

## Executive Summary

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Soybean, soy meal and RM seed fell on weak global factors pressuring oils and fats market during the period under review.

### **Soybean:**

- ❖ Soybean continued downtrend on weak global cues and sluggish demand in domestic cash market during the week under review.
- ❖ US benchmark, CBOT, new-crop soybean futures (Nov. contract) fell below US \$10 a bushel pressured by record-high forecast of US supply followed by higher yield with favourable weather condition in US mid-west.
- ❖ In the September USDA report, U.S. oilseed production for 2014/15 is projected at 3.913 billion bushels (116.2 million tons), up 2.5% last month. As discussed earlier, private analytics firm Informa Economics raised its estimates of U.S. 2014 soybean production to 3.876 billion bushels, from 3.7 billion previously. Informa raised its soy yield forecast to 46.1 bushels per acre, from 44.5 in August.
- ❖ US soybean crop is reported under good condition. Soybeans crop as on Sep 07, dropping leaves is reported at 12% slightly lower from 5 year average at 17% and slightly up from 10% during the same period last year.

### **Soy meal:**

- ❖ Soy meal continued downtrend in line with the soybean, primarily on weak soy meal export sales, lower crushing and sluggish activity.
- ❖ Unattractive Indian meal prices compared to the meal of South American origin have hit the Indian meal exports during the season.
- ❖ The US is likely to produce record soybean in 2014/15 followed by rise in the planted area and likely better yield with favorable weather for the standing crop in Mid-west. This will eventually increase the global soy meal supplies.

- ❖ It is noted that the soy meal price spread between Argentina and India has narrowed second consecutive month which remained wider for quite long owing to the competitive Argentine meal prices as compared to India's.
- ❖ India's soy meal shipments plunged 98.5% Y-o-Y in August.

**RM Seed:**

- ❖ RM seed featured gains in benchmark, Jaipur, on supportive buying during the week in review. Further, recovery in the BMD CPO lent support to the domestic RM seed prices.
- ❖ Improved demand in rapeseed/mustard seed oil ahead upcoming festivities has lead to fresh RM seed buying by the stockists and the millers. The crushing of the seed has increased in
- ❖ Cargo surveyor Intertek Testing Services showed that Malaysian palm oil shipments during 1-10 September surged 41 percent compared with the same period a month ago. However, the shipments in previous weeks were quite weak which resulted in inflating the palm oil stocks in Malaysia.
- ❖ Malaysian palm oil inventories rose 22 percent to 2.05 million tons in August compared to the last month highest since March 2013 due to lower demand for palm oil and higher palm oil production.

## International Highlights

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- ❖ US soybean crop is reported under good condition. Soybeans crop as on Sep 07, dropping leaves is reported at 12% slightly lower from 5 year average at 17% and slightly up from 10% during the same period last year. Further, the crop is 72% in good to excellent condition, which is better than last year (52%). The weather in the US mid-west continues to be favourable for the standing crop, which is a bearish factor.
- ❖ China, the biggest soybean importer, bought 6.03 million tonnes of soybeans in August, down 19.3 percent from 7.47 million tonnes in July, figures from the General Administration of Customs of China showed. China's Imports of vegetable oils in August were 470,000 tonnes, down 27.7 percent from the previous month.
- ❖ MPOB Report's Highlights - Malaysian palm oil inventories rose 22 percent to 2.05 million tons in August compared to the last month highest since March 2013 due to lower demand for palm oil and higher palm oil production. On the production front, palm oil output rose by 22 percent to 2.03 million tons on m-o-m basis. Report was bearish for palm oil as market participants were expecting 1.95-1.98 MMT of palm oil inventories as of August.

