

Executive Summary

Soybean, soy meal and rapeseed/mustard continued downward trend consecutive third week on limited buying in domestic cash market and continued weakness Malaysian palm oil during the week under review.

Soybean fell for consecutive third week on weak crushing eventually leading to feeble buying by the crushers and sluggish soy meal shipments from India this season.

As discussed in previous week, India vegoil imports were higher in recent months which subsequently improved the domestic edible oil inventories. The wholesalers have adequate stocks and the domestic beans crushings are lower, limiting the fresh buying in edible oils.

The soybean cultivators will gear up for land preparation and subsequently planting after the south-west monsoon which has hit Kerala on 6 June. The planting starts first in the districts of Maharashtra, we expect it by the end of Jun as cited by the farmers. We expect India's soybean planting normal this season.

India's area under soybean in 2013 was up 14.3% at 12.2 Mn ha compared to 10.7 Mn ha in 2012.

US soybean planting is reportedly ahead 5 year average and also ahead previous year, this season. There are no reports of adverse weather for the crop in US mid-west by now.

US soybean imports have improved and imports are mainly from the major South American producers. Reportedly US soybean imports need to increase in May/Aug 2014 to prevent US soybean crushings from falling below the minimum level required.

Considering the current situation, we feel the soybean prices will recover on weak supplies and expected scarcity of good quality bean for seeding this season.

Soy meal continued downtrend in sync with soybean primarily on lower export sales and feeble domestic demand due to weak poultry demand.

The domestic soybean crushing is quite discouraging due to negative crush margin and weak soybean supplies.

India's oilmeal shipments almost halved in May from the corresponding period to 153,761 tonnes due to a plunge in soy meal shipments.

India's soy meal exports plunged to 8,226 tonnes in May from 96,492 tonnes during the same period last year. India's oilmeal shipments fell 9.8 percent from a year earlier to 4.3 million tonnes in the 2013/14 fiscal year that ended in March.

Competitive South-American meal prices mainly in and around the peak supply period have diverted the international meal demand towards South-America.

The soy meal prices are expected to recover on weak soybean supplies and likely scarcity of quality beans for seeding this season.

RM seed edged-lower straight third week in benchmark, Jaipur, tracking weakness in Malaysian palm oil during the week in review.

The seed supplies are gradually seen falling from its peak and limited buying was featured in the key cash markets among buyers including stockists and millers.

The buyers seemed cautious for fear of strong measures against food inflation by the new government during the week.

The all India seed arrivals fell to 2.0-2.3 lakh bags from 2.4-2.5 lakh bags a day from earlier 6.0-7.0 lakh bags to couple of weeks back.

Continued fall in the Malaysian palm oil due to improved seasonal production and higher month-on-month inventories continues to exert pressure on domestic RM seed. The domestic RM seed closely tracks Malaysian palm oil.

As discussed, the benchmark CPO prices have noticed a drastic fall since touching 2,916 ringgit (\$900) per tonne in March, the highest price level since September 2012. CPO, Jul contract, at BMD is currently ruling around 2,400 ringgit per tonne.

The Malaysian 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. Which is a bearish factor for the domestic mustard seed as it closely tracks the BMD CPO.

The RM seed prices are expected to recover on fresh buying in seed ahead upcoming mustard oil demand on festivities in weeks ahead.

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 78% by 1 Jun which is above 5 year average of 70% and also ahead from 55% during the same period last year. Soybean emergence is reported at 50% slightly higher than 5 year average of 45% and above 29% during the same period last year. The factor is bearish for the international soybean for short-term.
- ❖ Crushings of 10 oilseeds are currently forecast to continue to rise sharply in Oct/Sept 2014/15, reaching 420.5 Mn T, as reported by Oil World.
- ❖ The global soybean inventories are expected to be record large at around 90 Mn T at the end of next season, equivalent to 31.6% of annual consumption – Oil World.
- ❖ Ukrainian sunflower oil shipments surged to an all-time high of 0.48 Mn T in April, out of which about 50% was shipped to India.
- ❖ The Argentine soybean harvesting is slow paced which made very little progress for the third consecutive week with only 4% of the area collected in the week to May 29 – Oil World.
- ❖ Brazil's soybean shipments slowed to 7.61 Mn T in May from above 8 Mn T earlier.
- ❖ The official import figure for April showed the first US imports of Brazilian soybeans of this season at 0.13 Mn T – Oil World.
- ❖ 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.
- ❖ 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.
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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.
- ❖ A Philippines based syndicate of animal feed makers has bought 83,475 metric tons of soy meal from US and Argentina in a tender closed 27 May 2014. Reportedly, one consignment of 39,475 MT of soy meal was bought at US \$91.5/MT over CBOT October soy meal contract for Oct. 5-25 shipment from Argentina. The

