

## Executive Summary

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Soybean, soy meal declined on outside market forces and lower domestic and exports demand in soy and its products. However, RM seed extended gains on buying support in anticipation of mustard oil demand in upcoming festivities.

### **Soybean:**

- ❖ Soybean fell on weak demand from crushers and sluggish soy meal export sales with improved vegoil imports by India in recent days.
- ❖ India's area coverage under soybean, as on 10 Jul 2014, was reported at 7.86 lakh ha compared to 83.5 lha during the same period last year. Most of the covered area is reported in the irrigated areas.
- ❖ Most of the soybean growing regions of the major producing states have reported the rainfall departure around -70%. The situation has hit the planting pace and may negatively affect the yield potential monsoon does not intensify in the growing areas.

### **Soy meal:**

- ❖ Soy meal fell in tandem with soybean on weak soy meal export sales and poor domestic demand in the same.
- ❖ US soybean area is reported record high this season above 34 Mln Ha which is 11% higher compared to previous season. The weather in US mid-west is favourable for the recently planted soybean and if the situation remains conducive US is likely to produce record soybeans in 2014-15.
- ❖ India's soy meal shipments during June 2014 was just 2636 tones as compared to 2,13,483 tones in the same period of previous year, a fall of 99%.

### **RM Seed:**

- ❖ RM seed continued uptrend on supportive buying and declining supplies. The seed buying has improved on expected rise in edible oil demand for festivities in upcoming weeks.
- ❖ The millers and the stockists are covering their stock on expected rise in edible oil demand for festivities in upcoming weeks.

## International Highlights

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- ❖ Overall, US soybean crop is reported under good condition. Soybean emergence, as on Jul. 6, is reported at 98% which is slightly above 98% during the same period last year. Soybean blooming is reported at 24% which is above 5 year average of 21% compared to the same period last year. Further, the crop is 57% and 15% in good to excellent condition respectively. The factors are bearish for the international soybean for short-term.
- ❖ Argentine farmers have become reserved sellers of soybeans in view of the current sharply reduced prices. This will lower the global supplies to some extent and eventually boost the prices.
- ❖ Farmers in some parts of Brazil and Argentina are facing negative crush margins for new-crop oilseeds and grains, primarily in the marginal areas – Oil World.
- ❖ As per CGT labor organization, workers in Argentina's main grains port of Rosario will begin an indefinite strike on Friday over working conditions. This will affect about 80% of the country's shipment facilities.
- ❖ Indonesia lowered its crude palm oil export tax to 10.5 percent in July from 12 percent in June. Currently CPO August contract at Bursa Malaysia Derivative exchange is hovering around MYR 2500 per tons.
- ❖ Malaysia lowered the exports tax from 5.5 per cent during April-June to 5 per cent for July.
- ❖ US soybean plantings reached a record 34.3 Mn ha, 11% above previous season – Oil World.
- ❖ Brazilian soybean inventories as of July 1 down an estimated 1.0 Mn T from previous year this is due to huge disposals in Jan/June –Oil World.
- ❖ CONAB made a surprising downward revision in the Brazilian soybean crop estimate to 86.05 Mn T – Oil World.
- ❖ 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.

## Oilseed Prices at Key Spot Markets:

Commodity / Centre	Prices (Rs/Qtl)				Change
<b>Soybean</b>	<b>11-Jul-14</b>		<b>4-Jul-14</b>		
	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	
Indore –Plant	4000	4100	4000	4125	-25
Indore–Mandi	3700	4050	3800	4100	-50
Nagpur-Plant	4100	4125	4175	4250	-125
Nagpur – Mandi	3900	4100	3900	4300	-200
Kota-Plant	3800	4000	4000	3970	30
Kota – Mandi	3800	4000	3700	3900	100
Bundi-Plant	3900	3950	3900	4000	-50
Bundi-Mandi	3800	3900	3900	3925	-25
Baran-Plant	3600	3700	3800	4000	-300
Baran-Mandi	3400	3600	3600	3700	-100
Bhawani Mandi Jhalawar–Kota-Plant Delivery	3800	3900	3950	4000	-100
Jhalwar-Mandi	3600	3900	3500	4000	-100
<b>Rapeseed/Mustard</b>					
Jaipur-(Condition)	3615	3620	3580	3615	5
Alwar-(Condition)	3450	3500	3450	3500	Unch
SriGanganagar-(Non-Condition-Unpaid)	3180	3185	3150	3170	15
New Delhi–(Condition)(New Crop)	3515	3520	3480	3500	20
Kota-Non-(Condition)	3050	3100	3100	3100	Unch
Agra-(Condition)	3750	3775	3700	3725	50
Neewai	3400	3410	3300	3370	40
Hapur (UP)(New Crop)	3540	3550	3525	3550	Unch
<b>Groundnut Seed</b>					
Rajkot	790	790	760	760	30
<b>Sunflower Seed</b>					
Gulbarga	3051	3303	3062	3315	-12
Latur	2900	3100	3000	3500	-400
Sholapur(New Crop)	3550	3600	3650	3650	-50
<b>Sesame Seed</b>					
Mumbai (White98/2/1)	11100	11100	10650	10650	450

