

17-22 Jan 2011

Soybean (Buy)

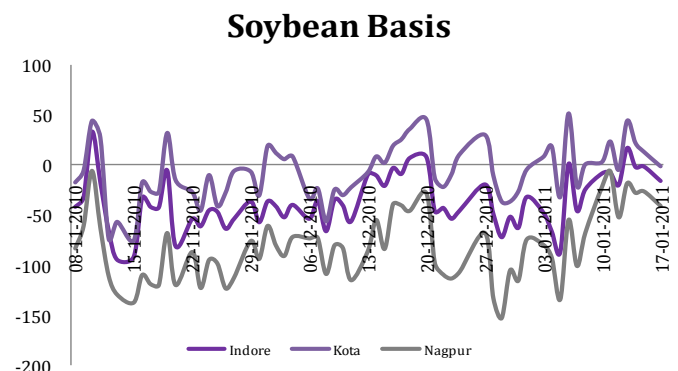
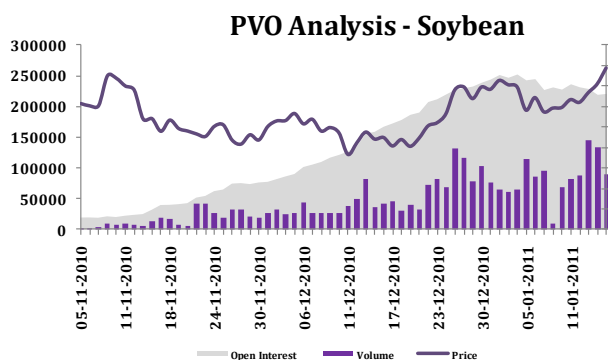
NCDEX Feb: Buy at 2430-2450 TP 2490 then 2540 SL 2390

World oilseeds market witnessed a choppy trend in first half of last week as global traders were cautious in taking positions ahead of USDA monthly crop report. Indian market was also in the same condition to get clear direction from monthly crop report. As a result of this, we have witnessed a thin trading in first three days of the week. Indian soybean futures were witnessing both sided trading and ending the day almost on a flat note in early half of last week. However, the bias was on higher side because of strong export demand for Indian soy meal. Indian traders were on buying side anticipating more meal export demand from South East Asian countries. Report of likely fall in Argentina soy production—due to hot and dry weather conditions—acted as booster for the Indian market. On Thursday, Indian market witnessed a gap up opening reacting to the rally seen in CBOT soy market on Wednesday. CBOT soybean futures rallied to 2-year high on Wednesday after US Department of Agriculture lowered the world soybean production estimates. Major decline was projected for US and Argentina. Ending stock of soybeans for US was also lowered. In later part of the week, Indian market witnessed a sharp rise in the prices on expectation of robust demand. Lower import of soy oil in December was another bullish factor during the week.

Futures

| NCDEX (₹/Quintal) | | | | | | | | | | |
|-------------------|---------|---------|---------|---------|----------|--------|----------|---------------|----------|--|
| Contract | Open | High | Low | Close | % Change | Volume | % Change | Open Interest | % Change | |
| Jan-11 | 2328.00 | 2385.00 | 2316.50 | 2378.50 | 2.43% | 232300 | -23.14% | 25960 | -74.06% | |
| Feb-11 | 2405.00 | 2498.50 | 2391.00 | 2493.00 | 4.05% | 605580 | 34.27% | 220690 | -4.57% | |
| Mar-11 | 2455.00 | 2562.00 | 2430.00 | 2557.00 | 4.92% | 297440 | 88.52% | 166960 | 71.22% | |
| Apr-11 | 2480.00 | 2602.00 | 2460.00 | 2596.00 | 5.06% | 103610 | 92.98% | 75240 | 54.05% | |

