% during the same period last year.

Overall, the Chinese soybean demand remained firm followed by concern over tight supplies. China bought 6.5 million metric tons of soybeans in April, up 63% from a same period last year and the highest ever for the month. The nation exported three times more soybean meal in April than 12 months earlier.

Brazilian soybean harvesting is almost done while it is underway in Argentina. Argentine farmers have become reserved sellers due to weakening of the currency – Peso who are further concerned that the government may soon devalue the official exchange rate.

We feel that the domestic soybean prices have bottomed-out and it should recover during the week.

Soy meal prices fell in tandem with soybean followed by weak overseas meal demand of Indian origin. Wide disparity in crushing soybean has discouraged the solvent extractors. The crushing is already lower owing to feeble demand in soy oil and fall in soy meal shipments.

The domestic demand from poultry feed industry is steady and there is no fresh buying in the same.

China imported about 6.5 million metric tons of soybeans in April, up 63% from a same period last year and the highest ever for the month eventually crushings improved and it exported three times more soybean meal in April compared to the corresponding period last year.

China exported the extra soy meal in April and now running out of the supply. The China's poultry, aquaculture and hogs industry is rising and they are running out of oilmeals including soy and rapeseed meal.

We feel the soy meal prices will rebound after considerable fall in recent weeks.

The RM seed prices declined tracking losses in Malaysian palm oil and sluggish buying activity in the seed in major market centers.

The seed arrivals, India, are gradually falling after it peaked to 7.0 lakh bags previous month. It has eased to 2.35-2.5 lakh bags during the week under review.

The seed buyers refrained from the market anticipating further fall in the price. The BMD CPO fell after the reports of higher palm oil stocks in Malaysia for Apr.

However, we expect renewed buying in near-term from stockists and millers to build up seed inventories in the peak season.

The stock of palm oil in Malaysia is 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 bench mark prices have noticed a drastic fall of 12 percent since touching 2,916 ringgit (\$900) per tonne in March, the highest price level since September 2012. The 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.

The domestic seed prices are expected to move in upwards direction with falling supplies and buying interest among stockists and solvent extractors.

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

International Highlights

- ❖ US soybean planting is reported at 33% by 18 May which is below 5 year average of 38% but ahead from 21% during the same period last year. Soybean emergence is reported at 9% slightly below 5 year average of 11% and above 3% during the same period last year.
- ❖ 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.
- ❖ Soybean crop in Brazil, which is in the end phase of harvesting will 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.
- ❖ Reportedly the South American soybean sales have picked up in previous weeks reflected in surge of soybean exports to all-time records in April and May.
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- ❖ Argentina soy crop production is likely to touch the level of 55.5 million tonnes this season. Earlier it was estimated to be around 54.5 million tonnes. Reason for the same is the yield, which stood higher what was expected earlier.
- ❖ US Department of Agriculture (USDA) said that according to the private exporters, 140,000 tonnes of US soybean have been sold to unknown destination, for delivery in 2014/15 starting on Sept 1.

- ❖ 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. Korea has brought 55,000 tonne soymeal from south America. The deal has been struck at around \$549.5 a tonne on C&F basis. It includes \$1.5 a tonne for unloading at additional port. The seller is Concordia. Shipment is expected in between 1 to 20 Sept.
- ❖ Rapeseed production on global front is likely to decline in 2014/15 as area would remain steady and yield return to trend levels. Production in major exporting countries namely Canada, Australia and Ukraine is expected lower but supply in Canada would remain unchanged because of large ending stock of 2013/14.
- ❖ 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:

