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Agricultural Commodities

News in brief

Record wheat, gram sowing boosts harvest hopes

Prospects of a bumper harvest have brightened with rabi planting data trickling in from States pointing to record coverage in wheat and gram (chana). Wheat acreage touched a new high of 311.8 lakh hectares (lh) with farmers in Madhya Pradesh planting 11.4 lh more area under the cereal crop. Uttar Pradesh, Rajasthan, Gujarat and Maharashtra have seen increase in acreages. Last season, wheat was planted on 296 lh against 299 lh in 2011-12. Wheat planting will go on till mid-January mainly in Uttar Pradesh where sowing of the cereal crop was pushed back by the delayed start to sugarcane crushing. Higher storage in major reservoirs and better soil moisture levels boosted rabi plantings. Total rabi acreage has crossed 619 lh surpassing last year's 587 lakh ha. Pulses acreage has also increased. Till now, 155.16 lh have been covered against 147.35 lh during the corresponding period a year ago. Gram has been planted on 101.83 lh against 92.68 lh. The area under oilseeds has increased to 86.22 lh, up from 82.74 lh last year. Rapeseed/mustard acreage has been reported at 70.35 lh against last year's 66.22 lh. Total area under rice in the rabi season has also increased to 7.25 lh against 5.57 lh in the corresponding period a year ago. However, the area under coarse cereals continues to trail at 58.55 lh, against 60.08 lh a year ago, mainly on account of lower area under jowar.. (Source: Business Line)

State cos export 3 lakh tonnes of wheat from FCI godowns

State-owned trading firms have so far exported about 3 lakh tonnes of wheat from FCI godowns out of 20 lakh tonnes allowed by the government. "About 3 lakh tonnes of wheat has been shipped so far," a senior government official said. In August last year, the Cabinet Committee on Economic Affairs (CCEA) had allowed 20 lakh tonnes of wheat exports till June 2014. The government decided to export wheat as the Food Corporation of India (FCI) had surplus stocks. According to the official, State Trading Corporation of India, PEC and MMTC have so far floated tenders to export about 17 lakh tonnes of wheat, of which 7 lakh tonnes have been awarded. The government had lowered the floor price for wheat exports to \$260 per tonne from \$300 per tonne. The US, Canada and Australia were selling the same quality of wheat in the range of \$270-275 a tonne, he said. The FCI expects to earn more than Rs 3,400 crore from wheat exports in the current financial year. (Source: Business Line)

Indian cotton exports look bright on Pakistan demand

During the first week of the current year Pakistan has imported nearly 300,000-400,000 bales of cotton from India. This fresh import has taken Pakistan's cotton import from the country to 1.1 million bales in FY13 itself. And going by the projected figures, Pakistan is likely to import 2.5 million bales of cotton in this calendar year. The sudden spurt in Pakistan's cotton imports from India was caused by two main factors — the recovery seen in rupee value and production of lower volumes of prime quality cotton produced in Pakistan this year. Indian cotton is of high quality. Experts point out that Pakistani spinning mill owners prefer high quality Indian cotton compared with that from the US or Brazil, as the cost and transportation time in case of Indian cotton are much lower than. Indian origin cotton is also receiving good export orders from Bangladesh as well. However, precisely at the same time, thanks to higher duties on raw fibre and rising labour costs, China is now reducing cotton purchases and shifting to the value-added yarn from India, especially Gujarat. Much of the cotton used by China to manufacture garments was imported from India, 80-90 per cent of which come from Gujarat alone. (Source: Financial Chronicle)

Market Highlights (% change)

as on Jan 10, 2014

	Last	Prev. day	WoW	MoM	YoY
Sensex	20758	0.22	-0.45	-2.34	5.57
Nifty	6171	0.05	-0.64	-2.55	3.40
INR/\$	61.91	-0.30	-0.45	1.40	13.75
Nymex Crude Oil - \$/bbl	92.72	1.16	-1.32	-5.88	-1.17
Comex Gold - \$/oz	1246.7	1.42	0.67	-1.24	-25.67

.Source: Reuters

India poised to boost sugar exports to Asia, Mideast

India appears set to increase sugar exports to Asia and the Middle East if, as expected, the government extends production incentives to cash-strapped mills. A cabinet meeting set for Jan. 16 looks set to approve incentives for mills in the world's second largest producer which have been struggling to pay farmers due to rock bottom prices for the sweetener, trade sources said. Leading exporters say India could ship 1.5 to 1.7 million tonnes of raw sugar and 500,000 to 700,000 tonnes of white sugar in the 2013/14 season if an incentive package is approved. Jonathan Kingsman, head of agriculture at data provider Platts, said there was market talk that the government could move to give incentives to mills equivalent to up to \$50 per tonne (3,000 rupees) as long as the sugar is exported. (Source: Reuters)