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 (11/7/2014)	Week End (4/7/2014)	
Soybean	Madhya Pradesh	128000	120000	8000
	Maharashtra	17500	37500	-20000
	Rajasthan	125000	125000	Unch
	Bundi (Raj)	1000	2000	-1000
	Baran (Raj)	7500	15000	-7500
	Jhalawar (Raj)	2600	3100	-500
Rapeseed/Mustard	Rajasthan	465000	480000	-15000

## Progress of Sown Area – Kharif Oilseeds, India

As per the official *kharif oilseeds* planting (week ending 10 Jul 2014), the area coverage under *Kharif* oilseeds is reported at 22.15 lakh hectares, down 80% from 110.32 lakh ha previous year. Of the major oilseeds, soybean sowing is reported down by 91% compared to the same period last year.

Crop	As on 10 Jul 2014	As on 10 Jul 2013	% Change
Groundnut	11.66	22.85	-49.0
Soybean	7.86	83.5	-90.6
Sunflower	0.46	0.93	-50.5
Sesamum	1.76	2.43	-27.6
Niger	0	0.16	-100.0
Castor	0.41	0.45	-8.9
<b>Total Oilseeds</b>	<b>22.15</b>	<b>110.32</b>	<b>-79.9</b>

(Area in lakh hectares) Source: GOI

## Soybean-Preliminary Production Estimates & Weather

	Area in Mln Ha.					Production in Mln T	Production Estimate Under Normal Condition 2014- 15	Revised Production Estimate Considering Deficit Rainfall for 2014- 15	Rainfall (mm) for The Period 01.06.14 to 10.07.14		
State	200 9	2010	2011	2012	2013	5 Yr Avg Prod.			% Departure	Actual Rain (mm)	Normal Rain (mm)
Madhya Pradesh	5.30	5.52	5.73	5.81	6.26	6.10	7.26	6.51	-74.00	48.10	187.00
Maharashtra	3.03	2.60	3.06	3.21	3.87	3.60	4.49	3.80	-68.00	83.30	262.60
Rajasthan	0.71	0.69	0.90	0.99	1.06	1.00	1.23	0.91	-74.00	30.70	117.10
Andhra Pradesh	0.18	0.14	0.16	0.20	0.28	0.20	0.33	0.30	-55.00	92.70	204.00
Karnataka	0.23	0.18	0.22	0.20	0.25	0.20	0.29	0.25	-35.00	94.70	143.70
Chattisgarh	0.13	0.15	0.15	0.15	0.16	0.10	0.18	0.14	-41.00	136.60	301.00
Gujarat	0.00	0.00	0.00	0.08	0.09	0.10	0.11	0.00	-93.00	17.80	239.10
Rest of India	0.09	0.02	0.12	0.05	0.06	0.10	0.07	0.06	India		
G.Total	9.67	9.30	10.33	10.69	12.03	11.4	13.95	12.10	-43.00	142.60	261.60

**Planting Progress:** Current: 7.86 lha. Last year by this time: 83.5 lha.

## Soybean

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Soybean extended previous losses on weak demand for crushing followed by lower demand in domestic soy oil and meal leading to disparity in crush margin.

Increased y-o-y the imports of degummed soy oil since the beginning of Oil Year and lower soy meal export sales registered by India this season kept the domestic soy market sluggish. Even the imports of other edible oils increased in the recent months.

Besides, lower export duty by the major palm oil exporting countries remained supportive for India's imports in the same.

As discussed in the previous weekly, Indonesia lowered its crude palm oil export duty to 10.5% for July from 12 percent in April thru June. Currently CPO August contract at Bursa Malaysia Derivative exchange is hovering around MYR 2430 per tons.

Besides, Malaysia too lowered its exports duty to 5% for July from 5.5% during April-June.

The market is still reeling under pressure and fresh sentiments are expected in new season with the clarity in demand and supply scenario.

The soybean growers are eagerly waiting for the monsoon to intensify so the conditions get favoured for planting the beans.

As reported in the latest monsoon report, dated Jul 10, most of the soybean growing regions of the major producing states have reported the rainfall departure around -70%. The situation has delayed the planting.

