

**TECHNO FUNDA REPORT ON**

13 November 2015

# **Soybean futures**

**December**



**Presented by:  
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## TECHNO FUNDA REPORT ON SOYBEAN FUTURES (DEC) – SELL



Source: Reuters

**Recommendation:** Investors are advised to take fundamental positional BUY call in Soybean futures (Dec) NCDEX at current market price for the target of 3710 in long-term, with a closing stop loss above 4005 levels.

### Note:

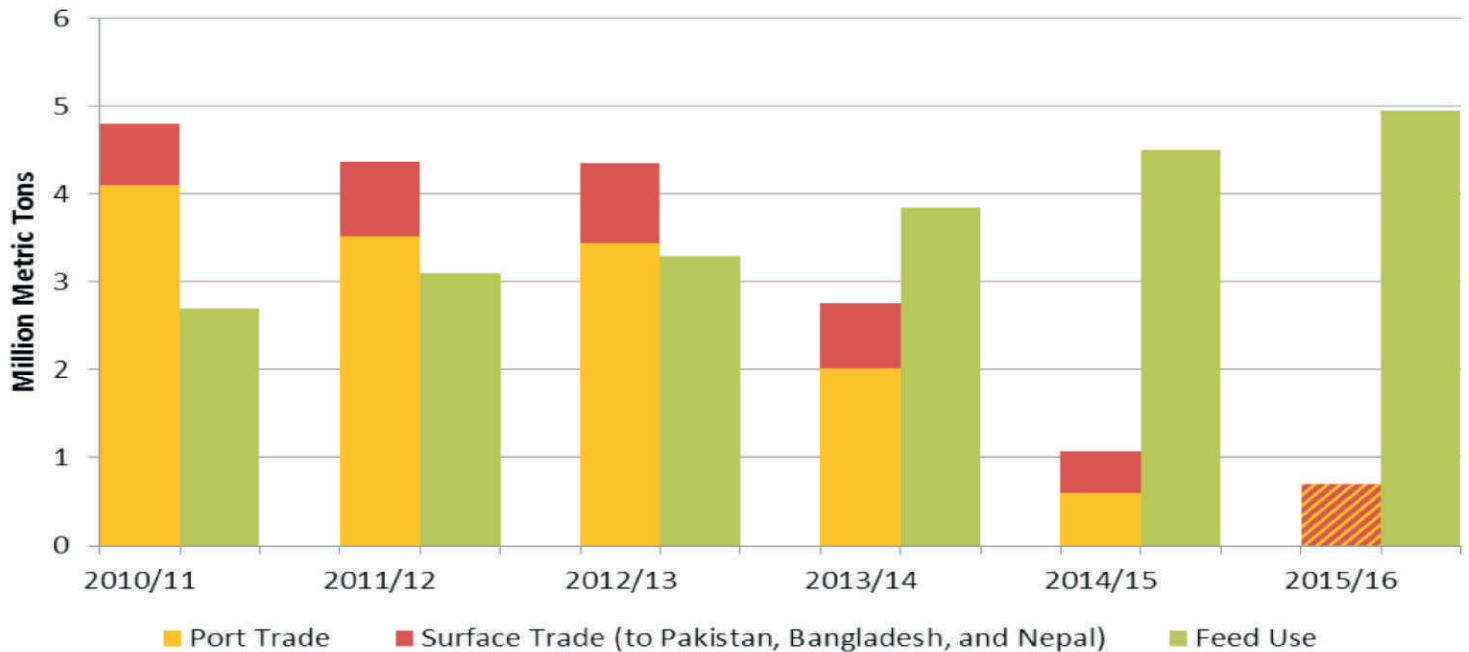
- These long term fundamental calls are for duration of one to three weeks time frame and do not confuse these with intraday calls.
- It is assumed that investor takes position in two lots and square off position in one lot on partial profit booking and trail stop loss to buying/selling price for second lot.