Indonesia may cut palm oil export tax to offset India tariff rise

Indonesia may consider cutting the export tax on refined palm oil to offset an increase in import tariffs by leading buyer India, officials and traders said on Friday. India on Thursday raised the import duty on refined edible oils including palm oil to 10 percent from 7.5 percent to protect local oilseed growers and refiners. India is a major market for the world's No. 1 palm oil producer, particularly since the euro zone crisis has weakened demand from Europe, according to Indonesia's deputy trade minister, Bayu Krisnamurthi. "We'll watch (this development) closely and recalculate our policy," Krisnamurthi told reporters. The latest duty pushes up the landed cost of refined palm oil in India to about \$845 a tonne, which Indian traders said was too steep. Trade and industry officials expect Indonesia to cut its export tax and major supplier Malaysia also to reduce prices of its cargoes to maintain steady volumes of shipments to India. Indonesia imposes a 7 percent tax on refined palm oil exports, while rival Malaysia allows tax-free shipments, traders said. (Source: Reuters)

USDA raises world cotton stock estimate; prices fall

The U.S. government on Friday boosted its forecast for record global cotton inventories for the 2013/14 crop year for the fifth time this season, sending prices lower and reinforcing worries over ballooning stocks and waning global demand. In a surprisingly downbeat monthly crop report, the U.S. Agriculture Department (USDA) raised its output estimate for major producers, China and the United States. hat forced higher its expectations for record global supplies to 97.61 million 480-lb bales by July 31, up 1.2 percent from December's forecast and the fifth increase since its first crop forecast for this marketing year in May 2013. "How can you look at this and say it's anything but bearish?" said Jobe Moss, a broker with MCM Inc. in Lubbock, Texas. Global production will total 117.8 million bales this season, down from last year's 123.1 million bales but up from December's outlook of 116.8 million bales, the USDA said. (Source: Reuters)

Agricultural Commodities

Chana

Chana Feb futures opened the week lower on weak demand, higher sowing, and prospects of a bumper output this year. However, prices recovered in the second half of the week on short coverings and weather concerns in the north due to extreme cold conditions and settled unchanged. Supplies remained comfortable as well as imports are higher.

Arrivals of the new crop has commenced in parts of Maharashtra and Karnataka. (Source: Agriwatch)

Sowing of Chana in MP, Rajasthan, and Maharashtra, is reported higher at 3.35 mn ha, 1.49 mn ha and 1.25 mn ha respectively while sowing in Karnataka is lower at 0.99 mn ha as on 24th Dec'13 compared to last year (Source: Factiva). However, prices are ruling near their MSP levels and thus demand is seen emerging at lower levels.

As per the data released by the ministry of Agriculture, area under rabi Pulses stood at 155.16 lakh ha as on 10th January 2014 as against 147.35 lakh ha last year. Chana sowing is reported at 10.18 mn ha compared to 9.27 mn ha during the same period last year.

The Cabinet Committee on Economic Affairs has increased the Minimum Support Price (MSP) of Chana to Rs. 3100 per qtl from Rs. 3000 last year.

According to the 1st Advance estimates released by the Ministry of Agriculture, kharif pulses crop for 2013-14 is expected at 6 mn tn vs 5.9 mn tn last year.

Demand supply scenario

After producing record 18.45 mn tn Pulses, India is set to produce record crop for second year in row in 2013-14 as sowing during the kharif season was up 4 percent propelled by good rains. Also, favorable soil moisture level has made ground for bumper Rabi harvest too. However, there may be a shift towards wheat, affecting the total chana acreage.

In value terms, India imported \$2.3 billion of pulses in 2012-13, almost 28% higher over \$1.85 billion in the previous year. However, imports may drop in 2013-14 season on expectations of higher output.

Chana output during 2012-13 season touched record 8.6 mn tn on the back of higher sowing and favorable weather conditions. Higher MSP also boosted sowing.

However, in the coming season, although MSP is raised by Rs 100 per qtl, acreage may not expand as expected as farmers this season may opt for other remunerative crops like Wheat in MP.

