

## Executive Summary

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Soybean and meal fell on sluggish buying while RM seed extended gains on continued buying during the week under review. Weak international soybean market remained pressurising factor for the domestic bean.

### **Soybean:**

- ❖ Soybean featured losses on sluggish buying and weak soy meal export sales and weak international soybean market.
- ❖ Cautious buying in soybean was featured in anticipation of further fall in the bean prices. Sharp fall in crude oil and bearish global soy supply scenario remained pressurising factor for the bean.
- ❖ Farmers were not keen in offloading their bean at the current price levels hence, the fall in the domestic supplies.
- ❖ The domestic soybean supplies continued to ease from its peak, the daily average arrivals of Madhya Pradesh fell to 2 - 3 lakh bags which were 2.4 - 2.5 lakh bags previous week and 4.5 – 5 lakhs a couple of weeks back.
- ❖ Widening crush margin too remained discouraging factor for the solvent extractors.
- ❖ Much needed rains in South America in the previous week helped boost the lagging soybean planting in Brazil and Argentina.
- ❖ Brazil's 2014/15 soy crop planting was 85% complete last week which is up 9% from 76% a week earlier with sufficient rains in growing regions, Brazilian consultancy AgRural last week.

### **Soy meal:**

- ❖ Soy meal fell in tandem with soybean during the week under review. Weak overseas meal demand even with the start in new season coupled with lower than expected domestic demand remained pressurising factors.
- ❖ The overseas meal demand slightly improved m-o-m but it remained significantly lower compared to the same period last year.
- ❖ Further, the domestic meal demand too slightly suffered with the concern of the outbreak of bird-flu in some parts of Kerala.

- ❖ The domestic demand increases with the rise in poultry consumption in winter which keeps the soy meal market stable. Further, overseas meal demand gets shifted to India with increased pace in the soybean crushings.
- ❖ However, bearish global supply scenario and weakness in crude in conjunction with subdued Malaysian palm oil limited the upside in domestic soy meal.
- ❖ India's soy meal shipments in Nov. 2014 rose 282% as compared to Oct.'14 but it was 78% lower than the same period last year.

**RM Seed:**

- ❖ RM seed posted gains on supportive buying from millers and the stockists ahead rise in mustard oil demand in coming days.
- ❖ Further, lower supplies in the seed remained supportive too mustard oil consumption improves as the weather temperature dips in the key consuming region with increased consumption of snack and fries.
- ❖ India's continued rapeseed extract shipments to major destinations like Iran, Vietnam and Indonesia lent additional support to the seed.
- ❖ India's mustard seed planting is in full swing but it is lagging 7% compared to the same period last year and. We expect India's total area under RM seed to be near previous season, which was 71.4 lakh hectares.
- ❖ The fall in planting pace is primarily due to warm weather in most of the growing areas where farmers waited for the rain spells so that the soil moisture improves.
- ❖ However, weakness in Malaysian palm oil followed by fall in crude mineral oil and lower exports limited the gains in the RM seed. Slight gains in BMD CPO in recent days remained supportive for RM seed.

