

## Market Review

After a steep fall of over 30 percent from 2009 highs, soy bean prices have been recovering in last couple of months. Soy bean futures at NCDEX fell to Rs1950 per quintal in mid-September from current year high of Rs2825 per quintal. Prices recovered from this low to Rs2470 in December and currently trading at Rs2350 levels.

Despite peak arrival season (Sep-Dec), prices moved up on strong stockiest buying. Soy oil futures also took cues from soy bean prices, however, showed limited gain due to huge import of edible oils. Soy oil futures traded in the range of Rs420-525 during 2009 and were mostly trading below Rs500 for most of the time. Soy bean prices are trading at 23 percent higher from 1<sup>st</sup> week of January 2009, while soy oil trading at 2.1 percent premium.

On global front, CBOT soy bean futures traded quite volatile during 2009. In the first half of the year, prices recovered from 843 cents per bushel and made high of 1291 cents per bushel. However, during second half of the year, it corrected towards 878 cents initially and recovered later to 1065 cents. Soy oil futures at CBOT traded from 29.7 cents per pound to 41.40 cents. Prices recovered sharply in the last quarter to make current year high of 41.40 cents. Domestic soy bean and CBOT futures had correlation of 0.82 during September till date and in case of soy oil, correlation was 0.83.

	<i>As on Jan 1 09</i>	<i>As on 1 Sep 09</i>	<i>2009 High</i>	<i>Current price</i>	<i>% change (from Jan 1 to current price)</i>
<b>Soy bean</b>	1940	2250	2825	2350	21
<b>Soy oil</b>	472	458	525	480	1.7
<b>Ratio</b>	4.11	4.91	5.38	4.90	

India has imported 8.18 million tonnes vegetable oils during 2008-09 oil year (Nov-Oct), up by 46% from same period last year. Government scraped import duty on edible oils in December 2008, which led to drastic rise in imports. Import of soy bean oil stood at 9.89 lakh tonnes during 2008-09 oil year against 7.59 lakh tonnes year ago. Crude palm oil contributed 62 percent of total imports during this period.

India has exported record quantity of 4.24 million tonnes of soy meal during 2008-09 financial year against 3.98 million tonnes in previous year. During 2009-10 (April to November), financial year, it has already exported 1.14 million tonnes.

## Latest crop estimates

As per latest USDA reports, world soy bean output is expected to be record quantity of 250.3 million tonnes in 2009-10 against 210.9 tonnes in previous year. Sharp rise in output in Brazil and Argentina is leading to record global output. At the same time, exports of soy bean may touch 79.6 million tonnes in 2009-10.

**World Soy bean scenario**

	2005/06	2006/07	2007/08	2008/09	2009/10
Area Harvested (Million Ha)	92.9	94.2	90.7	96.3	101.5
Beginning Stocks (Million tonnes)	47.5	53.2	62.9	52.9	42.4
Production (Million tonnes)	220.7	237.1	221.1	210.9	250.3
Exports (Million Tonnes)	63.8	71.3	79.5	76.9	79.6
Crush (Million tonnes)	185.2	195.7	201.9	192.6	203.0
Ending Stocks (Million tonnes)	53.2	62.9	52.9	42.4	57.1

Source: usda.gov.in

**India Soy bean scenario**

USDA has estimated Indian soy bean output at 88 lakh tonnes for 2009-10, down from previous year output of 91 lakh tonnes. Ending stocks are likely to be lowest in three years and estimated at 0.88 lakh tonnes. Despite normal acreage, soy bean output is estimated to be lower due to weak monsoon in Maharashtra and Madhya Pradesh. Meanwhile, domestic industry has estimated soy bean output at 97.2 lakh tonnes for 2009-10 against last year output of 93.0 lakh tonnes.

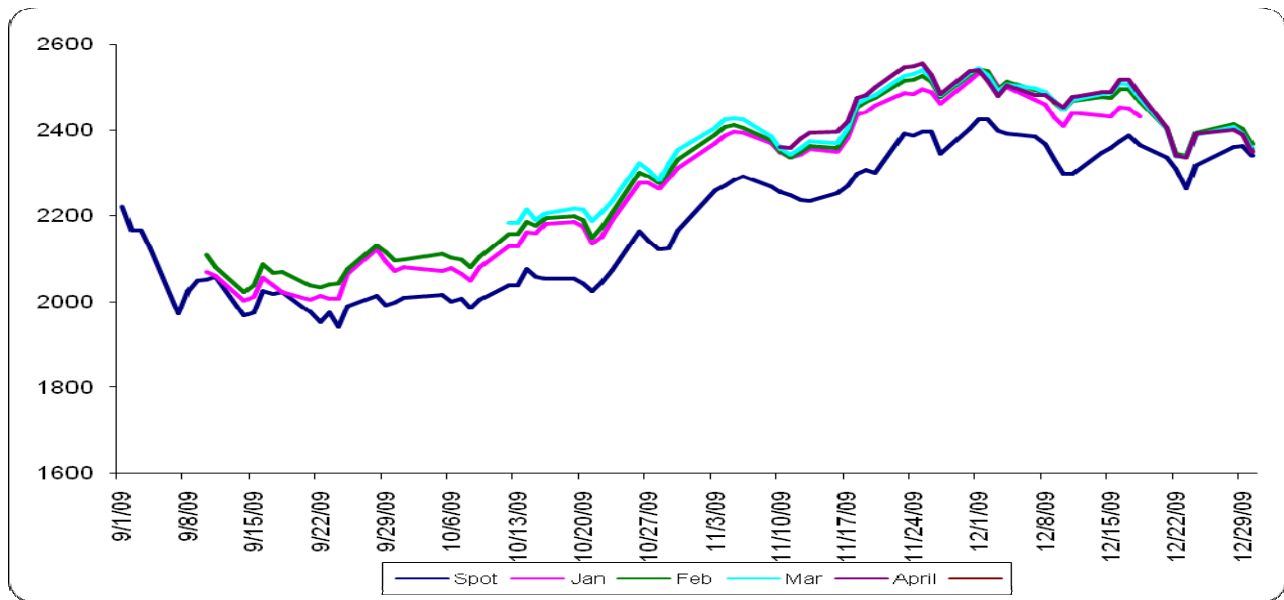
	2005/06	2006/07	2007/08	2008/09	2009/10
Area Harvested (Lakh Ha)	78	81.2	88	96	96
Beginning Stocks (Lakh tonnes)	0.9	1.06	0.53	1.23	3.93
Production (Lakh tonnes)	70	76.9	94.7	91	88
Exports (Tonnes)	9000	7000	5000	5000	5000
Crush (Lakh tonnes)	59.9	66.15	81.7	75	79
Ending Stocks (Lakh tonnes)	1.06	0.53	1.23	3.93	0.88

