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3 February 2012

The underlying trend for Indian edible oil and oil seed futures are expected to remain weak for a medium term. Increasing Rabi oil seed crop arrivals and lack of fresh demand in the domestic market will weigh on the market sentiments. However uncertainty with regards to weather development in South America will keep the prices choppy.

SOY BEAN

NCDEX

Contract	Open	High	Low	Close	% Chg
Feb-12	2450.00	2470.00	2436.00	2439.50	-0.79%
Mar-12	2490.00	2507.00	2474.00	2480.00	-0.76%
Apr-12	2562.00	2600.00	2514.00	2518.50	-0.69%
May-12	2558.00	2568.50	2540.00	2541.50	-0.82%

Contract	Vol (MT)	△ Vol	OI	△ OI
Feb-12	74460	-2610	197270	-8100
Mar-12	68400	1350	228890	-1010
Apr-12	31370	10020	134510	5490
May-12	3620	2250	20010	1010

ACE

Contract	Open	High	Low	Close	% chge
Feb-12	2451.00	2471.00	2436.00	2439.50	-0.81%
Mar-12	2493.00	2507.50	2475.00	2479.50	-0.82%
Apr-12	2532.00	2546.00	2515.00	2518.50	-0.71%
May-12	2551.00	2567.00	2542.00	2553.00	-0.85%

Contract	Vol (MT)	△ Vol	OI (lots)	△ OI
Feb-12	26610	2830	1486	-32
Mar-12	18050	5200	748	15
Apr-12	2840	620	190	72
May-12	80	20	4	-3

CBOT SOY BEANS

Month	Date	Open	High	Low	Close	Change
Soy Beans						
Mar-12	120202	1213.5	1225	1206.25	1217	1.75
May-12	120202	1222.25	1233.5	1215.25	1225.5	1.25

Value in USD cents/bushel

FUTURES:

DOMESTIC

- ❖ Indian soy bean futures continued to trade southwards as buying interest lacked luster amid increase in arrivals
- ❖ We witnessed long liquidation for the February contract traded at NCDEX and ACE
- ❖ Overall the participation in the market improved amid surge in volume of trade

INTERNATIONAL

- ❖ US soybean futures ended modestly higher, trading in tandem with movement in the US dollar.
- ❖ Also uncertainty about South American output offset neglected sluggish export demand
- ❖ CBOT March soybeans ended up 1 3/4c to \$12.17/bushel

Soy beans at the spot markets traded mixed yesterday. The undertone remained weak on subdued demand for oil.

Soybean traded at Rs. 2,200-2,475 per 100 kg in the major markets of Madhya Pradesh and Rs. 2,251-2,495 per 100 kg in Maharashtra.

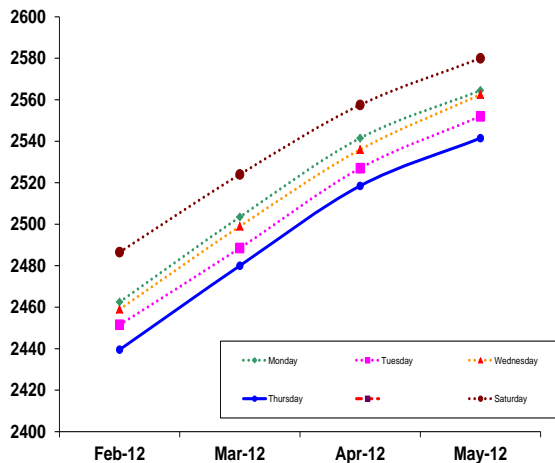
Arrival stood at 100,000 bags in MP, 60,000 bags in Rajasthan and 40,000 bags in Maharashtra.

SPREAD

Spread	Feb-12	Mar-12	Apr-12	May-12	Jun-12
Spot	31	-10	-49	-72	-107
Feb-12		-41	-79	-102	-97
Mar-12			-39	-62	-59
Apr-12				-23	-36
May-12					-36

Source KCSL Research

FORWARD CURVE



Source: NCDEX & KCSL Research

FUTURES

SOY BEAN WEATHER HIGHLIGHTS (Bloomberg)

BRAZIL SOYBEANS:

FORECAST:

Mato Grosso Do Sul, Parana, Rio Grande Do Sul

Forecast...Mato Grosso Do Sul, Parana, Rio Grande Do Sul

Dry or with only a few light showers with locally heavier through western MGDS and in RGDS today. Chance for Scattered to widely scattered light showers with locally heavier for Rio Grande Do Sul tomorrow and Saturday. Little elsewhere in the region Friday and Saturday. Temperatures average above normal with highs