Outlook

Chana futures are expected to trade on mixed to positive note today. Weather concerns in north India may support prices at lower levels. Prices are trading near the MSP levels, thus, no sharp downside is expected. However, Weak demand, higher sowing, favorable climatic conditions, increasing imports as well as comfortable supplies cap sharp gains and pressurize prices at higher levels. Commencement of arrivals of the new crop in Maharashtra may add to the downside pressure.

Sowing of Chana has picked up across the major growing states; weather conditions and planting progress thereon are the crucial factors to be watch for here onwards.

Technical Levels

valid for Jan 12, 2014

Contract	Unit	Support	Resistance
Chana Feb Futures	₹/qtl	3040-3080	3160-3210

Market Highlights

as on Jan 11, 2014

	Unit	Last	Prev day	WoW	MoM	YoY	% change
Chana Spot - NCDEX	₹/qtl	2950	0.85	0.75	1.72	-26.25	
Chana- NCDEX Jan'14 Fut	₹/qtl	3034	0.73	-0.91	7.32	-25.51	

Source: Reuters

Spread Matrix

as on Jan 11, 2014

	Closing	20-Jan-14	20-Feb-14	18-Apr-14
Spot	2950	84	173	307
20-Jan-14	3034	0	89	223
20-Feb-14	3123	-	0	134
18-Apr-14	3257	-	-	0

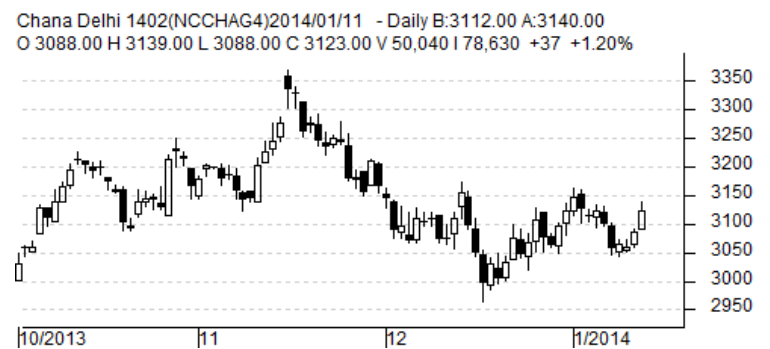
Stock Position at NCDEX warehouse

as on Dec 28, 2013

Location	Stocks as 28 th Dec	Qty in Process	Stocks as 27 th Dec	Qty in Process
Bikaner	1968	878	1968	0
Delhi	9257	0	8921	0
Indore	1171	0	1171	0
Total	12396	878	12060	0

Technical Chart - Chana

NCDEX February contract





Agricultural Commodities

Soybean

Soybean Feb futures traded on a negative note last week on weak domestic markets and settled 2.13% lower. Demand for oil and meal is weak. Lower soy meal export figures also pressurized prices. However, CCEA's decision on increasing import duty on refined edible oils supported prices at lower levels.

Arrivals of the new crop across India are reported at 200,000 bags on Friday as against 230,000 bags on Thursday. SOPA has estimated production to be lower and has revised its output expectations to 122.34 lk tn from 129.83 lk tn earlier. (Source: Factiva)

The Ministry of Agriculture in its 1st Advance Estimates, projected 2013-14 soybean output at 15.68 mn tn as against 14.67 mn tn in 2012-13. Soybean sowing across the country 14.3% up at 122.2 la ha as against 106.9 lakh ha last year.

According to Solvent Extractors' Association of India, Soy meal exports declined to 451,314 tonnes in December as against 516,416 tonnes last year. Total Oil meal exports stood at 586,437 tonnes in December.

International Markets

CBOT Soybean March contract recovered from lower levels last week on short coverings and settled 0.57% higher w-o-w. Prices have declined on prospects of a record output in South America coupled with rains in Argentina. USDA has forecast US soy output at 3.289 bn bsh in January, as against 3.258 bn bsh in December.

Sowing is progressing in South America. While Conab forecast Brazil soy crop between 90.03 mt, Buenos Aires Grains Exchange has forecast Argentina soy area at 20.65 mn ha against 20.2 mn last year.

Outlook

Soybean futures are expected to trade on a negative note pressurize by weak soy oil demand as well as higher South American crop prospects. However, demand from crushers for soy meal may support prices. Prices may also take cues from the Rupee movement.

Rape/mustard Seed

Mustard seed futures traded on a negative note last week on profit taking, higher sowing estimates and weak oilseeds and settled 1.47% lower w-o-w. Prices have gained over the last few days as extreme cold conditions in the north have raised crop damage fears coupled with some rains in UP and Rajasthan. Sowing of mustard seed across India is expected to by higher season.

