Soybean

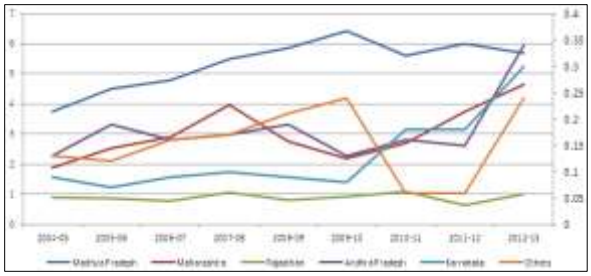
Domestic Scenario

Soybean has been the major component of the oil seed crop for India. Of the total nine oilseed crops production it contributes to about 35.00 per cent. In recent times the stock management of soybean and enhanced demand is imposing serious challenge for the country owing to the prevalent economic crises in European Union and improving demand in the global markets. India's Soybean production in 2012-13 is estimated at around 119.48 lakh MT, which is marginally lower from around 122.14 lakh MT produced in 2011-12. India's support prices in 2013-14 are hiked by about 14 per cent from the levels in 2012-13 with MSP of Rs. 2500 per quintal for black soybean and Rs. 2560 per quintal for yellow soybean. About 93.92 per cent of the total production in the country was contributed by 3 states. The top soybean producing states of the country are Madhya Pradesh (52.03 per cent), Maharashtra (32.63 per cent) and Rajasthan (9.26 per cent). India holds second position in the major soybean oil consumer's list after China. The Indian government has imported 10.35 million MT of edible oil in the marketing year 2012-13 (October – September) out of which about 1.09 million MT was soybean oil.

State Wise Production of Soybean in India **(Million MT)**

State	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Madhya Pradesh	3.75	4.50	4.78	5.48	5.85	6.41	5.60	6.00	5.70
Maharashtra	1.89	2.53	2.89	3.98	2.76	2.20	2.70	3.75	4.65
Rajasthan	0.89	0.86	0.77	1.07	0.81	0.91	1.10	0.65	1.01
Andhra Pradesh	0.13	0.19	0.16	0.17	0.19	0.13	0.16	0.15	0.34
Karnataka	0.09	0.07	0.09	0.10	0.09	0.08	0.18	0.18	0.30
Others	0.13	0.12	0.16	0.17	0.21	0.24	0.06	0.06	0.24
All India	6.88	8.27	8.85	10.97	9.91	9.96	9.50	11.50	12.24

Source: Directorate of Economics and Statistics, Department of Agriculture and Cooperation



From the above table it can be concluded that the production of soybean in major states has been increasing gradually in three major producing states namely Madhya Pradesh, Maharashtra and Rajasthan. In the last nine years the national production has increased by over 77 per cent and the most significant growth was noticed in Maharashtra (146.03 per cent). The main reason behind this significant jump is the persistence demand of soybean meal from the Middle East, Europe and South East Asian Countries and increased oil consumption demand which in spite of increased domestic production is still heavily depended on imports. India's dependency on global edible oil supply is likely to continue. The total edible oil demand for the country is estimated to be about 160 – 170 lakh MT, whereas the domestic production accounts for 65-70 lakh MT, which leaves an inevitable gap of about 100 lakh tonnes which is met by imports. Over 95 per cent component of import are palm oil (65 per cent) and soybean oil (35 per cent).

International Scenario

The global soybean scenario also expected to affect the prices in a big way. To measure the exact impetus of the global factors, we can have a close watch at the global soybean balance over the last decade.

Global soybean Balance sheet **(million MT)**

Years	Area (M Ha)	Beginning Stocks	Production	Imports	Exports	Tot. Dom. Consumption	Ending Stocks
2005-06	93.12	48.67	220.87	64.10	63.85	215.83	53.95
2006-07	94.57	53.95	236.31	68.91	71.14	225.06	62.97
2007-08	90.85	62.97	219.02	78.37	78.32	229.56	52.49
2008-09	96.53	52.49	211.88	77.43	77.21	221.56	43.02
2009-10	102.43	43.02	260.56	86.82	91.44	238.11	60.85
2010-11	103.06	60.85	263.95	88.76	91.70	251.62	70.23
2011-12	103.14	70.23	239.79	93.44	92.16	257.91	53.40
2012-13	109.42	53.40	268.06	95.89	100.54	260.53	56.28
2013-14	113.20	56.28	285.01	110.29	112.73	272.00	66.85
2014-15	117.82	66.85	312.06	112.72	115.54	285.82	90.28