other consignment of 44,000 MT was purchased at a premium of US \$96/MT over CBOT Dec. soy meal contract for Nov. 10-30 shipment from the US Pacific Northwest coast.

Oilseed Prices at Key Spot Markets:

Commodity / Centre	Prices (Rs/Qtl)				Change
Soybean	6-Jun-14		30-May-14		
	Low	High	Low	High	
Indore –Plant	4200	4310	4450	4565	-255
Indore–Mandi	4000	4250	4200	4450	-200
Nagpur-Plant	4100	4200	NR	NR	-
Nagpur – Mandi	3800	4000	NR	NR	-
Kota-Plant	4100	4100	4450	4450	-350
Kota – Mandi	3800	4200	4000	4350	-150
Bundi-Plant	4250	4250	4375	4450	-200
Bundi-Mandi	4200	4270	4400	4400	-130
Baran-Plant	4100	4200	4600	4600	-400
Baran-Mandi	3800	4200	4200	4500	-300
Bhawani Mandi Jhalawar–Kota-Plant Delivery	4150	4150	4550	4550	-400
Jhalwar-Mandi	3800	4300	4000	4450	-150
Rapeseed/Mustard					
Jaipur-(Condition)	3445	3450	3460	3465	-15
Alwar-(Condition)	3350	3375	3375	3375	Unch
SriGanganagar-(Non-Condition-Unpaid)	3000	3000	2950	2950	50
New Delhi–(Condition)(New Crop)	3350	3350	3400	3400	-50
Kota-Non-(Condition)	3000	3000	2950	2950	50
Agra-(Condition)	3625	3625	3640	3640	-15
Neewai	3230	3230	3240	3240	-10
Hapur (UP)(New Crop)	3450	3450	3475	3475	-25
Groundnut Seed					
Rajkot	NA	NA	NR	NR	-
Sunflower Seed					
Gulbarga	NA	NA	NR	NR	-
Latur	3510	3510	NR	NR	-
Sholapur(New Crop)	3600	3600	3600	3700	-100
Sesame Seed					
Mumbai (White98/2/1	10600	10400	10600	10600	-200

Oilseed Arrivals in Key Centers:

Commodity	Centre	Arrivals in Bags/Qtl		Change
		Week End (6/6/2014)	Week End (30/5/2014)	
Soybean				
	Madhya Pradesh	240000	222000	18000
	Maharashtra	40000	NR	-
	Rajasthan	39000	28000	11000
	Bundi (Raj)	1050	570	480
	Baran (Raj)	1625	7300	-5675
	Jhalawar (Raj)	3200	1750	1450
Rapeseed/Mustard	Rajasthan	690000	770000	-80000

Soybean

Soybean fell for consecutive third week on weak crushing eventually leading to feeble buying by the crushers and sluggish soy meal shipments from India this season.

As discussed in previous week, India vegoil imports were higher in recent months which subsequently improved the domestic edible oil inventories. The wholesalers have adequate stocks and the domestic beans crushings are lower, limiting the fresh buying in edible oils.

Higher vegoil imports by India in previous months and comfortable stock in the same has hit it's offtake in physical market. India in recent months has imported refined RBD palmolein (898715 vs 874187 MT), crude sunflower oil (688846 vs 510118 MT), and degummed crude soy oil (641286 vs 299727 MT) in huge volume during Nov – Apr, leading to the rise in inventories.