Sowing of mustard seed is reported at 7.035 mn ha as against 6.622 mn ha during the same period last year. Agriculture ministry in its fourth advance estimates pegged mustard output at 7.82 mn tn, up by 18.4% compared to 2011-12 season.

The Cabinet Committee on Economic Affairs has increased the MSP of Rapeseed/Mustard seed to Rs. 3050 per qtl from Rs. 3000 last year.

Outlook

Mustard seed futures may trade on a mixed note. Crop damage concerns due to extreme cold conditions may support prices. However, higher sowing weak oilseeds and bumper crop expectations may cap sharp gains and pressurize prices at higher levels.

Technical Levels

valid for Jan 12, 2014

Contract	Unit	Support	Resistance
Soybean NCDEX Feb Futures	₹/qtl	3590-3620	3680-3710
RM Seed NCDEX Apr Futures	₹/qtl	3360-3390	3450-3485

Market Highlights

as on Jan 11, 2014

	Unit	Last	% Change			
			Prev day	WoW	MoM	YoY
Soybean Spot- NCDEX	₹/qtl	3718	-0.38	-3.15	-5.37	16.73
Soybean- NCDEX Jan'14 Fut	₹/qtl	3591	-0.43	-4.42	-6.85	16.36
Soybean-CBOT Jan'14 Fut	USc/Bsh	1304	0.58	1.12	-2.58	-8.02
RM Seed Spot- NCDEX	₹/qtl	3574	-0.29	-2.73	-2.73	-13.87
RM Seed- NCDEX Jan'14 Fut	₹/qtl	3595	0.48	-0.08	-0.75	-14.53

Source: Reuters

Soybean Spread Matrix

as on Jan 11, 2014

	Closing	20-Jan-14	20-Feb-14	20-Mar-14
Spot	3718	-127	-66	-102.5
20-Jan-14	3591	0	61	24.5
20-Feb-14	3652	-	0	-36.5
20-Mar-14	3615.5	-	-	0

Mustard Seed Spread Matrix

as on Jan 11, 2014

	Closing	20-Jan-14	18-Apr-14	20-May-14
Spot	3574.4	20.6	-108.4	-66.4
20-Jan-14	3595	0	-129	-87
18-Apr-14	3466	-	0	42
20-May-14	3508	-	-	0

Soybean stock Position at NCDEX warehouse

as on Dec 28, 2013

Location	Stocks as on 28 th Dec		Stocks as on 27 th Dec	
	Dec	Qty in Process	Dec	Qty in Process
Akola	8611	0	8611	0
Kota	10	0	10	0
Sagar	181	0	181	0
Total	8802	0	8802	0

RM Seed stock Position at NCDEX warehouse

as on Dec 28, 2013

Location	Stocks as on 28 th Dec		Stocks as on 27 th Dec	
	Dec	Qty in Process	Dec	Qty in Process
Alwar	584	0	584	0
Bikaner	300	10	300	0
Hapur	50	0	50	0
Jaipur	3812	61	3772	40
Kota	50	0	50	0
Sriganganagar	200	70	130	0
Total	4996	141	4956	40

Technical Chart -Soybean

NCDEX February contract

 Soy Bean Indore 1402(NCSOYG4)2014/01/11 - Daily B:3647.50 A:3649.00
 O 3660.00 H 3668.00 L 3626.00 C 3652.00 V 54,430 I 118,610 +8 +0.22%


Source: Teletquote



Agricultural Commodities

Refined Soy Oil

Refine soy oil Feb futures traded on a negative note last week and settled 1.23% lower on weak demand in the domestic markets. However, prices recovered marginally towards the end of the week on short coverings as well as import hike duty on refined edible oil to 10% from 7.5%. Soy oil Futures on CBOT declined 1.02%.

India meet 50-55 percent of its edible consumption through imports and thus rupee factor is a major determinant of edible oil prices.

As per the data released by the Solvent Extractors' Association of India Imports of vegetable oils, including non-edible oils increased 37.1% y-o-y to 944,309 tn November.

Monthly soy oil imports rose 5.79% compared to the same period last year. Stockpiles of edible oil at ports on Dec 1 stood at 590,000 tn, the trade body said, higher than 520,000 tn on Nov 1.

Outlook

Soy oil futures are expected to trade on a mixed note. An increase in the import duty may support prices while weak demand as well as weak international markets may cap gains and pressurize prices. Prices may also take cues from movement in the Indian Rupee.