## International Highlights

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- ❖ Brazil's has exported 0.98 mln T of soy meal in November compared to 1.18 mln T in October and 1.27 mln T a year ago.
- ❖ The global production of soybeans has been raised by 1.3 Mn T to 309.1 Mn T, 24.3 Mn T, by Oil World, above last season – Oil World.
- ❖ Crushings of 3 major oilseeds in EU exceeded expectations and reached 11.15 Mn T in July/Sept 2014 – Oil World.
- ❖ As per reports of Oil World, EU total imports of palm oil surged to an all-time high 7.1 Mn T in Oct/Sept 2013/14.
- ❖ Brazilian and Argentine soybean plantings has made a good progress but are still delayed from it's normal. Unusually dry conditions now reported from several producing regions. It is still early, but the situation must be monitored.
- ❖ China is expected to import around 4.47 million metric tons of soybean (tonnes) to ports in November, state the Ministry of Commerce in its latest report. Meanwhile, the ministry pegged the October soybean purchases at 3.32 million tonnes.
- ❖ Malaysia's palm oil inventories at the end of Oct. rose 3.7% to 2,166,453 tonnes against 2,090,001 tonnes at the end of September, figures released by Malaysian Palm Oil Board. Exports of Malaysian palm oil products in the month of Oct. declined 1.4 % to 1.61 million tonnes, the MPOB said. Crude palm oil production declined 0.2% to 1.89 million tonnes.
- ❖ India imported 11.62 million tonnes of edible oil during Sep-Oct 2013/14 compared to 10.68 million tonnes during the same period previous season, stated the Solvent Extractors' Association(SEA).
- ❖ India's 2013/14 soyoil imports stood at 1.95 Mn T against 1.09 Mn T in 2012/14 season. Palm oil purchases were slightly lower at 7.29 Mn T against 8.29 Mn T last season. Sunflower oil imports were recorded at 1.51 Mn T against 0.97 Mn T in 2012/13.
- ❖ As per Oil World, the global supplies of palm oil is expected to rise by only 2.2 Mn T in Oct/Sept 2014/15, which is down from an average annual growth of 3.9 Mn T in the past 3 seasons.
- ❖ Falling South American soybean shipments are raising the global dependence on the USA in Sept/Febr 2014/15. South American soybean exports are estimated to have fallen to 1.1-1.2 Mn T in October – Oil World.
- ❖ China's soybean import is estimated to 73.5 Mn T in Oct/Sept 2014/15 by the Oil World.
- ❖ Argentina is expected to seed 20.6 million hectares with soybeans in the 2014/15 season.
- ❖ Informa has raised its soybean yield estimate to 48.5 bushels per acre from 46.5, and raised its production forecast to 4.017 billion bushels from 3.857 billion. The firm calculated harvested area for soybeans at 82.880 million acres. The projection compared to the U.S. Department of Agriculture's September forecasts for a soybean crop of 3.913 billion bushels with a yield of 46.6 bushels per acre.
- ❖ For soybeans, Lanworth too has raised its forecast for the U.S. yield to 47.1 bushels per acre, versus 47.0 bushels per acre in the previous estimate, and estimated soybean production at 3.880 billion bushels, up from 3.873 billion previously.

- ❖ Brazil's crop supply agency Conab forecast a record 2014/15 soybean crop of between 88.83 million tonnes and 92.41 million tonnes in its first forecast of the season. Besides, Argentina's farmers are expected to plant from 20.6 million to 20.9 million hectares with soybeans this year, up from 20.2 million hectares in the previous season.
- ❖ As per Oil World, the monthly soybean requirements in the US are expected to surge to 12-13 Mn T in October and further to 14 Mn T in November.
- ❖ As per Abiove, Brazil's soybean crop for 2014/15 is estimated at 91 million tons and exports forecast at 48 million tons. As per Oil World, oilseed production may rise to 519.7 million tons, up 4.31 percent from 2013-1. The total oilseeds production includes 310.80 million tons of soybean, 68 million tons of rapeseed, 41.4 million tons of sunflower seed and rests others.
- ❖ The total oilmeals consumption of five N. African countries in 2014/15 is estimated at 6.2-6.3 Mn, which has more than doubled within 10 years.
- ❖ India's import requirements of vegetable oils are set to increase to a new high of 12.2 Mn T in 2014/15, as reported by Oil World.
- ❖ Oil World has estimated a combined soya meal imports of 8 key countries in Southeast Asia at a record 16.6 Mn T next season, which is up 1.4 Mn T on the year.
- ❖ 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.
- ❖ 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.
- ❖ 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	5-Dec-14		28-Nov-14		
	Low	High	Low	High	
Indore –Plant	3225	3280	3250	3300	-20
Indore–Mandi	3050	3160	3100	3200	-40
Nagpur-Plant	3250	3300	3325	3325	-25
Nagpur – Mandi	3150	3225	3100	3300	-75
Kota-Plant	3250	3275	3325	3325	-50
Kota – Mandi	3200	3275	3200	3250	25
Bundi-Plant	3250	3300	3300	3300	Unch
Bundi-Mandi	3200	3225	3250	3250	-25
Baran-Plant	3300	3350	3340	3340	10
Baran-Mandi	3300	3400	3300	3300	100
Bhawani Mandi Jhalawar–Kota-Plant Delivery	3200	3250	3350	3350	-100
Jhalwar-Mandi	3150	3200	3300	3300	-100
Rapeseed/Mustard					
Jaipur-(Condition)	3935	3940	3875	3880	60
Alwar-(Condition)	3800	3825	3800	3800	25
SriGanganagar-(Non-Condition-Unpaid)	3550	3575	3500	3550	25
New Delhi–(Condition)(New Crop)	3930	3940	3780	3785	155
Kota-Non-(Condition)	3450	3550	3300	3400	150
Agra-(Condition)	4050	4100	4060	4060	40
Neewai	3690	3700	3620	3620	80
Hapur (UP)(New Crop)	3900	3925	3825	3850	75
Groundnut Seed					
Rajkot	800	800	770	770	30
Sunflower Seed					
Gulbarga	2850	3000	2825	3115	-115
Latur	2860	3400	3100	3341	59
Sholapur(New Crop)	3300	3350	3350	3350	Unch
Sesame Seed					
Mumbai (White98/2/1	9300	9300	9500	9500	-200