India's area coverage under soybean, as on 10 Jul 2014, was reported at 7.86 lakh ha compared to 83.5 lha during the same period last year. Most of the covered area is reported in the irrigated areas.

The farmers are already facing problem getting good quality beans for seeding which are expensive in the market this season. This is due to the crop damage in Madhya Pradesh last crop season. There is a scarcity of good quality beans much needed for planting this season.

Overall, US soybean crop is reported under good condition. Soybean emergence, as on Jul. 6, is reported at 98% which is slightly above 98% during the same period last year. Soybean blooming is reported at 24% which is above 5 year average of 21% compared to the same period last year. Further, the crop is 57% and 15% in good to excellent condition respectively. The factors are bearish for the international soybean for short-term.

US soybean plantings has reached a record 34.3 Mln ha which is 11% higher compared to the last season.

The soybean prices are reeling under pressure. The prices are to feature range-bound movement with weak bias on global supply scenario, in coming weeks.

## Soy meal

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Soy meal fell in sync with soybean primarily due to fall in the soy meal exports and poor domestic demand in the same.

Further, weakness in international benchmark on bearish supply scenario continues to pressure the domestic market.

US soybean area is reported record high this season above 34 Mln Ha which is 11% higher compared to previous season. The weather in US mid-west is favourable for the recently planted soybean and if the situation remains conducive US is likely to produce record soybeans in 2014-15.

However, India's soybean plantings have much behind schedule due to weak monsoon. If rains are not adequate in the growing region, it will deteriorate the yields, the situation is expected to limit the losses in meal to some extent for short-period.

The diverted demand of international buyers towards South-America due to their competitive meal prices continues to remain a negative factor for the meal of Indian origin.

India's soy meal exports remained lower this season, but it plunged further with the peak crushing season in South America after February with India's prices getting uncompetitive to South America.

India's soy meal shipments during June 2014 was just 2636 tones as compared to 2,13,483 tones in the same period of previous year, a fall of 99%.

Overall demand of soy meal remained poor all across the world.

On a financial year basis, the export during first quarter of current financial year i.e. April 2014 to June 2014 is 0.87 Lac tonnes as compared to 4.11 Lac tones in the same period of previous year showing a decrease of 78.91%.

During current Oil year, (October-September), total exports during October 2013 to June 2014 stood at 20.51 Lac tones as against 30.08 Lac tones in the same period of previous year, showing a decrease by 31.81%.

The soy meal prices are expected to recover on weak soybean supplies, likely improvement in the domestic demand from poultry feed industry and scarcity of quality beans for seeding this season.

*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.*

Though India's week-on-week prices fell in recent weeks but India's Y-o-Y soy meal prices got stronger. Soy meal, FOR Kandla exports price (Jul-Aug delivery) was quoted higher between Rs 37,250-39,000/MT compared to Rs 35,200-35,950/MT during the same period last year.

**Recommendation:** FOR Kandla exports price (Jul-Aug delivery) was quoted higher between Rs 37,250-39,000/MT compared to Rs 35,200-35,950/MT during the same period last year. Though prices fell w-o-w basis, but 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 37,500-38,500 levels in the upcoming week.

## Technical Analysis:

### NCDEX Soybean Futures-Weekly Chart



### Soybean Spot, Indore



\*Note: Daily Chart

### Support & Resistance NCDEX Soybean – Oct contract

S2	S1	PCP	R1	R2
3570	3620	3731	3888	3940

- Weekly soybean candlestick chart pattern reveals fall in the prices.
- Prices closed below 9-day and 18-day EMA.
- RSI and stochastic are rising in neutral zone.
- MACD is easing in positive territory.
- The prices are expected to feature gain in coming week.
- **Trade Recommendation (NCDEX Soybean – Oct) Week: Buy** Above 3728. Levels: Target – 3778; T2- 3810, SL -3703.



**Trade Recommendation soybean spot:** Soybean prices are expected to recover on likely gains in international market and sharply lower supplies. The prices are likely to recover and will be in the band of 4000-4150 levels (Indore, Plant basis) during the week.

## Rapeseed - Mustard Seed

RM seed extended gains on improved buying followed by easing supplies during the week under review.

The millers and the stockists are covering their stock on expected rise in edible oil demand for festivities in upcoming weeks.

However, rise in palm oil imports by India in last 3 months along with peak arrivals restricted the gains.

Further, as discussed, Indonesia has slashed the export tax to 10.5 percent for July from 12 percent in April thru June. Currently, CPO August contract, at Bursa Malaysia Derivative is hovering at MYR 2380 per tons.