Crude Palm Oil

CPO Futures traded on a negative note last week on weak domestic as well as international markets and settled 2.17% lower on a weekly basis.

Palm oil Futures on KLCE declined 4.57% last week on weak crude and soy oil prices and rising inventories. Prices gained earlier on weather and output concerns due to floods in Malaysia and weak Ringgit. Malaysian Palm Oil Board pegged 2013 end stocks at 1.87 mn tn as against 2.63 mn tn in 2012.

At the Globoil India conference in October, Dorab Mistry lowered palm oil output estimates in Malaysia and Indonesia by about 2% and 3.3% respectively for the calendar year 2013 but expects global palm oil output to increase 3.5 for 2013/14 (Source: Reuters).

Exports of Malaysian palm oil products between January 1-10 declined 21.5% to 297,308 tonnes from 378,579 tonnes shipped between December 1-10. Malaysia has set the export tax for Palm oil at 5% for January, unchanged against December.

According to Malaysian Palm oil Board, exports declined 1.36% in December against November, while palm oil output declined 10.43% and the end stocks increased 0.33%.

India's refined palm oil imports jumped 34.81% in Nov to 208,076 tn from 154,342 tn in Oct on festive demand and a strong Rupee.

Outlook

Palm oil futures are expected to trade on a negative note on weak domestic demand as well as weak international markets. Prices may also take cues from the Rupee movement.

Technical Outlook

valid for Jan 12, 2014

Contract	Unit	Support	Resistance
Soy Oil Feb NCDEX Futures	₹/qtl	664-669	679-683
CPO MCX Jan Futures	₹/qtl	528-532	541-547

Market Highlights

as on Jan 11, 2014

	Unit	Last	Prev day	% Change		
				WoW	MoM	YoY
Ref Soy oil Spot-NCDEX	₹/10 kg	682.50	0.12	-1.52	-3.76	-6.84
Ref Soy oil- NCDEX Jan'14 Fut	₹/10 kg	680.30	0.36	-1.50	-4.06	-6.22
Soybean Oil- CBOT- Jan'14 Fut	USc/ Bushel	37.95	0.56	-1.02	-4.91	-23.16
CPO-Bursa Malaysia – Jan'14 Fut	MYR/Tonne	2487	-0.92	-4.57	-4.64	9.32
CPO-MCX- Jan '14 Futures	₹/10 kg	536.20	0.19	-2.17	-3.99	24.15

Source: Reuters

Refined Soy Oil Spread Matrix

as on Jan 11, 2014

	Closing	20-Jan-14	20-Feb-14	20-Mar-14
Spot	682.5	-2.2	-7.05	-12.8
20-Jan-14	680.3	0	-4.85	-10.6
20-Feb-14	675.45	-	0	-5.75
20-Mar-14	669.7	-	-	0

CPO Spread Matrix

as on Jan 11, 2014

	Closing	31-Jan-14	28-Feb-14	31-Mar-14
31-Jan-14	536.2	0	6.4	11
28-Feb-14	542.6	-	0	4.6
31-Mar-14	547.2	-	-	0

Technical Chart –Ref Soy Oil

NCDEX February contract

 Ref SoyaOil Ind 1402(NCRSOG4)2014/01/11 - Daily B:675.60 A:675.80
 O 674.80 H 676.10 L 673.10 C 675.45 V 28,080 I 123,750 +3.5 +0.52%


Technical Chart –Crude Palm Oil

MCX Jan contract

 CPO-MCX 1401(MXCPOF4)2014/01/11 - Daily B:536.60 A:536.70
 O 536.50 H 537.20 L 534.10 C 536.20 V 351 T 188,196 I 2,253 +1 +0.19%


Source: Telequote



Agricultural Commodities

Spices

Jeera

Jeera futures traded on a negative note last week. Higher sowing, record high output expectations as well as weak demand from the bulk consumers pressurized prices and settled 1.32% lower. However export demand supported prices at lower levels.

Jeera sowing in Gujarat is reported to be complete and is said to be in good condition. (Source: Agriwatch)

According to a circular issued by NCDEX there are some modifications made in the Quality specifications and allowance for contracts expiring in March 2014 and thereafter.

The ongoing geo-political tensions in Syria and Turkey have led to a supply crunch in the global markets raising supply concerns from these two major exporting countries. Export orders are diverted to India. Production is also expected to fall in Syria and Turkey.