| Commodity / Centre | Prices (Rs/Qtl) | | | | Change |
|--|-----------------|-------|-----------|--------|--------|
| Soybean | 23-May-14 | | 16-May-14 | | |
| | Low | High | Low | High | |
| Indore –Plant | 4600 | 4650 | 4575 | 4710 | -60 |
| Indore–Mandi | 4400 | 4600 | 4300 | 4550 | 50 |
| Nagpur-Plant | NR | NR | NR | NR | - |
| Nagpur – Mandi | NR | NR | NR | NR | - |
| Kota-Plant | 4500 | 4600 | 4500 | 4500 | 100 |
| Kota – Mandi | 4450 | 4500 | 4000 | 4500 | Unch |
| Bundi-Plant | 4400 | 4450 | 4400 | 4400 | 50 |
| Bundi-Mandi | 4400 | 4450 | 4200 | 4350 | 100 |
| Baran-Plant | 4450 | 4500 | 4800 | 4800 | -300 |
| Baran-Mandi | 4300 | 4400 | 4500 | 4750 | -350 |
| Bhawani Mandi Jhalawar–Kota-Plant Delivery | 4400 | 4500 | 4400 | 4400 | 100 |
| Jhalwar-Mandi | 4100 | 4500 | 4000 | 4300 | 200 |
| Rapeseed/Mustard | | | | | |
| Jaipur-(Condition) | 3485 | 3490 | 3525 | 3530 | -40 |
| Alwar-(Condition) | 3400 | 3400 | 3425 | 3450 | -50 |
| SriGanganagar-(Non-Condition-Unpaid) | 3040 | 3050 | 3110 | 3115 | -65 |
| New Delhi–(Condition)(New Crop) | 3430 | 3440 | 3440 | 3450 | -10 |
| Kota-Non-(Condition) | 3050 | 3100 | 3000 | 3070 | 30 |
| Agra-(Condition) | 3700 | 3710 | 3750 | 3760 | -50 |
| Neewai | 3300 | 3310 | 3325 | 3350 | -40 |
| Hapur (UP)(New Crop) | 3425 | 3450 | 3500 | 3525 | -75 |
| Groundnut Seed | | | | | |
| Rajkot | 650 | 650 | NR | NR | - |
| Sunflower Seed | | | | | |
| Gulbarga | NR | NR | NR | NR | - |
| Latur | 3520 | 3520 | Closed | Closed | - |
| Sholapur(New Crop) | 3600 | 3700 | 3700 | 3700 | Unch |
| Sesame Seed | | | | | |
| Mumbai (White98/2/1) | 11300 | 11300 | 12500 | 12500 | -1200 |

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 | | Change |
|------------------|----------------|----------------------|----------------------|--------|
| | | Week End (23/4/2014) | Week End (16/4/2014) | |
| Soybean | | | | |
| | Madhya Pradesh | 275000 | 213000 | 62000 |
| | Maharashtra | NR | NR | - |
| | Rajasthan | 36000 | 26000 | 10000 |
| | Bundi (Raj) | 1300 | 1000 | 300 |
| | Baran (Raj) | 5400 | 8000 | -2600 |
| | Jhalawar (Raj) | 2100 | 3500 | -1400 |
| | | | | |
| Rapeseed/Mustard | Rajasthan | 825000 | 840000 | -15000 |

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 | Apr 2014 | Apr 2013 | % Change |
|-----------------------|-----------------|-----------------|-----------------|
| Rapeseed/Mustard | 71.38 | 67.48 | 5.8 |
| Groundnut | 10.8 | 11.01 | -1.9 |
| Safflower | 1.79 | 1.5 | 19.3 |
| Sunflower | 4.45 | 5.33 | -16.5 |
| Sesamum | 4.54 | 2.94 | 54.4 |
| Linseed | 3.61 | 3.38 | 6.8 |
| Others | 0.49 | 0.69 | -29.0 |
| Total Oilseeds | 97.06 | 92.33 | 5.1 |

(Area in lakh hectares) Source: GOI

Soybean

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Soy meal

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We feel the soy meal prices will rebound after considerable fall in recent weeks.

India's soy meal export during April 2014 was 0.76 Lac tones as compared to 1.00 lac tones 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 20.40 Lac tones as against 26.97 Lac tones last year, showing a decrease by 24.36%.

Partially, export of Soybean Meal suffered during first and fourth quarter due to poor availability of soybean and corresponding lower crushing.

The soy meal prices are expected to feature range-bound movement with firm bias and short-term.

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.

Preference of the soy meal of Indian origin mainly by the South-East countries due to logistic and freight advance and demand for non-GMO meal will continue to 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.

India's Y-o-Y soy meal prices have witnessed gains during the past week. Soy meal, FOR Kandla exports price (May-Jun delivery) was quoted higher between Rs 41,500-43,000/MT compared to Rs 35,800-36,150/MT during the same period last year.

Recommendation: FOR Kandla exports price (May-Jun delivery) was quoted higher between Rs 41,500-43,000/MT compared to Rs 35,800-36,150/MT during the same period last year. Prices are likely to recover on bullish global soybean supply scenario. 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 42,500-43,500 levels in the upcoming week.

Technical Analysis:

NCDEX Soybean Futures-Weekly Chart



Soybean Spot, Indore



*Note: Daily Chart

Support & Resistance NCDEX Soybean – Jun contract

| S2 | S1 | PCP | R1 | R2 |
|------|------|------|------|------|
| 4536 | 4639 | 4718 | 4853 | 4962 |

- Weekly soybean candlestick chart pattern reveals gains during the week in the market.
- Prices closed above 9-day and 18-day EMA.
- RSI is rising in overbought zone while stochastic is easing in overbought region.
- MACD is heading upwards in positive territory.
- The prices are expected to feature gain in coming week.
- **Trade Recommendation (NCDEX Soybean – Jun) Week: Buy Above 4716. Levels: Target – 4770; T2- 4820, SL -4684.**

Trade Recommendation soybean spot: Soybean prices are expected to recover on likely gains in international market and firm domestic underlying current. Forecast for the 2013-14 soybeans carry over to 135 million bushels, down 10 million from last month. 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 4550-4650 levels (Indore, Plant basis) during the week.