SPOT MARKET PRICES

Centre	Spot Rs./Qtl	Change
Indore	2470	-7
Kota	2499	26
Nagpur	2473	0

Source: NCDEX

CRUSH MARGIN

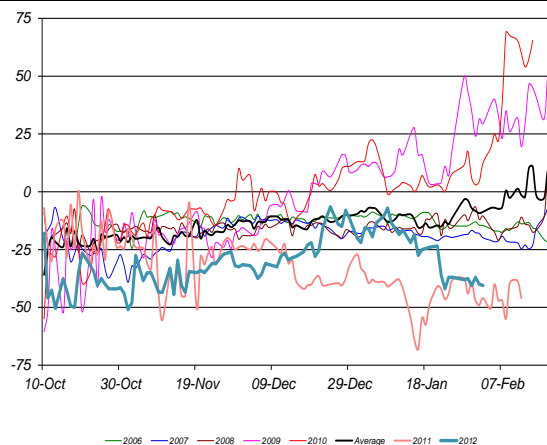
Soybean Complex	
Gross Crush (Rs.)	816.664
Oil share	44.4%
Meal share	55.6%

Source: SEA, KCSL

Forward Curve and Spreads

On Thursday the forward curve turned steeper, we saw change in slope of the forward curve which widened the near month spreads. Increasing Rabi crop arrivals could weigh on the near month prices. The spread between March and February has inched to -41 from -40 we expect the spread to head towards -50 to -60 during coming days.

March – February Contract



mostly 91 to 99 F (33-37C) during this period.

Scattered showers and thundershowers appear likely for southern and eastern RGDS, eastern Santa Catarina and southeast Parana Sunday and Monday. A few of these showers may reach into the soybean areas of northwest RGDS during this time. Little is expected elsewhere in the key growing belt. Drier weather is expected for Tuesday. Temperatures average above normal during this period with highs likely 88 to 99F (31-37C) each day.

Outlook: The ridge is expected to shift westward as a trough develops along the east coast or in the Atlantic next Wednesday through Saturday. This will likely mean cooler temperatures, especially for RGDS. It may mean more shower activity but this is harder to call.

ARGENTINA SOYBEAN:

Forecast...

Chance for scattered light to locally moderate showers today, possibly favoring Cordoba, Sante Fe and northern Buenos Aires. Drier again tomorrow. Dry or with only a few light showers Saturday. Temperatures vary somewhat during this period, hotter ahead of weak disturbances, cooler behind them.

Chance for scattered showers and thundershowers through Cordoba, Sante Fe and northern Buenos Aires Sunday through Tuesday. Drier to the south during this time. Cooler in the south, warm to hot in the north.

OUTLOOK:

Soybean:

Soybean futures across the futures are expected to trade with a downward bias tracking weak cues from CBOT soy beans during early trades. Lack of fresh demand for oil and meal and increasing Rabi oil seed crop arrivals will put pressure on price. The downside will remain capped on depreciating rupee against the US dollar. The outlook for the day is negative. The NCDEX February contract is getting support near Rs.2400-2410/qtl while resistance is seen near Rs.2470-2480/qtl. ACE February is getting support near Rs.2400-2410/qtl and resistance is seen near Rs.2470-2480.

MUSTARD SEED

NCDEX

❖ **ACE**

Contract	Open	High	Low	Close	% Chg
Apr-12	3288.00	3299.00	3251.00	3266.00	-0.91%
May-12	3343.00	3348.00	3301.00	3316.00	-0.87%
Jun-12	3375.00	3384.00	3345.00	3358.00	-0.97%
Jul-12	3409.00	3416.00	3380.00	3394.00	-0.96%

Contract	Open	High	Low	Close	% chge
Apr-12	3291.00	3295.75	3244.00	3257.50	-1.12%
May-12	3342.00	3345.00	3281.00	3307.00	-1.11%
Jun-12	3376.00	3384.00	3347.75	3356.25	-1.00%
Jul-12	3413.00	3415.00	3407.00	3380.50	-1.62%

Contract	Vol (MT)	△ Vol	OI	△ OI
Apr-12	114160	22740	131050	-1030
May-12	42300	5830	82280	1860
Jun-12	4000	3150	4540	1670
Jul-12	710	660	2700	300