Derivatives



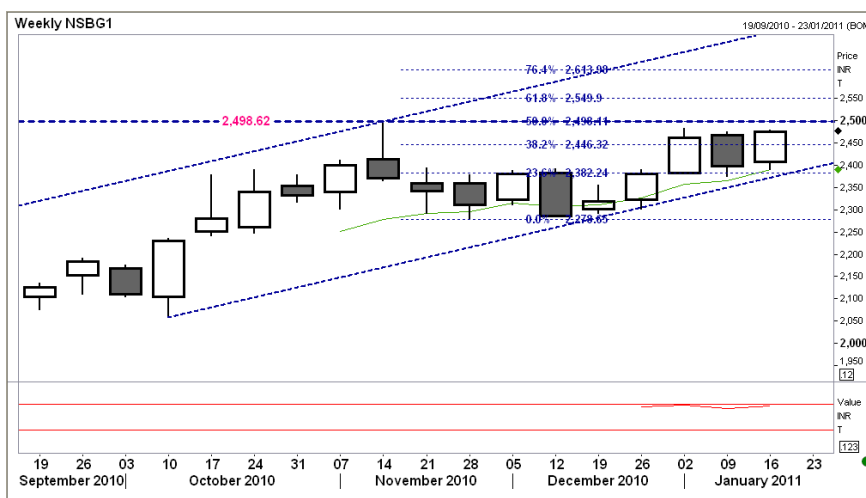
Outlook

The Bull Run in the soybean futures market is likely to extend in the week ahead on follow through buying. We can expect a strong buying interest from local traders as well as crushers on expectation of robust meal export demand from South East Asian countries. Lower soy meal price of India is likely to attract South East Asian countries to buy more meal to meet their demand. The spread between soy meal price of India and Latin America has been increasing. Indian prices are at discount of \$40 per ton to Argentina. Robust oil meal export data is likely to support the prices in the week ahead. According to the Solvent Extractors' Association of India, soy meal export from India rose 86% Y/Y in December to 611,157 tons. During April-December, total soy meal export from India surged 55% Y/Y to 2.31 million tons. Indian traders are taking an advantage of likely crop loss in Argentina and exporting more meal to South East Asian countries. Indian crushers are likely to go for aggressive bean procurement on expectation on robust meal export enquiries for South East Asian countries. The much awaited USDA report was released on last Wednesday where world

soybean production forecast was lowered. United States Department of Agriculture lowered world soybean production forecast to 255.53 million tons from 257.78 million tons projected in December. Major decline estimated for US and Argentina to 90.61 million tons and 50.50 million tons from 91.85 million tons and 52 million tons, respectively. US soybean ending stock is projected at 3.82 million tons against 4.49 million tons projected in December. Bad weather condition in Latin American countries has been affecting the yield levels.

Technical analysis

Soybean February future prices traded higher in the last week by reversing the previous trend. Initially market traded lower after testing a low of 2391 it started rising and settled higher at 2493 levels. Market is in consolidation phase for the past three weeks and hovering in the band of 2484-2380 levels. The concern is if market fails to breach the resistance at 2498 (Previous wing high and 50% projection of the range 2061-2498.5 levels) it is possible to move sideways. Only a convincing break and closing above 2498 may lead the prices to gain further. Immediate support is at 2446 followed by 2380 levels which would be crucial levels to watch for the coming week. RSI (14) weekly is at 0.66 levels and still has the potential to move higher. Overall, we expect prices to move higher and recommend buying near support levels.



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Spread Matrix

| Spread Matrix | | | | | |
|---------------|---------|--------|--------|--------|--------|
| | Spot | Jan-11 | Feb-11 | Mar-11 | Apr-11 |
| Spot | 0 | | | | |
| Jan-11 | -15.50 | 0 | | | |
| Feb-11 | -130.00 | 114.5 | 0 | | |
| Mar-11 | -194.00 | 178.5 | 64 | 0 | |
| Apr-11 | -233.00 | 217.5 | 103 | 39 | 0.00 |