Rapeseed - Mustard Seed

The RM seed rebound after seasonal supply pressure in previous weeks. Good buying support by the millers and the stockists and fall in arrivals due to general elections during the week pushed up the seed prices.

Besides, higher Malaysian palm oil due to weakening ringgit is pushing up the international benchmark BMD CPO and expectations of pre-Ramadan demand and improved palm oil exports from Malaysia recently remained supportive for the domestic mustard seed too. India's rape/mustard seed closely follows BMD CPO.

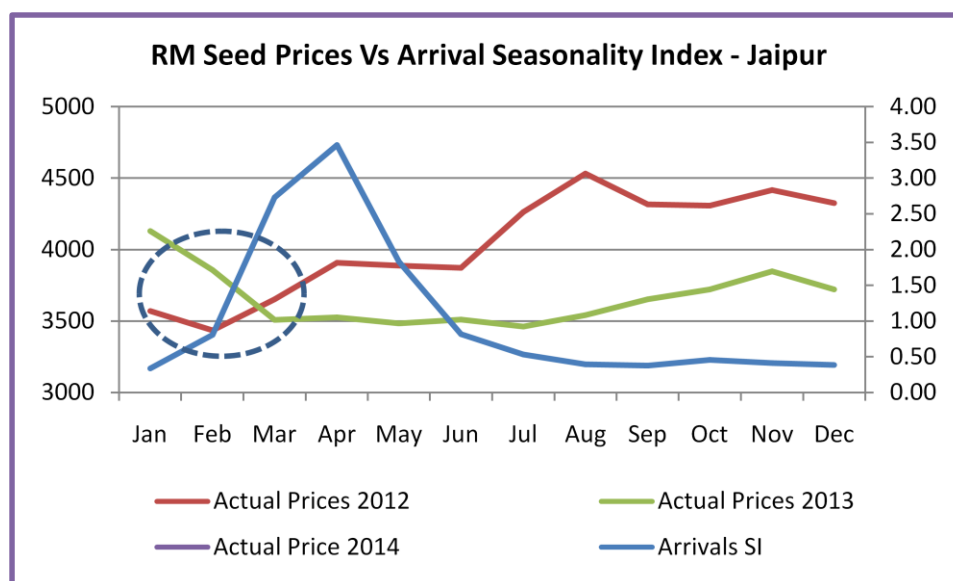
The mustard seed harvesting is nearing completion in the major producing regions including Rajasthan, UP, Madhya Pradesh, Punjab and Haryana. Overall, the seed supplies are higher followed by harvesting in full swing in the remaining areas.

The buyers are active in the market including millers and the stockists at the current price to cover their stocks.

Indonesia increased its export tax for crude palm oil to 13.5 percent in April from 10.5 percent in March. Besides, Malaysia has raised its crude palm oil export tax for April to 5.5 percent, last month 5% in March. The upward revision will increase the landed cost of palm oil at Indian ports which is another bullish factor for domestic RM seed.

But the bearish side is that Malaysian palm oil inventories for March estimated at 1,687,709 tons against a revised 1,656,908 tons last month. Inventories surged by rose 2 percent compared to last month. However, Malaysian palm oil inventories hovering at 22.2 percent lower on y-o-y basis. Higher palm oil production and weak exports helped lift stocks. On the production front, palm oil output for March is estimated at 1.49 million tons, up 17.3 percent on m-o-m basis - Malaysian Palm Oil Board.

We feel the RM seed prices have bottomed out in previous week and they will recover on better miller and stockist's buying in near to medium term.



Technical Analysis:

NCDEX RM Seed Futures



*Note: Daily Chart

RM Seed Spot, Jaipur



Support & Resistance NCDEX RM Seed - Jun contract

| S2 | S1 | PCP | R1 | R2 |
|------|------|------|------|------|
| 3359 | 3403 | 3468 | 3585 | 3617 |

- The RM seed prices plunged during the week but showed signs of recovery towards the end of 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 gains in the near-term.
- **Trade Recommendation (NCDEX RM SEED - Jun) Week: BUY** Above 3466 for a Target –3520; T2- 3570; SL -3434.

Trade Recommendation RM Seed Spot (Jaipur basis): The RM seed has good support at 3420 level. Prices tested low at 3428 in previous the week. In spot, the RM seed prices are expected to feature gains on renewed buying interest at the current levels. Prices of seed are expected to be in the range between 3465–3525 levels during the week.

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