Contract	Vol (MT)	△ Vol	OI (lots)	△ OI
Apr-12	7740	850	435	24
May-12	8350	4960	691	360
Jun-12	1780	1550	137	119
Jul-12	150	150	1	1

- ❖ Mustard futures continued to trade weak on selling pressure
- ❖ We witnessed long liquidation for April contract while fresh short accumulation featured for May contract
- ❖ The participation in the market improved amid low volume of trade

Domestic Spot

Mustard seed at the physical counter traded mixed yesterday. Prices at Alwar surged as buying interest from millers emerged at lower levels amid low stocks. In Jaipur market the prices eased to Rs.3225/qrtl, down by Rs. 2/qrtl. Overall buying interest from millers is reported to emerge at lower levels.

New crop arrivals of 27000 bags were witnessed across India. Old crop arrivals are reported to be around 47000. Also new crop arrivals are expected to gain pace in the market during the coming days

As on 1st February NCDEX ware house stocks eased to 107084 from 107678 tons as on 31st January. As on 1st February ACE ware house mustard seed stocks remained steady at 8500 tons.

Spread	Apr-12	May-12	Jun-12	Jul-12
Spot	-2683	-2733	-2775	-2811
Apr-12		-50	-92	-128
May-12			-42	-78

Forward Curve and Spreads

On Thursday the forward curve remained steady. During the coming days we expect the arrival pressure weigh on the prices in near month. The April and May spread is at -50 we expect the spread to head towards -65 to 70 during coming days.

SPOT MARKET

Centre	Spot Rs./Qtl	Change
Alwar	3301	52
Jaipur	3225	-2
Sri Ganganagar	3296	-42

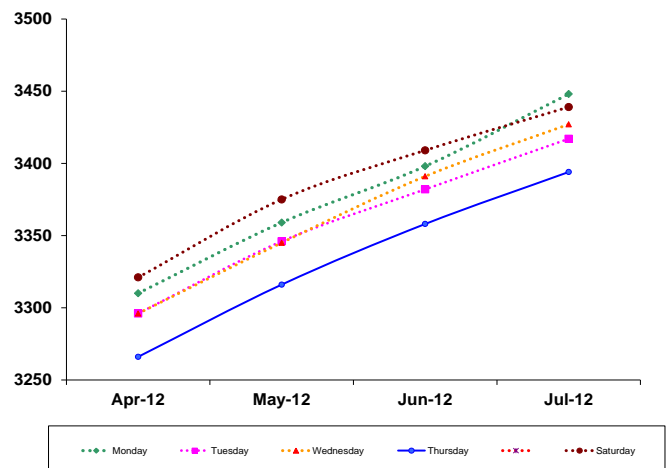
Source: NCDEX

Rape/Mustard Complex

Gross Crush (Rs.)	380
Oil share	86.6%
Meal share	13.4%

Source: SEA, KCSL

FORWARD CURVE

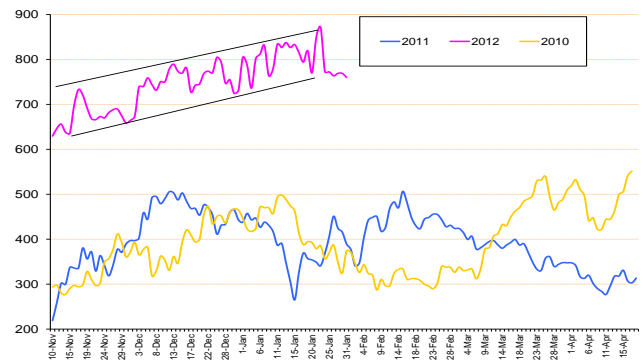


Source: NCDEX & KCSL Research

Mustard seed and Soy bean Spread:

The mustard seed and Soy beans April contract spread in 2012 has moved in a different way compared to last 2 years. The shift in the spread from 500-300 band to 650-830 band is due to low production prospects for mustard seed this season. Yesterday the spread eased further to 747 from 760. Increasing mustard seed arrivals will further put pressure on prices and narrow the spread. Looking at the current supply and demand scenario the spread is expected to head towards 650-700 during coming days.