Soybean Prices are in INR/qtl. (1 bag=90 kg). Mandi prices – Loose, Mustard Seed Prices are in INR/qtl (1 bag=85 kg) C – Condition (42%), \*Groundnut seed in Rs/20 kg, Sunflower Seed in Rs/qtl.

Commodity	Centre	Arrivals in Bags/Qtl		Change
		Week End 29th to 05th Dec 2014	Week End 22th to 28th Nov 2014	
Soybean				
	Madhya Pradesh	1300000	1255000	45000
	Maharashtra	370000	395000	-25000
	Rajasthan	265000	280000	-15000
	Bundi (Raj)	11000	14000	-3000
	Baran (Raj)	8600	9000	-400
	Jhalawar (Raj)	9700	24500	-14800
Rapeseed/Mustard	Rajasthan	405000	350000	55000

## Progress of Sown Area – Rabi Oilseeds, India

In the official *rabi oilseeds* planting report (week ending 04 Dec 2014), the area coverage under *Rabi* oilseeds is reported at 67.94 lakh hectares, down 9.5% from 75.1 lakh ha during the same period last year. Of the major oilseeds, rapeseed/mustard seed sowing is reported down by 7% at 60.18 lha compared to 64.54 lha during the same period last year. Groundnut at 2.47 lha vs 2.87, safflower at 0.65 lha vs 1.46 lha, sunflower at 1.97 lha vs 3.12 lha, sesamum 0.37 vs 0.47, linseed 2.00 lha vs 2.22 lha during the same period last year.

Crop	As on 04 Dec 2014	As on 04 Dec 2013	% Change
Rapeseed/Mustard	60.18	64.54	-6.8
Groundnut	2.47	2.87	-13.9
Safflower	0.65	1.46	-55.5
Sunflower	1.97	3.12	-36.9
Sesamum	0.37	0.47	-21.3
Linseed	2.00	2.22	-9.9
Others	0.30	0.42	-28.6
<b>Total Oilseeds</b>	<b>67.94</b>	<b>75.10</b>	<b>-9.5</b>

(Area in lakh hectares) Source: GOI

## Soybean

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Soybean featured losses on sluggish buying and weak soy meal export sales and weak international soybean market.

Cautious buying in soybean was featured in anticipation of further fall in the bean prices. Sharp fall in crude oil and bearish global soy supply scenario remained pressurising factor for the bean.

Farmers were not keen in offloading their bean at the current price levels hence, the fall in the domestic supplies.

The domestic soybean supplies continued to ease from its peak, the daily average arrivals of Madhya Pradesh fell to 2 - 3 lakh bags which were 2.4 - 2.5 lakh bags previous week and 4.5 – 5 lakhs a couple of weeks back.

Widening crush margin too remained discouraging factor for the solvent extractors.

Much needed rains in South America in the previous week helped boost the lagging soybean planting in Brazil and Argentina.