Crush Margin

| | Ready Indore | Jan | Feb | Mar |
|-----------------|----------------|----------------|---------------|----------------|
| Soybean | 23630 | 23785.00 | 24930.00 | 25570.00 |
| Cost | 24580.00 | 24735.00 | 25880.00 | 26520.00 |
| Refined Soy Oil | 631.45 | 632.65 | 644.65 | 652.55 |
| Solvent Oil | 601.45 | 602.65 | 614.65 | 622.55 |
| Oil Share | 12029.00 | 12053.00 | 12293.00 | 12451.00 |
| DOC Ex-Kandla | 18525.00 | 18525.00 | 18525.00 | 18525.00 |
| DOC Ex-Indore | 17325.00 | 17325.00 | 17325.00 | 17325.00 |
| Meal Share | 13860.00 | 13860.00 | 13860.00 | 13860.00 |
| Realization | 25889.00 | 25913.00 | 26153.00 | 26311.00 |
| Margin | 1309.00 | 1178.00 | 273.00 | -209.00 |

Spot - Soy Meal

| | 14-01-2011 | 13-01-2011 | 11-01-2011 | 10-01-2011 |
|------------------------------|------------|------------|------------|------------|
| FOR Mumbai PP Bags (₹/MT) | 18625.00 | 18525.00 | 18325.00 | 18325.00 |
| FOR Bedi Bunder (₹/MT) | 18475.00 | 18375.00 | 18175.00 | 18175.00 |
| FOR Kakinada (₹/MT) | 18575.00 | 18475.00 | 18275.00 | 18275.00 |
| Spot (45-46% Protein) (₹/MT) | 17525.00 | 17425.00 | 17225.00 | 17225.00 |
| Spot (48% Protein) (₹/MT) | 17625.00 | 17525.00 | 17325.00 | 17325.00 |
| FAS Mumbai (\$/MT) | 385.50 | 383.50 | 380.50 | 380.50 |
| FAS Bedi Bunder (\$/MT) | 388.50 | 386.50 | 383.50 | 383.50 |
| FAS Kakinada (\$/MT) | 390.50 | 388.50 | 385.50 | 385.50 |
| FOR Bedi Bunder (\$/MT) | 376.50 | 374.50 | 371.50 | 371.50 |
| FOR Kakinada (\$/MT) | 378.50 | 376.50 | 373.50 | 373.50 |
| Argentina FOB (\$/MT) | 427.8 | 427.58 | 418.1 | 409.61 |

World soybean supply demand situation (in MMT)

| | | Beginning Stocks | Production | Imports | Consumption | Exports | Ending Stocks |
|------------------------|------------|------------------|---------------|--------------|---------------|--------------|---------------|
| 2010/11 Proj. | | | | | | | |
| World | Dec | 60.41 | 257.78 | 96.17 | 256.24 | 98 | 60.12 |
| | Jan | 60.23 | 255.53 | 96.01 | 255.49 | 98 | 58.28 |
| United States | Dec | 4.11 | 91.85 | 0.27 | 48.48 | 43.27 | 4.49 |
| | Jan | 4.11 | 90.61 | 0.41 | 48.03 | 43.27 | 3.82 |
| Total Foreign | Dec | 56.29 | 165.92 | 95.9 | 207.76 | 54.72 | 55.64 |
| | Jan | 56.12 | 164.92 | 95.6 | 207.46 | 54.72 | 54.46 |
| Major Exporters | Dec | 38.57 | 126 | 0.2 | 80.33 | 49.04 | 35.4 |
| | Jan | 38.45 | 125 | 0.2 | 80.03 | 49.04 | 34.58 |
| Argentina | Dec | 22.45 | 52 | 0 | 40.95 | 13 | 20.5 |
| | Jan | 22.28 | 50.5 | 0 | 40.65 | 12.5 | 19.63 |
| Brazil | Dec | 16.06 | 67.5 | 0.18 | 37.5 | 31.4 | 14.84 |
| | Jan | 16.06 | 67.5 | 0.18 | 37.5 | 31.4 | 14.84 |
| Major Importers | Dec | 15.29 | 16.74 | 82.34 | 96.23 | 0.51 | 17.63 |
| | Jan | 15.19 | 16.74 | 82.34 | 96.23 | 0.51 | 17.53 |
| China | Dec | 14.47 | 14.4 | 57 | 68.85 | 0.45 | 16.57 |
| | Jan | 14.47 | 14.4 | 57 | 68.85 | 0.45 | 16.57 |
| EU-27 | Dec | 0.48 | 1.03 | 14 | 14.82 | 0.03 | 0.66 |
| | Jan | 0.38 | 1.03 | 14 | 14.82 | 0.03 | 0.55 |
| Japan | Dec | 0.09 | 0.23 | 3.45 | 3.69 | 0 | 0.07 |
| | Jan | 0.09 | 0.23 | 3.45 | 3.69 | 0 | 0.07 |
| Mexico | Dec | 0.05 | 0.11 | 3.6 | 3.71 | 0 | 0.05 |
| | Jan | 0.05 | 0.11 | 3.6 | 3.71 | 0 | 0.05 |