### Fundamentals

- At the spot markets of Indore, the arrivals have started to come.
- Currently, the average daily arrivals are reported between 2 – 2.5 lakh bags in the key market centers of Madhya Pradesh.
- As stated by the U.S Department of Agriculture, India is unlikely to regain export market share in the coming year. A drop in domestic soybean production along with tightening supplies and pushing local prices significantly above world levels has led to a decline in Indian soybean meal exports, particularly to distant markets.
- The rapidly growing world markets are seeking alternative suppliers, purchasing not only more affordable soybean meal but also soybeans. These circumstances may provide opportunities for the United States and South America to expand shipments to Asia.
- The export of oilmeals during Oct., 2015 is reported at just 13,716 tons compared to 238,703 tons in Oct., 2014 i.e. down by 94%.
- Soybean crushing is very much reduced due to continuous disparity and high price of domestic market affecting overall domestic availability of both oils and meals. The export of soybean meal is at a historical low during current year and reduced month by month and reported 46,980 tons compared to 140,098 tons during the first seven months of the financial year 2015-16.
- The robust pace of soybean crushings and ample soybean supplies both in the northern and the southern hemisphere kept world market prices of soya meal under pressure and sharply below the year-earlier levels.
- Soybean meal Argentina / Brazil origin being currently quoted CIF Rotterdam between US\$ 360- 370 per tons, where as Indian soybean meal is quoted at US\$ 500 Ex-Kandla. India is totally out priced in international market due to high price in local market.

## Indian Soybean Meal Exports Unlikely to Recover in 2015/16

### Indian Soybean Meal Use and Exports (by sea and land)



### International fundamentals

- U.S. oilseed production for 2015/16 is forecast at 117.7 million tons, up 2.5 million from the previous estimate on increased soybean production.
- U.S Soybean production is forecast at a record 3,981 million bushels, up 93.6 million on higher yields. The soybean yield is forecast at 48.3 bushels per acre, up 1.1 bushels mainly on gains for Iowa, Illinois, and Minnesota.
- U.S Soybean supplies are projected up 2 percent from the October forecast. Soybean crush is raised 10 million bushels to 1,890 million on higher meal exports.
- U.S Soybean ending stocks are raised 40 million bushels to 465 million. If realized, ending stocks would be the highest since 2006/07.
- U.S Soybean oil balance sheet changes for 2015/16 include increased beginning stocks and production, reduced imports and domestic disappearance, and increased exports and ending stocks.
- Higher beginning stocks reflect final soybean oil stocks for 2014/15 as reported in the November 2015 NASS Oilseed Crushings report.
- Domestic disappearance for 2015/16 is reduced in line with lower domestic use estimated for 2014/15. Soybean oil ending stocks for 2015/16 are projected at 2,295 million pounds, up 265 million from last month's forecast. Soybean and soybean meal prices for 2015/16 are reduced this month.
- The U.S. season average soybean price range is projected at \$8.15 to \$9.65 per bushel, down 25 cents on both ends of the range.
- U.S Soybean meal prices are projected at \$300 to \$340 per short ton, down \$10.00 on both ends. Soybean oil prices are projected at and 27.5 to 30.5 cents per pound, unchanged from last month.

*For further any queries, please contact*

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SMC Global Securities Limited is proposing, subject to receipt of requisite approvals, market conditions and other considerations, a further public issue of its equity shares and has filed a Draft Red Herring Prospectus (DRHP) with the Securities and Exchange Board of India (SEBI). The DRHP is available on the website of the SEBI at [www.sebi.gov.in](http://www.sebi.gov.in) and the website of the Book Running Lead Managers i.e. Tata Securities Limited at [www.tatacapital.com](http://www.tatacapital.com) and IL&FS Capital Advisors Limited at [www.ilfscapital.com](http://www.ilfscapital.com). Investors should note that investment in equity shares involves a high degree of risk. For details please refer to the DRHP and particularly the section titled Risk Factors in the Draft Red Herring Prospectus.

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