Brazil's 2014/15 soy crop planting was 85% complete last week which is up 9% from 76% a week earlier with sufficient rains in growing regions, Brazilian consultancy AgRural last week.

Brazil's planting is currently 4%, after dry weather in October, behind last year when it was 89% complete, AgRural said in the last weekly report.

Planting is almost over in the top growing state Mato Grosso with reports of at 98% complete. It was 91% complete in Parana last week.

AgRural estimated a record Brazilian soybean crop of 94.9 million tonnes in 2014/15 season. AgRural said the productivity of Brazilian soybean will be in line with the 10-year average of 50.3 bags per hectare.

Brazil has exported 0.18 Mln T of soybeans in November compared 0.74 Mln T in October and 0.65 Mln T a year ago - trade ministry

Further, the Argentine ministry expects a record high 20.1 million hectares of Argentine area to be sown with soy in the 2014/15 crop year, more than 48% of which has already been planted.

Weakness in crude oil and bearish global soybean supply scenario will continue to pressure the domestic soybean market. The domestic soybean prices will feature the range-bound movement in near-term.

## Soy meal

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Soy meal fell in tandem with soybean during the week under review. Weak overseas meal demand even with the start in new season coupled with lower than expected domestic demand remained pressurising factors.

The overseas meal demand slightly improved m-o-m but it remained significantly lower compared to the same period last year.

Further, the domestic meal demand too slightly suffered with the concern of the outbreak of bird-flu in some parts of Kerala.

The domestic demand increases with the rise in poultry consumption in winter which keeps the soy meal market stable. Further, overseas meal demand gets shifted to India with increased pace in the soybean crushings.

However, bearish global supply scenario and weakness in crude in conjunction with subdued Malaysian palm oil limited the upside in domestic soy meal.

India's soy meal shipments in Nov. 2014 rose 282% as compared to Oct.'14 but it was 78% lower than the same period last year.

India's soy meal export sales suffered during the 2013-14 season and witnessed a sharp fall after the weak season for soybean due to lower bean production. India's total soy meal exports in the previous season (Oct 2013/ Sep 14) were just 2.01 Mn T against 3.45 Mn T in 2012/13.

India's soy meal prices have to be attractive in order to boost the exports unlike during 2013/14 season. Iran, France, Indonesia, Greece and Sri Lanka remained the key buyers of Indian soy meal during the season.

The top 3 buyers of Indian soy meal in November were also Iran, France and Indonesia.

Narrowing price spread is a positive signal for India with India's meal prices getting competitive over Argentina and expectation of buyers diverting back with the harvest of new soybean crop in late October.

India's oilmeal shipments in Nov. 2014 fell 72% from a September 2013 to 157,356 tonnes due to fall in the shipments of S.B. extract, G.N., R.B. and CST extract.

India's soy meal exports improved to 110806 tonnes in November from 29071 tonnes in Oct., the Solvent Extractors' Association of India. Of total oilmeal shipments in October, soy meal comprised of 110806 tonnes, rapeseed meal (39,133 tonnes), ricebran extraction (3,750 tonnes) and castorseed meal was 3,667 tonnes.

We feel the major international buyers will shift towards India after rise in seasonal supplies with improved soybean crushing making meal prices competitive in coming days. India's soy meal export is expected to pick-up in 2014/15 season.

The soy meal prices are likely to feature range bound movement followed by US support gains on improved Chinese buying from US and with the rise in benchmark CBOT soy product prices.



*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. Iran, Japan, Europe, Thailand, Vietnam, Indonesia and South Korea could be seen as the major destinations for Indian soy meal exports.*

India's Y-o-Y soy meal prices declined. Soy meal export price, FOR Kandla (Jan – Feb delivery) was quoted between Rs 30,550– 31,475/MT compared to Rs 35,300 – 35,800/MT during the same period last year.