- ❖ CPO at BMD October ended slightly higher due to bullish export figures for 1-10 September. Cargo surveyor Intertek Testing Services showed that Malaysian palm oil shipments during 1-10 September surged 41 percent compared with the same period a month ago.
- ❖ As per Agroconsult, Brazil is likely to produce 95.1 million tons of soybeans in 2014-15, up 1 million tons from previous estimates. Moreover, Argentina soybean crop output for 2014-15 seen at 56.6 millions tons. Soybean palnting in Brazil is likely to commence from late September.
- ❖ The reserved farmer selling in Argentina and the pronounced reduction of inventories in Brazil resulted in a major slowdown of South American soybean shipments in August – Oil World.
- ❖ The palm oil production in Malaysia is estimated to reach a record 19.7 million tons to 19.9 million tons. Further, Indonesia's output is likely an all-time high of 30.5 million tons or more this year. Production is estimated by Dorab Mistry, Director at Godrej International Ltd. Both the countries account for 86% of world total supplies.
- ❖ Private analytics firm Informa Economics raised its estimates of U.S. 2014 soybean production to 3.876 billion bushels, from 3.7 billion previously. Informa raised its soy yield forecast to 46.1 bushels per acre, from 44.5 in August.
- ❖ The international analyst, Lanworth has raised its forecast of the U.S. 2014 soybean yield to 46.7 bushels per acre from 46.4 previously. This translates to U.S. soybean production of 3.855 billion bushels, up from its previous estimate of 3.806 billion, issued on Aug. 11. USDA projected the soybean yield at 45.4 bushels per acre and production at 3.816 billion bushels in its August 11 report.
- ❖ Germany's winter rapeseed output is estimated at 5.8 million tonnes in 2014, up from 5.7 million tonnes in 2013, German farmer's association, DBV said.
- ❖ Oil World has estimated the Canadian canola crop at 14.7 Mn T in 2014 which is considerably below the record 17.96 Mn T last year.
- ❖ EU-28 rapeseed outturn has turned out higher than expected there is an upward revision to 23.5 Mn T. EU rapeseed exports are also improving.
- ❖ In Jan/Dec 2014 Brazil's soya oil shipments are seen falling to a 14-year low of only 1.28 Mn T to accommodate the higher domestic demand of the biodiesel industry – Oil World.

## Oilseed Prices at Key Spot Markets:

Commodity / Centre	Prices (Rs/Qtl)				Change
Soybean	12-Sep-14		5-Sep-14		
	Low	High	Low	High	
Indore –Plant	3450	3550	3500	3550	Unch
Indore–Mandi	3300	3400	3300	3600	-200
Nagpur-Plant	3350	3400	3400	3475	-75
Nagpur – Mandi	3200	3250	3200	3400	-150
Kota-Plant	3400	3450	3500	3550	-100
Kota – Mandi	3200	3300	3300	3450	-150
Bundi-Plant	3250	3300	3300	3350	-50
Bundi-Mandi	3250	3300	3300	3350	-50
Baran-Plant	3350	3400	3450	3500	-100
Baran-Mandi	3100	3200	3200	3550	-350
Bhawani Mandi Jhalawar–Kota-Plant Delivery	3300	3350	3350	3400	-50
Jhalwar-Mandi	3200	3350	3200	3400	-50
Rapeseed/Mustard					
Jaipur-(Condition)	3685	3690	3680	3685	5
Alwar-(Condition)	3525	3550	3550	3575	-25
SriGanganagar-(Non-Condition-Unpaid)	3280	3290	3100	3175	115
New Delhi–(Condition)(New Crop)	3580	3590	3550	3555	35
Kota-Non-(Condition)	2950	3050	3000	3050	Unch
Agra-(Condition)	3825	3850	3800	3830	20
Neewai	3450	3460	3425	3450	10
Hapur (UP)(New Crop)	3660	3670	3640	3650	20
Groundnut Seed					
Rajkot	680	680	740	740	-60
Sunflower Seed					
Gulbarga	2455	2812	2600	3000	-188
Latur	2900	3050	2650	3150	-100
Sholapur(New Crop)	3200	3250	3250	3300	-50
Sesame Seed					
Mumbai (White98/2/1	11050	11050	11250	11250	-200

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 6th to 12th Sep 2014	Week End 30thAug to 5th Sep 2014	
Soybean				
	Madhya Pradesh	113000	137000	-24000
	Maharashtra	29000	68000	-39000
	Rajasthan	67000	82000	-15000
	Bundi (Raj)	575	800	-225
	Baran (Raj)	4900	7500	-2600
	Jhalawar (Raj)	2650	2500	150
Rapeseed/Mustard	Rajasthan	315000	315000	Unch