Arrivals, production and Exports

Arrivals in Unjha were reported at 2,000 bags on Saturday. (Source: Agriwatch). Exports of Jeera between Apr-Sept 2013 stood at 67,500 tn, as against 35,018 tn between Apr- Sept 2012. (Source: Spices Board)

Production of Jeera in 2012-13 is expected around 40-45 lakh bags (55 kgs each), marginally higher than 40 lakh bags last year. Carryover stocks from 2011-12 harvest were around 8-9 lakh bags.

Outlook

Jeera futures may trade on a mixed note. Higher sowing this season may pressurize prices. However, demand from the overseas markets may support prices at lower levels.

Turmeric

Turmeric futures traded on a mixed note last week. Arrivals of the new crop coupled with huge carryover stocks pressurized prices. However, domestic as well as overseas demand coupled with crop concerns in Andhra Pradesh supported prices at lower levels. The spot settled 0.76% higher while the futures settled 0.99% lower w-o-w.

According to a circular issued by NCDEX, Pre-expiry margin has been decreased to 3% for the last 5 trading days on a daily basis. There are some modifications made in the Quality specifications for contracts expiring in April 2014 and thereafter.

Production, Arrivals and Exports

Arrivals in Nizamabad and Erode were reported at 1,200 bags and 10,000 bags on Friday. Sowing of Turmeric in AP for the 2013-14 season is reported at 0.53 lakh ha, as against 0.68 lakh ha last year and a normal sowing of 0.68 lakh ha.

Production in 2012-13 is reported around 45 lakh bags, down by 40-50%. Current year's carryover stocks are estimated around 10 lakh bags. (1 bag= 75 kgs). Exports between Apr-Sept 2013 stood at 38,500 tn, higher than 37,736 tn in Apr-June 2012. (Source: Spices Board)

Outlook

Turmeric futures may trade on a mixed to positive note supported by export demand coupled with crop concerns in Andhra Pradesh. However, new crop arrivals and huge carryover stocks may cap sharp gains.

Technical Outlook

Valid for Jan 12, 2014

	Unit	Support	Resistance
Jeera NCDEX Mar Futures	₹/qtl	12385-12475	12650-12740
Turmeric NCDEX Apr Futures	₹/qtl	6640-6720	6860-6920

Market Highlights

as on Jan 11, 2014

	Unit	Last	Prev day	WoW	MoM	YoY
Jeera Spot- NCDEX	₹/qtl	12657	-0.16	-0.86	-1.06	-12.30
Jeera- NCDEX Mar'14 Oct	₹/qtl	12548	-0.14	-1.32	-0.77	-8.60
Turmeric Spot- NCDEX	₹/qtl	5840	0.00	0.76	12.80	2.58
Turmeric- NCDEX Apr'14 Fut	₹/qtl	6790	-0.41	-0.99	40.81	2.38

Source: Reuters

Jeera Spread Matrix

as on Jan 11, 2014

	Closing	20-Mar-14	18-Apr-14	20-May-14
Spot	12656.6	-109.1	-29.1	138.4
20-Mar-14	12547.5	0	80	247.5
18-Apr-14	12627.5	-	0	167.5
20-May-14	12795	-	-	0

Turmeric Spread Matrix

as on Jan 11, 2014

	Closing	18-Apr-14	20-May-14	20-June-14
Spot	5839.75	950.25	1014.25	1128.25
18-Apr-14	6790	0	64	178
20-May-14	6854	-	0	114
20-June-14	6968	-	-	0

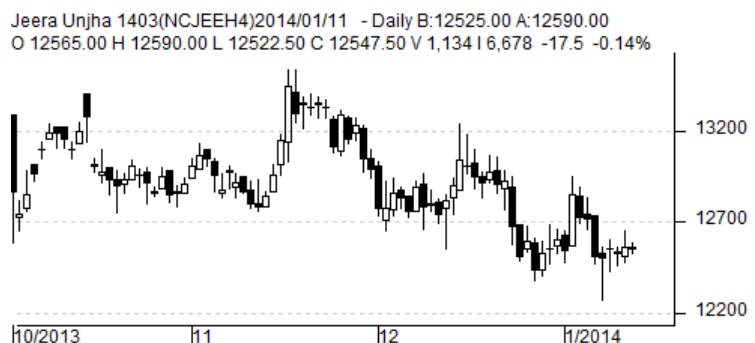
Stock Position at NCDEX warehouse

as on Dec 28, 2013

	Location	Stocks as on 28 th Dec	Qty in Process	Stocks as on 27 th Dec	Qty in Process
Turmeric	Nizamabad	347	0	347	0
Total		347	0	347	0

Technical Chart – Jeera

NCDEX March contract



Technical Chart – Turmeric

NCDEX April contract



Source: Telegquote



Agricultural Commodities

Sugar

Sugar February futures traded on a negative note last week on weak demand due to cold conditions and settled 1.33% lower w-o-w. There are expectations that the government may provide some incentives to boost sugar exports. The CCEA cleared a proposal to give interest free loans to the sugar mills combined to Rs.6600 cr, and issued guidelines for the same while no increase was seen in the buffer stocks.