**Recommendation:** *As the India's soy meal prices are getting competitive with improved new soybean crushings, Indian meal exporters are advised to aggressively explore the lost markets last season especially traditional South and Far-East Asian destinations and Iran. India has just entered into the period of higher exports considering seasonality. The domestic meal prices are likely to feature steady to firm tone during in near-term. FOR, Kandla (Jan – Feb delivery) is expected to feature range bound movement with firm bias and the quotes will range between Rs.30,800 – 31,200/MT levels in the upcoming week.*

## Technical Analysis:

### NCDEX Soybean Futures



### Soybean Spot, Indore



\*Note: Daily Chart

### Support & Resistance NCDEX Soybean – Jan. contract

S2	S1	PCP	R1	R2
3117	3199	3294	3437	3538

- Soybean featured fall in the prices in the weekly chart.
- Prices closed below 9-day and 18-day EMA.
- RSI and stochastic are easing in neutral zone.
- MACD is rising in positive territory.
- The prices are expected to feature losses in coming week.
- **Trade Recommendation (NCDEX Soybean – Jan.) Week: SELL** Below 3296. Levels: Target – 3246; T2- 3226, SL -3326.

**Trade Recommendation Soybean - Spot:** Soybean prices will continue to feature range-bound movement with weak bias. The prices are likely to be in the band of 3250 – 3350 levels (Indore, Plant basis) during the week.

## Rapeseed - Mustard Seed

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RM seed posted gains on supportive buying from millers and the stockists ahead rise in mustard oil demand in coming days.

Further, lower supplies in the seed remained supportive too mustard oil consumption improves as the weather temperature dips in the key consuming region with increased consumption of snack and fries.

India's continued rapeseed extract shipments to major destinations like Iran, Vietnam and Indonesia lent additional support to the seed.

India's mustard seed planting is in full swing but it is lagging 7% compared to the same period last year and. We expect India's total area under RM seed to be near previous season, which was 71.4 lakh hectares.

The fall in planting pace is primarily due to warm weather in most of the growing areas where farmers waited for the rain spells so that the soil moisture improves.

However, weakness in Malaysian palm oil followed by fall in crude mineral oil and lower exports limited the gains in the RM seed. Slight gains in BMD CPO in recent days remained supportive for RM seed.

In a recent forecast by James Fry, Malaysian crude palm oil may drop to 1,740 ringgits per tons next year, if Brent crude slides to \$60 a barrel as weak crude oil may dent the palm demand which can be used as a biofuels. Moreover, Malaysian crude palm oil is expected to average 2,235 ringgit (\$661) per tons in 2015 if Brent is at \$80 a barrel and to drop to 1,985 ringgit if Brent is at \$70, which will eventually pressure the domestic RM seed.

Mistry kept his forecast that palm oil prices had bottomed out and would reach 2,500 ringgit by March, before climbing higher as inventories shrink to their lowest in June. However, the price gain will depend on Indonesia's biodiesel targets. On the production front, Indonesian palm output may rise to 31.5 million tonnes in 2015 from 30 million tonnes projected for this year, and jump another 2.5-3 million tonnes in 2016 as large areas of oil palm acreage mature.

India imported record edible oils in 2013/14 due to attractive overseas prices in sunflower, soy and palm oils last season.

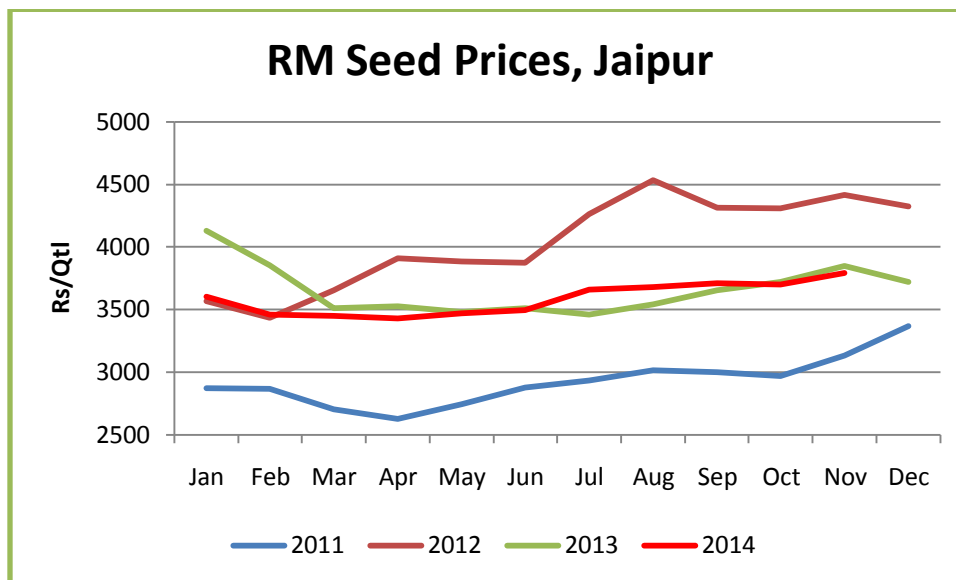
India imported 11.62 million tonnes of edible oil during Sep-Oct 2013/14 compared to 10.68 million tonnes during the same period previous season, stated the Solvent Extractors' Association(SEA).