Refined Soy Oil (Buy)

NCDEX Feb: Buy at 638-640 TP 649 then 656 SL 630

The refined soy oil futures prices were on a bearish trend in first part of last week as traders liquidated their long positions ahead of USDA monthly crop report. Domestic traders sold futures on expectation of shrink in demand for the produce as prices rose drastically in recent past. A sharp rise in food-inflation in penultimate week prompted traders to take a cautious approach on expectation of likely government intervention. Talks of scrapping import duty on refined edible oils to zero from 7.5% also exerted pressure on the market. However, Indian soy oil futures saw a gap up opening on Thursday reacting to rally international market, which rose after USDA lowered world soybean production estimates. But, market failed to sustain at higher as lower production estimate was already factored in the market. But on last two trading sessions, prices recovered following release of bullish edible oil import data.

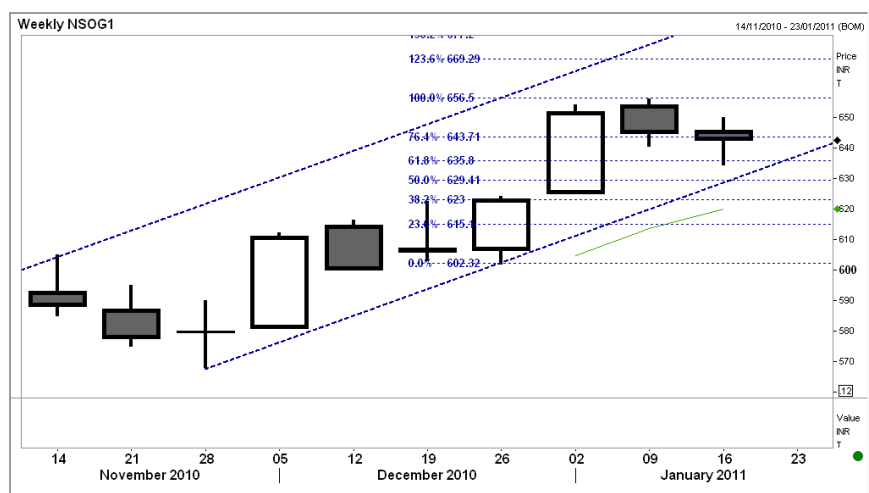
| NCDEX (₹/10 Kg) | | | | | | | | | |
|-----------------|--------|--------|--------|--------|----------|--------|----------|---------------|----------|
| Contract | Open | High | Low | Close | % Change | Volume | % Change | Open Interest | % Change |
| Jan-11 | 634.40 | 637.40 | 626.70 | 632.65 | -0.04% | 165480 | -64.61% | 38590 | -42.32% |
| Feb-11 | 646.00 | 650.00 | 634.40 | 644.65 | -0.02% | 775680 | 11.34% | 111140 | -3.14% |
| Mar-11 | 656.80 | 657.50 | 639.80 | 652.55 | 0.08% | 141230 | 12.61% | 49280 | 19.15% |

Outlook

The refined soy oil futures are expected to trade on a positive note in the week ahead on strong buying interest and taking support from positive international market. Global edible oil market is likely to trade higher on robust demand and likely fall in world soy production. Indian market is likely to react to bullish edible oil import data released for December month. According to the Solvent Extractors Association of India, total oil import in December fell 4.15% Y/Y to 7.30 lakh tons and soy oil imports fell 51% Y/Y to 48,725 tons. During first two month of current oil year (Nov'10-Oct'11), soy oil import declined 55% to 80,695 tons. The decline in import is due to lower production of soybean in Argentina, which has been affected by bad weather condition. Domestic traders are likely to continue their soy oil purchases anticipating lower import of oil in coming months. However, any news from the government side on controlling higher food inflation might turn the market sentiment.