ISMA has reported a 29% decline in India's sugar output between Oct - Dec at 5.74 mn tn against 8.03 mn tn a year ago. ISMA estimates sugar output for 2013-14 at 25 mn tn. The UP govt has kept SAP unchanged at Rs. 280/qtl while the government will waive off entry tax, purchase tax and society tax for the current crushing season amounting to Rs.11/qtl.

According to ISMA sugar output for 2012-13 declined 4.5% to 25.14 mt against 26.4 mt in 2011-12. ISMA has requested the government to increase the import duty to 40%. Also, the association wants the government to assist them to export about 3-5 mn tns in the next 8-10 months. (Source: Reuters)

According to the 1st Advance estimates released by the Ministry of Agriculture, sugarcane output for 2013-14 is expected at 341.77 mn tn vs 338.96 mn tn last year.

With third year of surplus production in 2012-13, India may have stocks of around 8.8 mn tn which is more than 20 percent of the normal opening balance. Thus, creation of a buffer or any such other move may bring some relief to the sugar industry which is already reeling under the impact of rising production costs of raw material (cane).

Domestic Production and Exports

A good monsoon this season has raised prospects of higher output for fourth consecutive year in row in 2013-14. According to the latest estimates by ISMA, production is estimated 25 mn tn for 2013-14 season.

ISMA has estimated that the opening balance as on October 1, 2013 (for the new season 2013-14), will be around 88 lakh tonne, which is about 20 lakh tonne more than the normal opening balance.

In 2012/13, mills could export only a small amount of sugar due to lower global prices. It could export as much as 3-3.5 million tonnes of sugar in the season beginning October to get rid of excess supply.

Global Sugar Updates

Liffe as well as ICE Raw sugar futures traded on a negative note last week and settled 3.18% and 3.17% lower on weak global demand and huge supplies. The USDA has lowered 2013/14 inventory forecast by 18% due to diversion towards ethanol.

According to UNICA, Brazilian mills have produced 33.98 mn tn of sugar from the start of the cane season on April 1, equal to a year ago. Sugar output in Brazil's main cane region for the first half of December declined to 844,000 tn compared to 1.44 mn in second half of November as crushing has neared its end. The ISO has estimated sugar surplus to fall to 4.5 mn tn in 2013/14 as against 10.3 mn tn last year.

Outlook

Sugar futures are expected to trade on a negative note as weak demand, higher crushing and ample supplies will continue to pressurize prices. Weak global sugar markets may also add to the downside pressure. However, industry expectations that the government may provide incentives to support the industry may support prices.

Technical Outlook

valid for Jan 12, 2014

Contract	Unit	Support	Resistance
Sugar Feb NCDEX Futures	₹/qtl	2705-2720	2745-2760

Market Highlights

as on Jan 11, 2014

	Unit	Last	% Change			
			Prev. day	WoW	MoM	YoY
Sugar Spot-NCDEX	₹/qtl	2815	0.23	-0.89	-1.64	-13.20
Sugar M- NCDEX Jan'14 Fut	₹/qtl	2794	0.18	-0.11	3.67	-12.71
Sugar No 5- Liffe-Mar'14 Fut	\$/tonne	426.4	0.19	-3.18	-5.54	-16.80
Sugar No 11-ICE Mar '14 Fut	\$/tonne	346.00	0.58	-3.17	-6.32	-17.88

Source: Reuters

Sugar Spread Matrix

as on Jan 11, 2014

	Closing	20-Jan-14	20-Feb-14	20-Mar-14
Spot	2814.65	-20.65	-79.65	-70.65
20-Jan-14	2794	0	-59	-50
20-Feb-14	2735	-	0	9
20-Mar-14	2744	-	-	0

Technical Chart - Sugar

NCDEX February contract

 SUGARM200 1402(NCSAMG4)2014/01/11 - Daily B:2721.00 A:2739.00
 O 2732.00 H 2737.00 L 2728.00 C 2735.00 V 740 I 19,010 +9 +0.33%


Source: Telegate



Agricultural Commodities

Kapas

MCX Cotton futures traded on a positive note last week on export demand for the fiber as well as the yarn. Arrivals have also declined due to extreme cold conditions in many parts of the country. Farmers are holding their stocks for better realization. However, prices corrected from higher levels on profit taking and settled 2.15% and 2.03% higher.

