

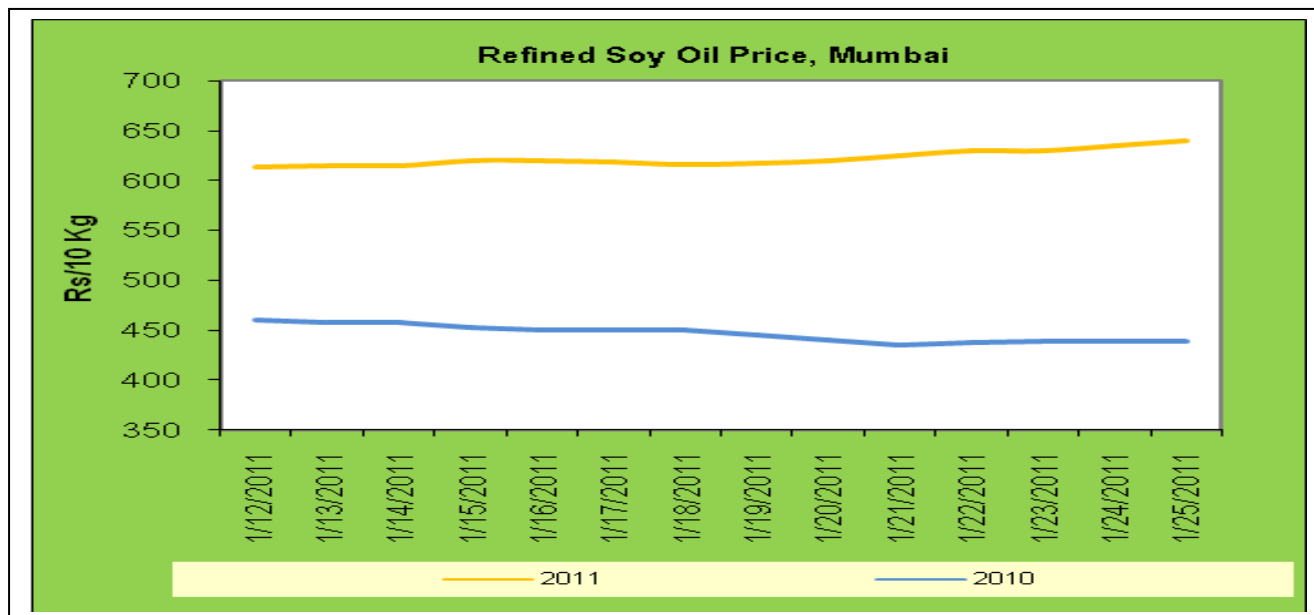
29 January- 12 February 2011

Fundamental Highlights**Refined Soy oil:**

- ✓ ***Soy oil price surged higher in the spot market. Global cues, once again remain the dominant driver. Domestic demand supported, however remain subject to higher price level.***
- ✓ International Price trend remain affected by China's continuous buying spree but welcome rains in Argentina curb some part of the optimism. Also, better prospects for Brazil's crop, despite disruptive weather, limit the Euphoria.
- ✓ Domestic Soy oil prices confide in better demand outlook and deteriorating Soybean arrivals. Decline in YOY Vegoil imports also favor the price trend however, improvement in the same MOM offset the impact. Higher International prices caused import disparity which restricted imports.
- ✓ India's annual vegetable oil imports in December fell 4.2 percent on high global prices, but monthly imports rose as buyers stepped up purchases ahead of Indonesia's export tax hike.
- ✓ In December, vegetable oil imports rose 12.5 percent from the previous month to 752,688 tonnes. But, in the November-December period, vegetable oil imports fell 6.7 percent from a year earlier to 1.4 million tonnes on better local oilseeds crushing as depicted by data from the Solvent Extractors' Association of India.
- ✓ Going forward, Soy oil Imports may pick up amidst developing parity as international price ease at a higher rate when compared to domestic prices. Also its differential with Palm continues to stay lower as compared to last year, which further remain supportive of the same. The same may lead to month on month increase in the same but at the same time with decent domestic crushing being done, supplies already remain higher on the other hand demand may remain sluggish at higher price levels and with easing winter and festive season. Conclusively, the later may moderate the imports.
- ✓ Soy Arrivals hover at the lower levels in Madhya Pradesh at 1 lakh 30 thousand bags, until recently. The same is hardly able to lend any support to the prices as the same stay at thin levels, already.
- ✓ According to market sources, 45-50% of soybean crushing has taken place until now, driven more by soy meal demand. Soy Crush margins however stay negative as seed prices increase at a faster pace than the rise in Soy meal and Soy oil price.
- ✓ Total Soybean Crush is projected higher at 8.05 million tonnes (AW Estimates) for 2010-11 as compared to 7.4 million tonnes estimated for 2009-10, the rise remains

majorly driven by higher Soy meal demand which is projected at 6.6 million tonnes for 2010-11

- ✓ While oilseed area for kharif season witnessed an increase of 0.61% in 2010 as compared to 2009, Rabi oilseed sowing until January 14 2011, witnessed an increase of 2.40% as compared to same period last year.