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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 (Jun-Jul delivery) was quoted higher between Rs 40,000-41,200/MT compared to Rs 34,500-35,200/MT during the same period last year.

Recommendation: FOR Kandla exports price (Jun-Jul delivery) was quoted higher between Rs 40,000-41,200/MT compared to Rs 34,500-35,200/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 40,500-41,500 levels in the upcoming week.

Technical Analysis:

NCDEX Soybean Futures-Weekly Chart



Soybean Spot, Indore



*Note: Daily Chart

Support & Resistance NCDEX Soybean – Jul contract

S2	S1	PCP	R1	R2
3960	4090	4255	4510	4590

- Weekly soybean candlestick chart pattern reveals fall during the week in the market.
- Prices closed below 9-day and 18-day EMA.
- RSI and stochastic are easing in neutral region.
- MACD is falling in negative territory.
- The prices are expected to feature gain in coming week.
- **Trade Recommendation (NCDEX Soybean – Jul) Week: Buy Above 4240.** Levels: Target – 4340; T2- 4390, SL -4180.

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 recover and will be in the band of 4300-4400 levels (Indore, Plant basis) during the week.

Rapeseed - Mustard Seed

RM seed edged-lower straight third week in benchmark, Jaipur, tracking weakness in Malaysian palm oil during the week in review.

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The buyers seemed cautious for fear of strong measures against food inflation by the new government during the week.

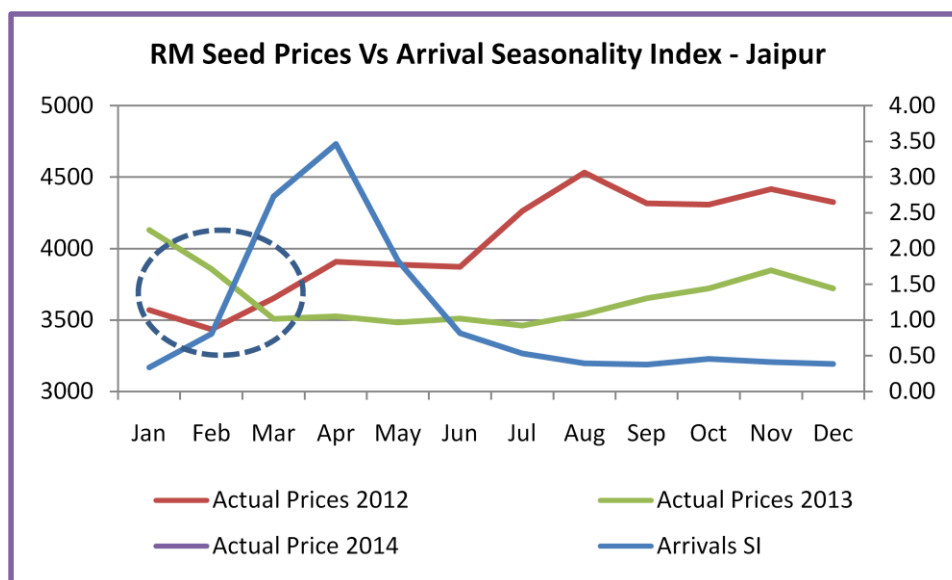
The all India seed arrivals fell to 2.0-2.3 lakh bags from 2.4-2.5 lakh bags a day from earlier 6.0-7.0 lakh bags to couple of weeks back.

Continued fall in the Malaysian palm oil due to improved seasonal production and higher month-on-month inventories continues to exert pressure on domestic RM seed. The domestic RM seed closely tracks Malaysian palm oil.

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Technical Analysis:

NCDEX RM Seed Futures



*Note: Daily Chart

RM Seed Spot, Jaipur



Support & Resistance NCDEX RM Seed - Jul contract

S2	S1	PCP	R1	R2
3286	3337	3439	3533	3580

- The RM seed prices witnessed downtrend 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 ease in near-term.
- **Trade Recommendation (NCDEX RM SEED - Jul) Week: Buy** Above 3435 for a Target -3500; T2-3530; SL -3396.

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.

Annexure

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.

<i>Crop</i>	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

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