Mustard& Soybean Spread (April contract)



Source: NCDEX& KCSL Research

CROP STATUS

Mustard seed arrivals have started. Nearly 25000-30000 bags arrive daily at the key trading centers of Rajasthan, Haryana, Punjab and UP. Despite the rise in MSP this year the overall acreage does not seem very promising as expected due to unfavorable weather in the country. Also higher realization for Chana has convinced farmers divert acreages to chana as compared to mustard seed.

As per SEA of India, Mustard sowing is 3.6% lower compared to last year. Area covered in up till 29th Dec is 64.55 lakh hectares compared to 68.21 lakh hectare last year.

Weather

Warmer October and November months have delayed flowering of crops in the northwestern state of Rajasthan, the largest producer of rapeseed in India. Also, farmers have planted less oilseed crops due to the unfavorable weather as per industry experts. As per IMD latest reports of change in weather pattern is favorable for the crop excess rainfall could affect the yield.

Rain/thundershowers would occur at one or two places over Punjab and Haryana during next 24 hours and increase thereafter. Rain/thundershowers would also occur at one or two places over north Rajasthan and west Uttar Pradesh from tomorrow onwards. (Source: IMD)

OUTLOOK

Rapeseed: Mustard seed futures are expected to extend losses during the session. Lack of fresh buying interest coupled with increasing new crop arrivals will keep the prices supported. The outlook for the day is negative. The NCDEX April contract is getting support near Rs.3190-3200 while resistance is seen near Rs.3300-3310. ACE April contract is getting support near Rs.3190-3200 and resistance is seen near Rs.3300-3310.

REFINED SOY BEAN OIL

NCDEX

Contract	Open	High	Low	Close	% Chg
Feb-12	683	685.9	677.4	678.8	-0.83%
Mar-12	677.1	679.7	670.6	672.1	-0.99%
Apr-12	672.8	675	666.35	668.2	-0.96%

Contract	Vol (MT)	△ Vol	OI	△OI
Feb-12	122410	20800	95750	-5830
Mar-12	100060	950	98550	430
Apr-12	24380	-4870	68090	4510

ACE

Contract	Open	High	Low	Close	% chge
Feb-12	682.00	685.80	677.45	679.00	-0.82%
Mar-12	676.20	679.80	670.70	672.50	-0.93%
Apr-12	672.00	674.95	667.00	668.15	-0.97%

Contract	Vol (MT)	△ Vol	OI (lots)	△ OI
Feb-12	39670	6950	2632	-86
Mar-12	19710	4250	1722	-224
Apr-12	6730	2790	706	207

Month	Date	Open	High	Low	Close	Change
SOY OIL						
Oct-12	120202	321.7	322.8	320	322.8	2.8
Dec-12	120202	319.2	323.6	317.7	322.4	3

Value in USD Cents/ Bushel

FUTURES MARKET

DOMESTIC

- ❖ Indian refined soy bean oil futures traded weak yesterday on weak demand coupled with weak cues from Malaysian Palm
- ❖ Liquidation of long positions featured for the February contract traded at NCDEX and ACE
- ❖ The participation in the market improved amid surge in volume of trade

INTERNATIONAL

- ❖ Soy product futures edge higher, mimicking the up and down price movements of soybeans
- ❖ The markets lacked fresh fundamental directives to push prices, leaving traders focused on outside markets for guidance
- ❖ CBOT March soy meal ended up \$1.10 to \$323.40/short ton; March soy oil finished up 0.01c to 51.19c/pound

Oil (Crude)	C&F Rate-Mumbai	Import Base Tariff	Import Duty	Landed Price	SAD	Total Landed Cost	Domestic Price Rs /10 kg
Soyoil \$/ ton	1205	580	0	1205	0	1205	621.648 (Ex Indore)
Rs./ 10 kg	590.69	-	0.00	590.69	0	590.69	
Palm Oil \$/ ton	1007	447	0	1007	0	1007	513 (Ex Kandla)
Rs./ 10 kg	493.63	-	0	493.63	0	493.63	

Source: SEA, KCSL

SPOT MARKET

Soy oil across the physical counter traded steady to downward bias. The undertone remained weak as the demand lacked luster despite marginal gains at the futures counter. Also putting pressure on prices is

Centre	Spot Rs./Qtl	Change
Indore	687	-2
Mumbai	687	0
Nagpur	681	0

Source: NCDEX

increasing mustard seed arrivals at the physical counter.