Source: Foreign Agricultural Service, Official USDA Estimates

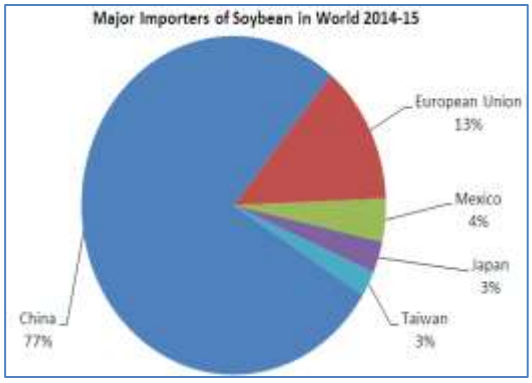
From the above table we can see that the global production over the years have shown gradual improvement. It showed an increase of about 24.24 per cent over the decade. Likewise the import, consumption and export grew by 31.16, 151.05 and 33.00 per cent respectively. The positive fact about the soybean trade is the growth in the consumption over the years and the consistent increase in the production. If this pattern of consumption (rate of growth) continues in the coming years, the prices are bound to maintain a steady uptrend as the supply is always going to lag behind the demand. The recent turmoil in the Middle East & Ukraine, continued weather abnormalities in form of developing El Nino and increased consumption is going to support the prices. There has been a significant increase in the global ending stock over the last year, which is the price limiting factor but I feel that the enhanced demand from China (soybean) & India (soybean oil) is going to comfortably absorb the increased ending stock and sustain the prices on the upper levels.

Country wise global Supply –n – Demand of Soybean

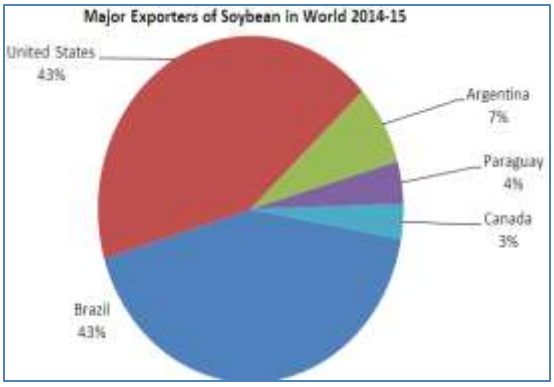
Country	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
PRODUCTION										
United States	83.51	87.00	72.86	80.75	91.47	90.66	84.29	82.79	91.39	107.73
Brazil	57.00	59.00	61.00	57.80	69.00	75.30	66.50	82.00	86.70	94.00
Argentina	40.50	48.80	46.20	32.00	54.50	49.00	40.10	49.30	54.00	55.00
China	16.35	15.08	12.73	15.54	14.98	15.08	14.49	13.05	12.20	11.80
India	7.00	7.69	9.47	9.10	9.70	9.80	11.00	11.50	11.00	11.00
EU	1.29	1.40	0.81	0.75	0.95	1.20	1.22	0.95	1.23	1.58
World	220.87	236.31	219.02	211.88	260.56	263.95	239.79	268.06	285.01	312.06
TOTAL DOMESTIC CONSUMPTION										
Argentina	33.41	35.22	36.27	32.96	36.01	39.44	37.84	36.05	38.97	85.9
Brazil	30.99	33.86	34.92	34.67	36.55	39.23	40.98	38.19	39.00	51.57
China	44.44	46.13	49.42	51.26	59.38	65.90	72.07	76.18	80.30	41.15
EU	15.25	16.25	16.21	14.18	13.49	13.58	13.23	13.65	13.73	40.75
India	7.65	7.63	9.53	8.63	8.77	10.82	11.15	11.40	10.46	13.83
United States	52.75	53.47	51.63	48.11	50.72	48.35	48.82	48.83	49.85	10.9
World	215.83	225.06	229.56	221.56	238.11	251.62	257.91	260.53	272.00	285.81
ENDING STOCK										
Argentina	15.89	21.90	20.95	15.63	21.04	21.40	16.30	21.81	29.00	34.65
Brazil	17.67	19.38	20.25	13.43	17.48	23.64	13.02	15.33	16.80	23.95
China	12.23	15.62	5.58	3.76	4.11	5.85	4.61	3.83	2.50	12.25
United States	4.57	1.81	2.47	7.46	13.21	14.54	15.91	12.38	14.43	14.03
EU	0.73	1.01	0.71	0.45	0.54	0.54	0.54	0.28	0.67	1.09
India	0.16	0.22	0.15	0.56	1.47	0.44	0.25	0.23	0.59	0.54
World	53.95	62.97	52.49	43.02	60.85	70.23	53.40	56.28	66.85	90.28

Source: Foreign Agricultural Service, Official USDA Estimates

Global Trade Scenario for Soybean



From the analysis of the production and consumption figures, it is realised that India produces 12 million MT of soybean against the consumption requirement of 16.58 million MT (11 million MT is the actual and about 6.06 million MT is the approximate seed equivalent of the total of 1.091 million MT of soybean oil – oil content 18 per cent) which is to be met by imports. The top six importing nations accounts for 87.82 per cent of the total global imports of which a whopping 65.66 per cent is done only by China. The second most important destination is EU contributing to 11.31 per cent of the total imports. The other countries worth mentioning are Mexico, Japan, Taiwan and Thailand. Thus, going by the share of the quantum of the imports done in the last year, one should be focused enough to track the prices and the sentiments of soybean trade in China and EU.