Source: usda.gov.in

**Soy bean spread movement**

Basis difference (spot and January NCDEX futures) has widened during bullish in soy bean prices. The upward movement started in October month and basis difference made as high as 140, when prices peaked in first week of December. As prices turned weak from second week of December, basis difference narrowed down sharply, which is currently hovering around 10. This analysis indicates, prices turn bearish with narrowing down basis. The far month contracts trading at par or below the current month contracts, indicating bearish trend in short term.

**Soy bean NCDEX prices**



**Price outlook for next 4-5 months**

With arrivals entering into lean season from January, soy bean prices are expected to firm up in coming months. Soy bean and oil prices follows seasonal pattern and get into peak April-June. Meanwhile, huge import of edible oils may restrict major rise in soy oil prices. Apart from these domestic factors, global edible oil prices are major influencing factor for soy bean and oil prices. Fresh crop produce from Argentina and Brazil start from February and it may put some pressure on global edible oil prices during this period.

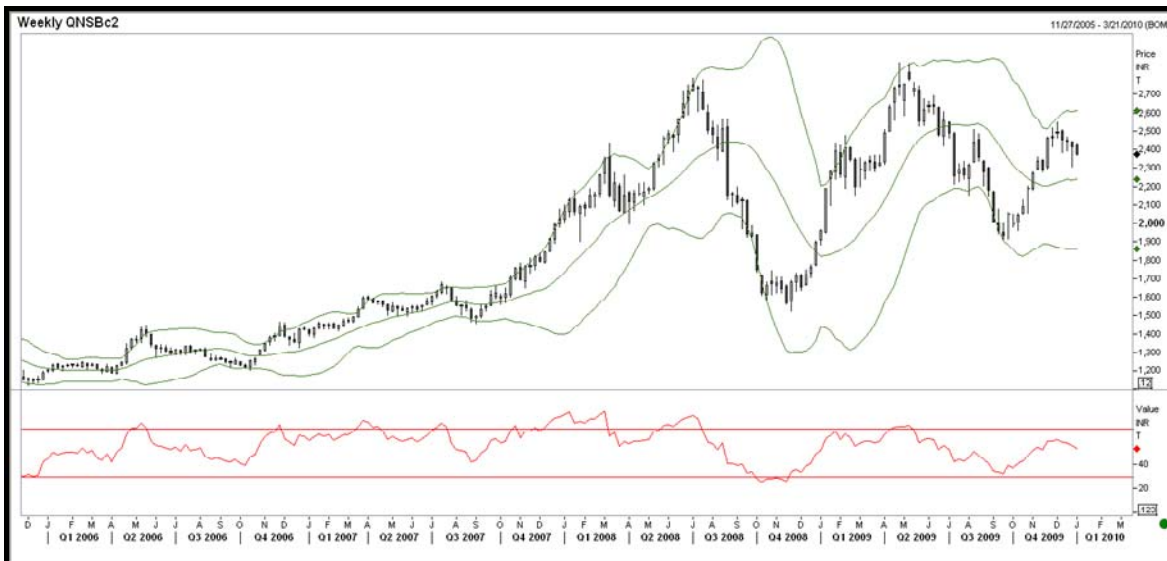
**Soy bean price forecast for 2010**

Period	Soy bean (Rs/Qt)	Soy oil(Rs/10 kgs)
January –February 2010	2150-2200	440
April – June 2010	2800	550

**Technical Analysis: Soybean- Head and shoulder pattern seen forming at top of recent bull run**

The Soybean Feb future prices dropped after posting a high of 2560 and currently quoting below 2400 level. The market is currently trading below the 10, 20 and the 50 day’s EMA suggesting weakness.

The formation of head and shoulder pattern exhibited in the chart below is suggesting reversal of the recent uptrend from 2008 to 2560 levels. The break of the neckline support of 2331 should confirm further decline towards the trend line support pegged at 2200 level. The 2200 level should be very crucial for the market and sustained trading below the same will erase any bullish move in the counter in the coming days and send prices towards the starting point of the bullish rally i.e. 2008 levels.



The resistance is seen at 2450 level (immediate) and sustained trading below the same should keep prices lower in the immediate scenario.

The Bollinger band is suggesting over heated market, and the RSI (14) weekly is at the neutral level- trading at 0.54 levels.

We recommend staying short below the 2450 level in the short term for a target of 2300 then 2230 levels.

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