## Progress of Sown Area – Kharif Oilseeds, India

As per the official *kharif oilseeds* planting report (week ending 05 Sep 2014), the area coverage under *Kharif* oilseeds is reported at 173.43 lakh hectares, down 8.2% from 188.93 lakh ha previous year. Of the major oilseeds, soybean sowing is reported down by 9.9% at 109.64\* lha compared to 121.72 lha during the same period last year. Groundnut at 35.83 lha vs 42.33, sunflower at 1.81 lha vs 2.31 lha, sesamum 15.33 vs 13.79, niger 1.35 lha vs 1.23 lha and castor at 9.27 lha vs 7.55 lha during the same period last year.

Crop	As on 05 Sep 2014	As on 05 Sep 2013	% Change
Groundnut	35.83	42.33	-15.4
Soybean	109.64*	121.72*	-9.9
Sunflower	1.81	2.31	-21.6
Sesamum	15.53	13.79	12.6
Niger	1.35	1.23	9.8
Castor	9.27	7.55	22.8
<b>Total Oilseeds</b>	<b>173.43</b>	<b>188.93</b>	<b>-8.2</b>

\*Govt. marginally reduced the soy planting fig. in latest report. (Area in lakh hectares) Source: GOI

## Soybean

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US benchmark, CBOT, new-crop soybean futures (Nov. contract) fell below US \$10 a bushel pressured by record-high forecast of US supply followed by higher yield with favourable weather condition in US mid-west.

In the September USDA report, U.S. oilseed production for 2014/15 is projected at 3.913 billion bushels (116.2 million tons), up 2.5% last month. As discussed earlier, private analytics firm Informa Economics raised its estimates of U.S. 2014 soybean production to 3.876 billion bushels, from 3.7 billion previously. Informa raised its soy yield forecast to 46.1 bushels per acre, from 44.5 in August.

Lanworth has its forecast of the U.S. 2014 soybean yield to 46.7 bushels per acre from 46.4 previously. This translates to U.S. soybean production of 3.855 billion bushels, lower from USDA's projection at 3.913 billion bushels.

US soybean crop is reported under good condition. Soybeans crop as on Sep 07, dropping leaves is reported at 12% slightly lower from 5 year average at 17% and slightly up from 10% during the same period last year.

Further, the crop is 72% in good to excellent condition, which is better than last year (52%). The weather in the US mid-west continues to be favourable for the standing crop, which is a bearish factor.

Though BMD CPO slightly recovered during the week, but the CPO prices are still lower and adding to bears in oils and fats market. The weakness in Malaysian palm oil is primarily due to poor exports and significantly higher palm oil inventories (2.05 Mln T or 22%) in August reported by MPOB.

Some downward revision in the official planting report was seen last week in the official planting report. India's area coverage under soybean, as on 05 Sep 2014, was reported at 109.64 lakh ha compared to 121.72 lha (-9.9%) during the same period last year. The all India departure of monsoon on 13 September is reported at -11% which was -42% early in July.

The soybean prices will continue to feature weakness pressured by weak global and domestic factors in near-term.

## Soy meal

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Soy meal continued downtrend in line with the soybean, primarily on weak soy meal export sales, lower crushing and sluggish activity.

Unattractive Indian meal prices compared to the meal of South American origin have hit the Indian meal exports during the season.

As discussed in previous weeks, Indian soy meal exporters are facing great difficulties in finding demand for the upcoming season. The forward bookings (Nov – Dec delivery) in meal is weaker than expected and global supplies are expected to be comfortable this season.

The US is likely to produce record soybean in 2014/15 followed by rise in the planted area and likely better yield with favorable weather for the standing crop in Mid-west. This will eventually increase the global soy meal supplies.

It is noted that the soy meal price spread between Argentina and India has narrowed second consecutive month which remained wider for quite long owing to the competitive Argentine meal prices as compared to India's.

Narrowing price spread is a positive signal for India with expectation of buyers diverting back with the harvest of new soybean crop in late October.

India's soy meal shipments plunged 98.5% Y-o-Y in August.