Technical analysis

Soy oil February future prices traded extremely sideways. Initially it made a weekly low of 634.4 thereafter it started rising and settled at 644.65 levels. Candle stick principle suggests an upside movements could be seen for the coming week. Market is hovering in trend channel and witnessing a trend line support near 630 levels. Sustained trade above is expected to remain higher for the coming week. In daily chart market is finding a stiff resistance near 646 (trend line) sustain below would limit the gains. Any significant break above 646 is expected to gain till 656 levels for the coming week. On the higher side key resistance level to watch is at 656.3 (previous swing high) on breach of the same confirm bullish trend for short term. In daily chart market is trading above the short term EMA (8, 21 & 34) suggesting upside movements to be continued for this week. We recommend buying near support levels.



Spot price

| Date | Soy Oil Ex Factory Indore (₹/Tonne) | Soy Oil Spot Indore (₹/Tonne) | Soy Oil Refined (₹/Tonne) | Soy Oil Degum Ex-Mumbai (₹/Tonne) | Soy Oil Crude Ready Mumbai (₹/Tonne) | Soy Oil Solvent Crude Indore (₹/Tonne) | CIF Mumbai Soy Oil Degum (\$/Tonne) |
|------------|--|-------------------------------------|---------------------------------|--|---|---|--|
| 07-01-2011 | 59000 | 57000 | 61500 | 60000 | 56000 | 51900 | 1350 |
| 10-01-2011 | 60000 | 57000 | 62500 | 60000 | 56500 | 52000 | 1335 |
| 11-01-2011 | 60000 | 57500 | 61500 | 59500 | 57000 | 52400 | 1330 |
| 12-01-2011 | 60000 | 57000 | 61200 | 59000 | 61000 | 57500 | 1316 |
| 13-01-2011 | 58000 | 57100 | 61200 | 60000 | 59500 | 57500 | 1345 |
| 14-01-2011 | 58000 | 56500 | 61200 | 59000 | 61000 | 57200 | 1335 |

Soy oil parity

Landed cost of Argentina Soy Oil

| | 14-01-2011 | 13-01-2011 | 11-01-2011 | 10-01-2011 | 07-01-2011 |
|---|---------------|---------------|---------------|---------------|---------------|
| FOB Value (\$/t) | 1273.00 | 1287.00 | 1265.00 | 1274.00 | 1270.00 |
| Freight | 60 | 60 | 60 | 60 | 60 |
| Insurance @1% on FOB | 12.73 | 12.87 | 12.65 | 12.74 | 12.70 |
| CIF Value | 1345.73 | 1359.87 | 1337.65 | 1346.74 | 1342.70 |
| Customs Duty (Calculated on tariff value @ \$580/tonne) | 0 | 0 | 0 | 0 | 0 |
| Currency USDINR | 45.3500 | 45.1200 | 45.0900 | 45.2200 | 44.8300 |
| Convert (\$ to Rs) | 61029 | 61357 | 60315 | 60900 | 60193 |
| Landing Charges | 1200 | 1200 | 1200 | 1200 | 1200 |
| Landed cost at Indian ports | 62228.86 | 62557.33 | 61514.64 | 62099.58 | 61393.24 |
| Landed cost at Indian ports per 10 kg | 622.29 | 625.57 | 615.15 | 621.00 | 613.93 |