Prices for Soy (Ref)

(Rs/ 10 kg)

Center	25.01.11	12.01.11	Chg
Mumbai +VAT	640	613	+27
Indore +VAT	620	600	+20
Kota +VAT	625	610	+15
Rajkot +VAT	615	590	+25
Soy Oil (CIF, Kandla -US \$/ton)	1340	1312	+28

Price Outlook:

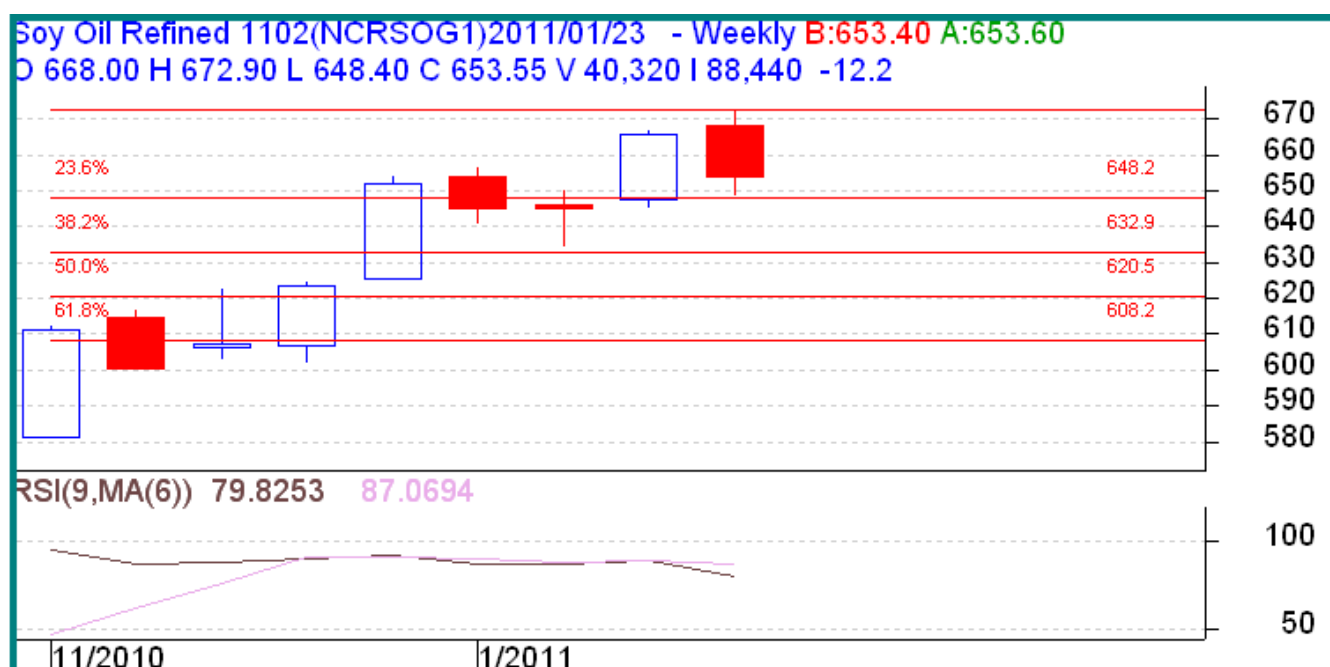
- ❖ **Vegetable oil price trend become ranged. Cool off from the highs remain part as higher prices restrict domestic demand and with major festivity out of the way along with easing winters, slow down looks likely. Higher crushing lead to improved supplies as well.**
- ❖ **Internationally, positive prospects for Brazil's Soy crop and rains in the forecast for Argentina play triggers for a ease off while positive developments stay discounted.**
- ❖ **Domestically Soy demand which remain subject to higher prices, tend to fluctuate based on that. Crush margins which remain negative, continue to act as another restriction. Soy crushing which has been done until now, give rise to improved soy oil supplies which again remain a limiting factor for the price that remain**

desperate for a cool off, to match the domestic fundamentals, as they were aggravated mostly by international push.

- ❖ *Soy oil price trend is likely to project ranged nature. Lower imports and diminished soy arrivals stay supportive however improvement in availability of the same due to higher production and improved crushing may bear offsetting impact. Palm oil price trend which inhibit medium term strength may head for a breather and affect soy oil as a result.*

Technical Analysis:

RSBO (Refined Soybean Oil)



- ❖ Soy oil price trend continue to hold medium term strength. Short term correction remains part as suggested.
- ❖ 645 is the nearest significant support and 660-675 zone on the higher side stand as resistance band.
- ❖ 625-635 is another capable support zone. While a slip below the same will aggravate medium term weakness, until it sustains, bulls may recover well.
- ❖ For Now, Price reaches near important supports, after easing from the highs. While bounce back from the same may happen, selling pressure may pertain at higher levels.