India's soy meal shipments during August 2014 was just 2778 tones as compared to 1,83,965 tones in the same period of previous year.

On a financial year basis, the export during current financial year i.e. April 2014 to August 2014 is 0.96 Lac tonnes as compared to 7.02 Lac tones in the same period of previous year showing a decrease of 86.30%.

During current Oil year, (October-September), total exports during October 2013 to August, 2014 is 20.61 Lac tones as against 32.99 Lac tones in the same period of previous year, showing a fall by 37.53%.

Soy meal shipments sharply fell in the past seven months due to poor supply of soybean coupled with high price led to total disparity in international market.

Demand shift of international buyers towards South-America due to their competitive meal prices continues to pressure the meal of Indian origin. India's soy meal exports continues to remain weak 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.

The soy meal prices are expected to remain under pressure on weak global factors. However, India area coverage under soybean has fallen by 9.4% lower than the previous season due to late and less rains, which will cap the losses.

*Preference of the soy meal of Indian origin mainly by the South-East countries due to logistic and freight advantage 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 declined. Soy meal export price, FOR Kandla (Nov – Dec delivery) was quoted between Rs 29,000 – 29,500/MT compared to Rs 29,300 – 29,600/MT previous week.

**Recommendation:** *FOR Kandla (Nov – Dec delivery) was quoted between Rs 29,000 – 29,500/MT compared to Rs 29,300 – 29,600/MT previous week. 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 Rs. 28,000 – 29,000/MT levels in the upcoming week.*



## Technical Analysis:

### NCDEX Soybean Futures



### Soybean Spot, Indore



\*Note: Daily Chart

### Support & Resistance NCDEX Soybean – Oct contract

S2	S1	PCP	R1	R2
3000	3050	3177	3397	3491

- Weekly soybean candlestick chart pattern reveals gain in the prices.
- Prices closed below 9-day and 18-day EMA.
- RSI and stochastic are rising in neutral zone.
- MACD is heading upwards in negative territory.
- The prices are expected to feature gains in coming week.
- **Trade Recommendation (NCDEX Soybean – Oct) Week: BUY** Above 3170. Levels: Target – 3200; T2- 3220, SL -3152.

**Trade Recommendation Soybean - Spot:** Soybean prices are expected to remain under pressure on weak global factors and sluggish demand in the domestic market. The prices are likely to be in the band of 3400 -3500 levels (Indore, Plant basis) during the week.

## Rapeseed - Mustard Seed

RM seed featured gains in benchmark, Jaipur, on supportive buying during the week in review. Further, recovery in the BMD CPO lent support to the domestic RM seed prices.

Improved demand in rapeseed/mustard seed oil ahead upcoming festivities has lead to fresh RM seed buying by the stockists and the millers. The crushing of the seed has increased in

Cargo surveyor Intertek Testing Services showed that Malaysian palm oil shipments during 1-10 September surged 41 percent compared with the same period a month ago. However, the shipments in previous weeks were quite weak which resulted in inflating the palm oil stocks in Malaysia.

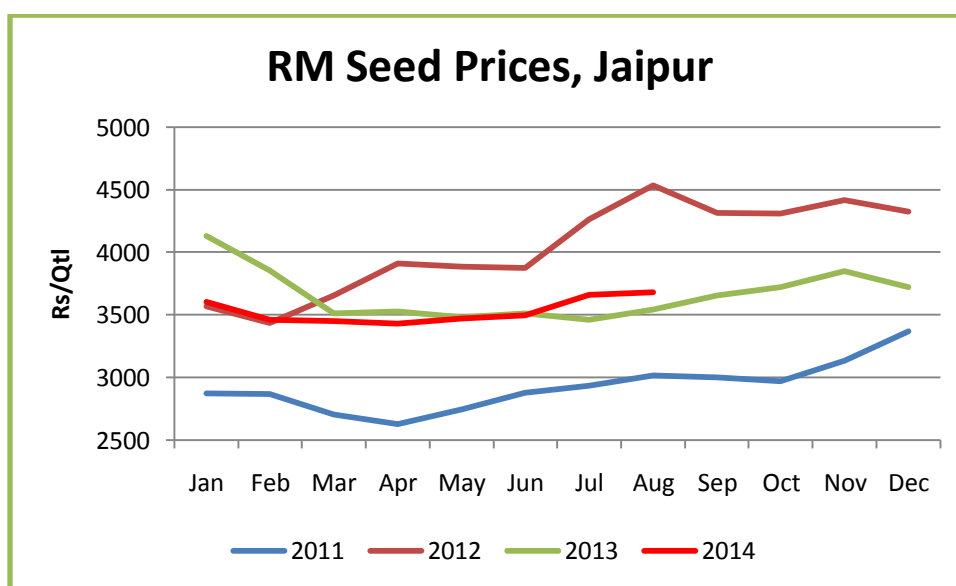
Malaysian palm oil inventories rose 22 percent to 2.05 million tons in August compared to the last month highest since March 2013 due to lower demand for palm oil and higher palm oil production.