Meanwhile India's food ministry has renewed a push to protect local edible oil refiners by increasing the base prices on which taxes are levied when imported refined oil lands in the country. The finance ministry had opposed the proposal

International Oils (US\$/M.T) C&F Mumbai

1. RBD Palmolein FOB Malaysia/Indonesia	1065
2. RBD Palmolein C&F Mumbai	1075
3. Crude Palm Oil(CPO) FOB Indonesia	1007
4. Crude Palm Oil(CPO)C&F Mumbai	1030
5. Soya Degum (Crude) CIF Mumbai	1205
6. Sunflower Oil (Crude) CIF Mumbai	1175
7. Castor Oil (First Grade) FOB Kandla (Ex)	1450

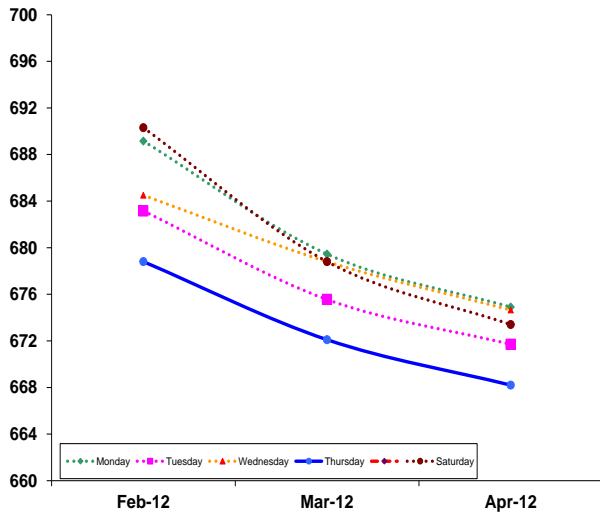
Source: SEA

in November due to concerns that it will increase edible oil prices in the local market and fan food inflation. It isn't immediately clear whether the government will increase the base price this time. The trade ministry has backed the proposal, but the final decision has to be taken by the finance ministry.

Malaysia Palm

Malaysian crude palm oil touched a new six-week low on Thursday as the ringgit currency strengthened against the U.S. dollar, making it expensive for refiners to buy feedstock to process at a time when demand has slowed. Benchmark April palm oil futures on the Bursa Malaysia Derivatives Exchange lost 0.7 % to 3,063 ringgit (\$1,007) per ton. Prices touched a new low of 3,036 ringgit, a level last seen on Dec. 21. Traded volumes stood at 22,712 lots of 25 tons each, thinner than the usual 25,000 lots, ahead of the long weekend holiday.

FORWARD CURVE



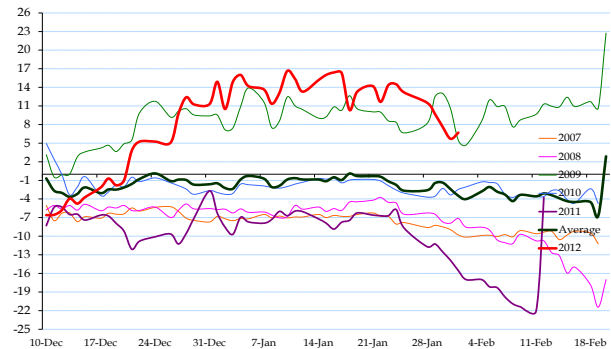
Source NCDEX & KCSL Research

Forward Curve and Spread

The forward curve continued to shift towards the left on sluggish demand. Historically the March contract has traded at premium to February except in the year 2009. The onset of Rabi oil seed arrivals will put pressure on the near month prices also the demand for oil in the market is weak. We expect the spread to narrow to 2 to 3 during coming days on Thursday the spread inched slightly to 6.7 from 5.7. One can sell Feb and buy March keeping a stop loss at 18.

Spread	Feb-12	Mar-12	Apr-12
Spot	8.20	14.90	18.80
Feb-12		6.70	10.60
Mar-12			3.90

March - February SPREAD



Source: NCDEX & KCSL Research

OUTLOOK:

Refined Soybean Oil: Refined soy bean oil futures at the Indian exchanges are expected to trade with a downward bias. Weak cues from CBOT soy oil during early hours could weigh on the prices. Also putting pressure on prices is weak demand in the domestic market amid increasing Rabi oil seed crop arrivals. However depreciating rupee against the US dollars could keep a check on downside. The outlook for the day is negative. NCDEX February contract is getting support near Rs.670-671 and resistance is seen near Rs.687-688. ACE February contract is getting support near Rs.670-671 and resistance is seen near Rs. 687-688.

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