The DGFT latest notification revealed that exporters are exempted from submitting documents in physical form for export of cotton, yarn and some other commodities whom online registration procedure has been prescribed for export. (Source Agriwatch)

Cotton Association of India estimates 2013-14 cotton crop at 37.875 mn bales against earlier estimates of 38 mn bales and 2012-13 output of 35.675 mn bales.

Ministry of Agriculture, in its first Advance estimates of Food grain production has pegged Cotton output at record 35.3 mn bales (1 bale= 170 kg) in 2013-14, higher than 34 mn bales in the previous year.

Sowing

As per the Ministry of Agriculture, cotton sowing was reported at 114.67 la ha as against 117.29 la ha last year.

As on 4th October 2013, cotton sowing in AP was reported at 21.31 la ha as against 22.69 la ha last year while Gujarat was reported at 26.91 la ha up by 8.6% last year.

Domestic Production and Consumption

The Cotton Advisory Board (CAB) estimated that heavy rains might have damaged nearly 10 lakh bales of cotton in Andhra Pradesh, Madhya Pradesh, Maharashtra, and Gujarat this year. (Source: The Hindu)

With 35 lk bales of stock available from last year (opening stock) and 17 lk bales of import, the total supply this year was likely to be 427 lk bales.

Global Cotton Updates

ICE Cotton corrected from higher levels last week as the USDA crop report projected global inventories at record 97.6 million 480-lb bales and settled 0.42% lower. Prices gained over the last few days on demand for US cotton, tight supplies and expectations of lower plantings in China.

In its monthly crop report, the USDA said world inventories will reach a record 95.71 million 480-lb bales by the end of July, raising its forecast for a fourth time since it first published 2013/14 estimates in May citing higher supplies in India and the U.S.

ICAC has forecast higher stocks for 2013-14 on expectations of decline in demand. ICAC has lowered projections for global production but has increased projections and endings stocks for the 2013/14 crop year. As per USDA acreage report, the estimate for U.S. cotton planted acreage is down 17% from 2012, but is up from March 2013 estimates.

Outlook

Cotton futures may trade on a mixed note. Demand from exporters as well as yarn manufacturers may continue to support prices. However, improving arrivals as well as higher output in India may pressurize prices. Prices may also take cues from the Rupee movement.

Technical Outlook

valid for Jan 12, 2014

Contract	Unit	Support	Resistance
Kapas NCDEX April '14 Fut	₹/20 kgs	1005-1013	1030-1042
Cotton MCX Jan Futures	₹/bale	19800-19950	20150-20300

Market Highlights

as on Jan 11, 2014

	Unit	Last	% Change			
			Prev. day	WoW	MoM	YoY
NCDEX Kapas Apr Fut	₹20 kgs	1019.5	-1.12	2.15	2.15	#N/A
MCX Cotton Jan Fut	₹/Bale	20090	-0.40	2.03	8.48	22.57
ICE Cotton Mar 14	USc/Lbs	82.59	-0.27	-0.42	2.35	9.83
Cot look A Index		88.1	-0.34	-1.12	1.67	6.02

Source: Reuters

Cotton Spread Matrix

as on Jan 11, 2014

	Closing	31-Jan-14	27-Feb-14	31-Mar-14
31-Jan-14	20090	0	300	590
27-Feb-14	20390	-	0	290
31-Mar-14	20680	-	-	0

Technical Chart - Kapas

NCDEX April contract

 KAPASSRNR 1404(NCKPAJ4)2014/01/11 - Daily B:1015.00 A:1021.00
 O 1028.00 H 1028.50 L 1015.50 C 1019.50 V 8,721 I 14,254 -11.5 -1.12%


Technical Chart - Cotton

MCX January contract

 COTTON 1401(MXCTNF4)2014/01/11 - Daily B:20070.00 A:20090.00
 O 20150.00 H 20160.00 L 20020.00 C 20090.00 V 2,398 T 1,203,941 I 5,341 -80 -0.40%


Source: Teletquote