The major countries involved in the export of Soybean are explained by the following chart. As per the details US exports 40.51 per cent of the total global exports of soybean. The other exporting country closely competing with US in exporting soybean in the world is Brazil with the global share of 40.42 per cent. The other exporting nations worth mentioning are Argentina, Paraguay and Canada.

Major Importers of Soybean in World **(Million MT)**

Country	2010-11	2011-12	2012-13	2013-14	2014-15
China	52.34	59.23	59.87	70.36	74
European Union	12.47	12.07	12.54	12.95	12.75
Mexico	3.50	3.61	3.41	3.70	3.95
Japan	2.92	2.76	2.83	2.89	2.9
Taiwan	2.45	2.29	2.29	2.35	2.3
World	88.76	93.44	95.89	110.29	112.71

Source: Foreign Agricultural Service, Official USDA Estimates

Major Exporters of Soybean in World **(Million MT)**

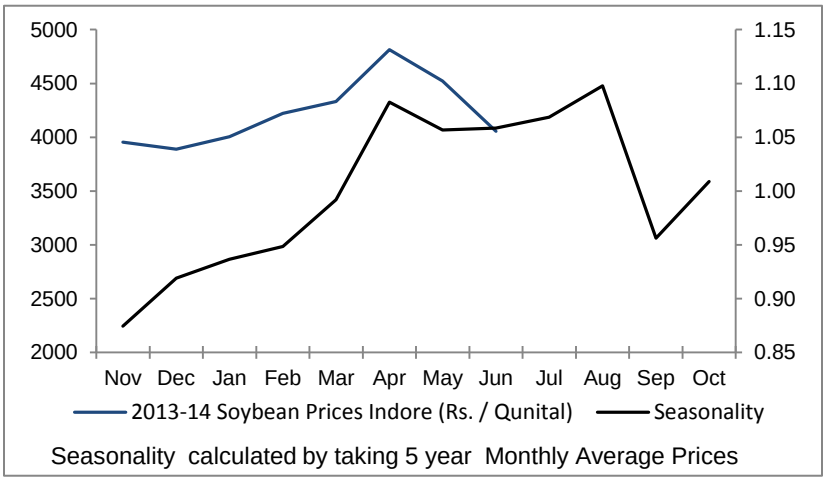
Country	2010-11	2011-12	2012-13	2013-14	2014-15
Brazil	29.95	36.26	41.90	46.83	46.70
United States	40.96	37.16	35.85	44.82	46.81
Argentina	9.21	7.37	7.74	7.84	8.20
Paraguay	5.23	3.57	5.52	4.30	4.32
Canada	2.94	2.93	3.47	3.47	3.60
World	91.70	92.16	100.54	112.73	115.54

Source: Foreign Agricultural Service, Official USDA Estimates

Price Trend Analysis

The price trend for soybean futures at NCDEX has always been in tandem with CBOT with correlation of 90.65 per cent. Looking at the price trends of the past years, the prices tend decline during the June-Sep on increased hopes of higher oilseed sowings in Kharif and across northern hemisphere oilseed growing countries. The surge in demand starts towards end October and reaches peak by May. The year 2013-14 was no exception with the price making a high of 4855 in the month of April and since then the price has be on the down side.

The adjacent picture depicts the price seasonality and prices of soybean at Indore. The analysis reveals that the prices tend to peak in the month of September primarily due to increased festive demand from India & China. Soybean prices have followed seasonal downtrend between June & July 2014 as the prospects of significant surge in edible oil imports into India is likely to pressure the prices for next couple of months. The major factor which is likely to support the prices is the development of El Nino which might less amount of rainfall in India, there by favouring the bullishness in prices.



Major Developments in Soybean Market

India

- The major factor for the weakness in prices is the significant fall in soymeal demand. Demand for soy meal exports from India have fallen sharply during the current marketing year largely due to unattractive quotes from India compared to the overseas markets. Higher soybean prices along with strengthening of the Indian Rupee made Indian soymeal more expensive. India consumes about 3.2 million tonnes of soy oil a year, with half of that imported from countries such as Brazil and Argentina. Although India is a big importer of soy oil, it is the largest exporter of soymeal - the by-product of soybean processing - in Asia. Rising supplies of cheaper soymeal from Latin America to Southeast Asia are threatening India's position. Soymeal exports are expected to rise to 2.5-3.0 million tonnes in 2014/15 from 2.1 million last year.