Oil import

| Year (Nov-Oct) | Refined Oils | | | Crude Oils | | | | | | | | Total |
|-------------------|-----------------------|--------------------------|------------------------|----------------------|----------------|-----------------------|-------------|------------------------------|-----------------------|---------------------|--------------------------|-----------|
| | RBD Palmo- lein | Ref.Sun flower Oil | Ref.Soy bean Oil | Crude Palm Oil | Crude Olein | Sun- flower Oil | Rape Oil | Soybean Oil (degummed) | Cotton seed Oil | Coco- nut Oil | Crude Palm Ker.Oil | |
| Nov.,2010 | 70,516 | --- | --- | 476,611 | --- | 62,956 | --- | 31,970 | --- | --- | 10,209 | 652,262 |
| | 112,604 | --- | --- | 450,252 | 3,438 | 55,688 | --- | 78,000 | --- | 1,199 | 11,496 | |
| Dec.,2010 | 107,743 | --- | --- | 524,641 | --- | 41,839 | --- | 48,725 | --- | 999 | 6,247 | 730,194 |
| | 137,656 | --- | --- | 476,937 | --- | 27,440 | 5,876 | 100,435 | --- | 2,999 | 10,492 | |
| Total | 178,259 | --- | --- | 1,001,252 | --- | 104,795 | --- | 80,695 | --- | 999 | 16,456 | 1,382,456 |
| | 250,260 | --- | --- | 927,189 | 3,438 | 83,128 | 5,876 | 178,435 | --- | 4,198 | 21,988 | |

Source: SEA of India

RM seed (Bearish)

The mustard seed futures traded on a negative note last week on strong selling pressure. Mustard seed market ignored the gains of soy complex as its fundamental factors were bearish for the market. Domestic traders and investors sold futures on expectation of record mustard seed crop this year. Higher acreage under the crop and favourable weather condition has been helping the standing to perform well thus putting pressure on the market. Area under mustard seed cultivation across India has crossed the normal acreage and weather condition has been favourable for growth of the crop. Poor demand for the produce had a bearish impact on the market.

NCDEX futures

| NCDEX | | | | | | | | | |
|----------|---------|---------|---------|---------|----------|--------|----------|---------------|----------|
| Contract | Open | High | Low | Close | % Change | Volume | % Change | Open Interest | % Change |
| Jan-11 | 563.25 | 564.50 | 544.80 | 548.75 | -2.32% | 201780 | -22.71% | 80730 | -32.27% |
| Apr-11 | 2910.00 | 2917.00 | 2835.00 | 2861.00 | -1.41% | 161480 | 55.22% | 55230 | 62.25% |
| May-11 | 2949.00 | 2951.00 | 2870.00 | 2896.00 | -1.36% | 71160 | 16.73% | 35620 | 17.52% |

Outlook

The mustard seed futures are forecast to trade on a weaker note in the week ahead on extended selling pressure. Mustard seed production in the current year is likely to be at record level on higher acreage and better yield level. Looking into present weather condition, we may expect yield level is likely to touch 1 ton per hectares against 920 kg per hectare seen last year. Production is likely to be around 70-75 lakh tons against 59.2 lakh tons produced last year. Higher price of mustard is also attracting farmers to grow more mustard this year. According to Ministry of Agriculture, mustard seed acreage as on 13th January was 71.12 lakh hectares against 64.08 lakh hectares planted in the same period a year ago. Area in Rajasthan rose to 32.10 lakh hectare from 23.25 lakh hectares last year. Stocks are estimated at around 4-5 lakh bags as on date.

Spot price

| Date | Mustard Seed | Mustard Seed | Mustard Oil | Mustard Oil |
|------------|--------------|--------------|-------------|-------------|
| | Rajasthan | Delhi | Jaipur | Mumbai |
| 31-12-2010 | 27700 | 28400 | 60800 | 64000 |
| 03-01-2011 | 27500 | 28750 | 61500 | 64500 |
| 04-01-2011 | 27600 | 28450 | 61300 | 64300 |
| 05-01-2011 | 27500 | 28250 | 60800 | 63800 |
| 06-01-2011 | 27500 | 28250 | 60800 | 63800 |
| 07-01-2011 | 27200 | 28100 | 61200 | 64200 |

Crush margin

| | Expeller |
|----------------------|-------------|
| Mustard seed per ton | 27100 |
| Crush Expense | 1200 |
| Seed Cost | 28300 |
| Mustard seed oil | 602 |
| Oil realization | 22274 |
| Mustard seed meal | 9200 |
| Meal Share | 5888 |
| Realization | 28162 |
| Margin | 1062 |

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