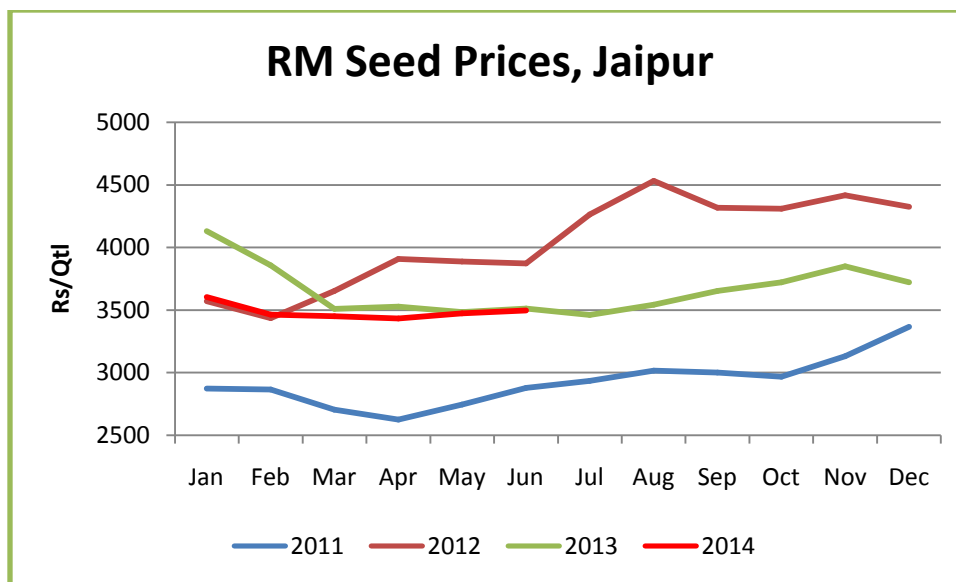
Besides, Malaysia lowered the exports tax from 5.5 per cent during April-June to 5 per cent for July. The factors are favoring India's palm oil imports.

However, the recent monthly MPOB data released on 11 July, remained mixed for the BMD CPO. Malaysian palm oil inventories eased by 4.2 percent to 1.656 million tons in June compared to the last month due to lower palm oil production and better than expected palm oil and its derivatives exports. Malaysia's palm oil exports in June stood at 1.48 million tons, 5.7% higher from the previous month.

On the production front, palm oil output fell by 5.45 percent to 1.596 million tons on m-o-m basis. Report was bullish for palm oil as market participants were expecting 1.75-1.80 MMT of palm oil inventories as of June.

India's crude palm oil imports rose 43.9 per cent to 547,151 tons in May from April. While, RBD palmolein imports stood at 100,605 tons, down 73 percent on m-o-m basis. However, India buyers imported 1.78 lakh tons of crude sunflower oil and 1.74 lakh tons of crude soybean oil during the month of May - SEA of India.

Overall, the RM seed prices will feature gains ahead upcoming fresh edible oil demand for festivities in coming weeks.



## Technical Analysis:

### NCDEX RM Seed Futures



\*Note: Daily Chart

### RM Seed Spot, Jaipur



### Support & Resistance NCDEX RM Seed - Aug contract

S2	S1	PCP	R1	R2
3431	3462	3586	3675	3718

- The RM seed prices recovered from previous fall, during the week.
- The prices closed above 9-day and 18-day EMA.
- RSI and stochastic are rising in the neutral territory.
- MACD is rising in the positive territory.
- Prices are expected to feature gains in near-term.
- **Trade Recommendation (NCDEX RM SEED - Aug) Week: Buy** Above 3584 for a Target –3634; T2-3655; SL -3554.

***Trade Recommendation RM Seed Spot (Jaipur basis):*** *In spot, the RM seed prices are expected to feature gains on improved buying at the current levels. Prices of seed are expected to be in the range between 3610-3640 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>	<b>Apr 2014</b>	<b>Apr 2013</b>	<b>% Change</b>
Rapeseed/Mustard	71.38	67.48	<b>5.8</b>
Groundnut	10.8	11.01	<b>-1.9</b>
Safflower	1.79	1.5	<b>19.3</b>
Sunflower	4.45	5.33	<b>-16.5</b>
Sesamum	4.54	2.94	<b>54.4</b>
Linseed	3.61	3.38	<b>6.8</b>
Others	0.49	0.69	<b>-29.0</b>
<b>Total Oilseeds</b>	<b>97.06</b>	<b>92.33</b>	<b>5.1</b>

(Area in lakh hectares) Source: GOI

### Kharif MSP

- ❖ Government on increased minimum support price (MSP) of Groundnut Seed and Sunflower seed by Rs 50 and Sesamum, Niger seed by Rs 100 a quintal. However, the MSP of soybean and groundnut seeds remained unchanged at Rs 2500-60 and Rs 4000 a quintal respectively this season.

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