- India's cooking oil imports hit a record high in 2013/14 due to a surge in overseas purchases of soy and sunflower oils. Record imports by the world's top buyer could provide some support to global prices.
- Malaysian palm oil futures, the regional benchmark, have fallen nearly 17 per cent in 2014 because of high unsold stocks in Southeast Asian countries, including Indonesia, the world's top producer. India mainly buys palm oil from Indonesia and Malaysia, plus smaller quantities of soy oil from Brazil and Argentina. The South Asian country also buys small amounts of sunflower oil from Ukraine and Russia. Imports of all cooking oils rose to 11.62 million tonnes in the year that ended in October from 10.38 million a year earlier, as per Solvent Extractors' Association (SEA).
- Soy oil imports rose 79 per cent to around 2 million tonnes in 2013/14, while sunflower oil imports rose by more than half to 1.5 million tonnes and Imports of palm oil fell to 7.96 million tonnes, down 4 per cent from the previous year.

World

- World soybean production of 311.1 million MT in "new crop" MY 2014/15 is projected to be up from 283.1 million MT in "old crop" MY 2013/14, and from 267.8 million MT in MY 2012/13.
- World soybean ending stocks of 90.2 million MT (31.6% S/U) in "new crop" MY 2014/15 are up from 66.9 million MT (24.9% S/U) in "old crop" MY 2013/14, and up from 56.8 million MT (21.9 % S/U) in MY 2012/13.
- Global soybean exports in "new crop" MY 2014/15 are projected to be a 115.4 million MT, up 2.2% from 112.9 million MT in "old crop" MY 2013/14, and up 14.8% from 100.5 million MT in MY 2012/13.
- Global soybean imports in "new crop" MY 2014/15 are projected to be 112.5 million MT, up 3.3% from 108.9 million MT in "old crop" MY 2013/14, and up 17.3% from 95.9 million MT in MY 2012/13.
- Global soybean domestic crush in "new crop" MY 2014/15 is projected to be a 252.1 million MT, up 5.1% from 239.9 million MT in "old crop" MY 2013/14, and up 9.8% from 229.6 million MT in MY 2012/13.
- The growth in United States' soybean production and exports compares to that in South America over this same three period, with 82.6 million MT of U.S. soybean production in MY 2012/13 (30.8% of World total), 89.5 million MT in "old crop" MY 2013/14 (31.6% of World total), and a projected amount of 106.5 million MT in "new crop" MY 2014/15 (34.2% of the World total).
- There have been two successively larger record years of combined Brazil, Argentina and Paraguay soybean production in MY 2012/13 (139.5 million MT) and "old crop" MY 2013/14 (148.8 million MT), with a third successive increase projected from "new crop" MY 2014/15 at 157.2 million MT.
- The USDA estimates that total supplies of U.S. soybeans for "new crop" MY 2014/15 are 4.058 bb – up 2.36 million MT from August. Total "new crop" supplies of 4.058 bb result from beginning stocks of 3.53 million MT, projected 2014 production of 3.913 bb, and projected imports of 0.40 million MT.
- U.S. soybean exports of 1.700 bb in "new crop" MY 2014/15 (up 0.68 million MT from August) would be a record high, up from the current estimated high of 1.645 in "old crop" MY 2013/14 (up 1.36 million MT from August)
- Chinese soybean imports were estimated to be 1.63 million MT in MY 2012/13 (62.4% of World soybean imports), and 1.87 million MT in "old crop" MY 2013/14 (63.4% of the World total), and are projected to be 2.01 million MT in "new crop" MY 2014/15 (65.8% of the World total).

Price Forecast: Technical Outlook (NCDEX)

Explanation:

Marginal divergence is seen in the (Moving Average Convergence - Divergence) MACD curves for the duration of 21 weeks and 50 weeks. The lower 21 week moving average has intersected the 50 week moving average from the lower side (about 8 weeks ago) and is still maintaining the move on the upper side, which is denoting the underlying strength of soybean prices. The Parabolic SAR refers to a price and time based trading system. SAR stands for "stop and reverse." SAR trails price as the trend extends over time. In the case of soybean, the SAR is below the price for the past 8 weeks is indicating at the underlying strength in the prices.

Technical Recommendation:

The market is expected to find strong support at the levels of 3100 and 2800 on the downside and has good potential of testing 3800 and 4100 on the higher side in the coming 2-3 months. Thus, as per my analysis of soybean fundamentals, the prices would experience a bull run from levels of 3100 or even from levels before it.

Price Expectation

Commodity	Units	Current Market (01.12.2014)	Minimum Support Price (MSP)	Market View	Technical Projections		
					Support	T1	T2
Soybean	Rs. / Qtl	3280	2560	↑	2800	3800	4200

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