India's 2013/14 soyoil imports stood at 1.95 Mn T against 1.09 Mn T in 2012/14 season. Palm oil purchases were slightly lower at 7.29 Mn T against 8.29 Mn T last season. Sunflower oil imports were recorded at 1.51 Mn T against 0.97 Mn T in 2012/13.

The major source of India's oil imports are Indonesia and Malaysia for palm oil, South America for soyoil; Ukraine and Russia for sunflower oil.

*India's import bill towards edible oils is likely to reach US \$15 billion against US \$9.3 billion in 2013-14 followed by lower kharif oilseeds production, reported by industry body Assocham.*

The RM seed will continue to witness gains in coming weeks on improved seasonal demand in mustard oil and falling supplies in the seed.



### Technical Analysis:

#### NCDEX RM Seed Futures



\*Note: Daily Chart

#### RM Seed Spot, Jaipur



#### Support & Resistance NCDEX RM Seed – Jan. contract

S2	S1	PCP	R1	R2
3790	3864	3939	4048	4122

- The weekly candlestick chart pattern reveals surge in the prices.
- 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 - Jan) Week: BUY** Above 3937 for a Target – 3987; T2- 3400; SL -3907.

**Trade Recommendation RM Seed Spot (Jaipur basis):** In spot, buying support will boost the seed prices. Prices of seed are expected to gain on crushing demand and will be in the range between 3880 – 3980 levels during the week. They were between 3870 – 3950 levels during the week under review.

## Annexure

### Progress of Sown Area – Kharif Oilseeds, India

In the official *kharif oilseeds* planting report (week ending 09 Oct 2014), the area coverage under *Kharif* oilseeds is reported at 178.47 lakh hectares, down 8.4% from 194.90 lakh ha previous year. Of the major oilseeds, soybean sowing is reported down by 10% at 110.22 lha compared to 122.20 lha during the same period last year. Groundnut at 37.25 lha vs 43.19, sunflower at 2.05 lha vs 2.43 lha, sesamum 16.31 vs 14.91, niger 2.28 lha vs 2.33 lha and castor at 10.35 lha vs 9.84 lha during the same period last year.

<b>Crop</b>	<b>As on 09 Oct 2014</b>	<b>As on 09 Oct 2013</b>	<b>% Change</b>
Groundnut	37.25	43.19	<b>-13.8</b>
Soybean	110.22	122.20	<b>-9.8</b>
Sunflower	2.05	2.43	<b>-15.6</b>
Sesamum	16.32	14.91	<b>9.5</b>
Niger	2.28	2.33	<b>-2.1</b>
Castor	10.35	9.84	<b>5.2</b>
<b>Total Oilseeds</b>	<b>178.47</b>	<b>194.90</b>	<b>-8.4</b>

(Area in lakh hectares) Source: GOI

### Rabi MSP 2014-15

- ❖ The Cabinet Committee on Economic Affairs has approved the Minimum Support Prices (MSPs) for Rabi Oilseeds Crops of 2014-15 season to be marketed in 2015-16 as follows: The MSP of Rapeseed/Mustard is raised by Rs. 50/Qtl to Rs. 3100/Qtl from Rs. 3050/Qtl earlier. For Safflower too it is increased by Rs. 50/Qtl to Rs. 3050/Qtl from Rs. 3000/Qtl in 2013-14.

### 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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