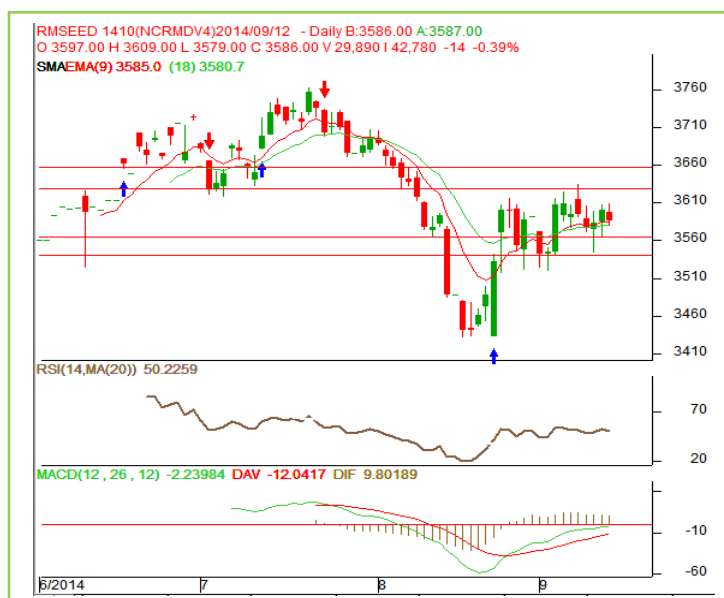
On the production front, Malaysian palm oil output rose by 22 percent to 2.03 million tons on m-o-m basis. Report was bearish for palm oil as market participants were expecting 1.95-1.98 MMT of palm oil inventories as of August, reports MPOB.

The domestic RM seed closely tracks BMD CPO.

However, SEA of India revealed that during the current oil year (Nov-Oct) 2013-14, Indian buyers imported 42.98 lakh tons of CPO and 12 lakh tons of RBD palmolein till July. The higher imports weigh on the domestic seed and bean prices in recent months.

As expected, the RM seed rebound during the week and it is expected to extend the gains on upcoming festive demand in mustard oil in near-term.



**Technical Analysis:**
**NCDEX RM Seed Futures**


\*Note: Daily Chart

**RM Seed Spot, Jaipur**

**Support & Resistance NCDEX RM Seed – Oct. contract**

S2	S1	PCP	R1	R2
3469	3452	3587	3668	3697

- The RM seed extended gains on supportive buying.
- The prices closed below 9-day and 18-day EMA.
- RSI and stochastic are rising in the neutral territory.
- MACD is rising in the negative territory.
- Prices are expected to feature gains in near-term.
- **Trade Recommendation (NCDEX RM SEED - Oct) Week: BUY** Above 3580 for a Target –3620; T2- 3650; SL -3556.

**Trade Recommendation RM Seed Spot (Jaipur basis):** In spot, the RM seed prices are expected to extend the recent gains. Prices of seed are expected to be in the range between 3700-3750 levels during the week. They were between 3680-3715 level during the week under review.

## 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 has increased minimum support price (MSP) of sunflower seed by Rs 50 to 3750 a quintal, further a hike of Rs 100 on sesamum and nigerseed at Rs 46,00 and 36,00 a quintal respectively. 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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