RSBO NCDEX (February)

Support & Resistance				
S2	S1	PCP	R1	R2
630	640	653.55	660	672

- ❖ Traders may grab profit taking by taking selling chance near mentioned resistances; at the same time keeping in mind the importance of 625-635 zone as a medium term support.
- ❖ Longs should get active only above 665 or near 635 (wait for the confirmation around that)

International Market Highlights

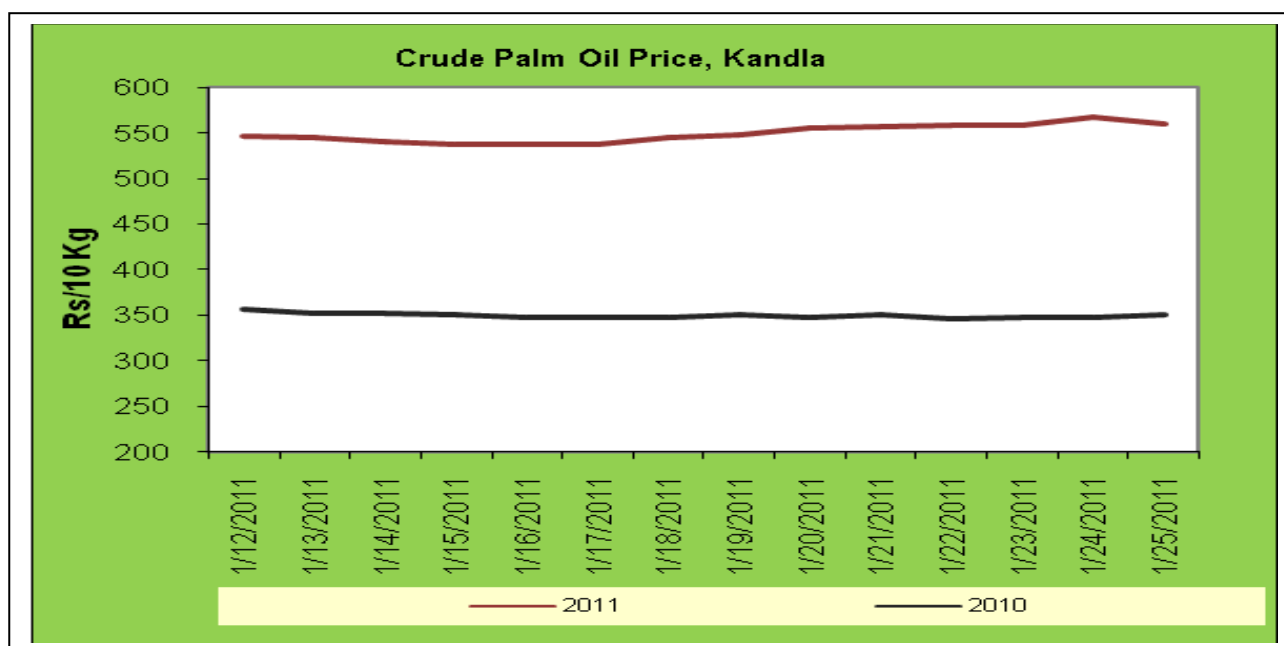
- ❖ China's Overall Soybean Imports are on a continuous rise and is projected at 57 million metric tonnes for 2010-11 as per revisions made in January, the backing reason remain continuous rise in its total use which is projected at 68.85 MMT for 2010-11 as compared to 59.43 MMT estimated in 2009-10.
- ❖ Recent rains in Argentina gave respite to thirsty soy crops in top farming region Buenos Aires, but beans in Cordoba province still desperately need heavy rainfall as put by the government: A government official recently said the country's soy output this season will likely be less than 50 million tonnes, below a previous forecast of 52 million tonnes. Plots seeded (soy) in Tres Arroyos have recovered a great deal, and they are all in very good or good condition, the Agriculture Ministry said in its weekly crop report.
- ❖ Crops in the areas that saw rain were revitalized, but the state of those that were left out is complicated, they are not flowering, and some are blotched. By Thursday, farmers had planted 96 percent of an estimated soy area of 18.7 million hectares (46.2 million acres), up 2 percentage points from the previous week but lagging last season's pace by 2 points.
- ❖ Analytical firm Informa Economics lowered its estimate of U.S. 2011 soybean seedings to 76.654 million acres, from 77.565 million in December: Informa mentioned the adjustments reflected the idea that potential profits for new-crop corn had outpaced those for soybeans over the last month.
- ❖ US Soybean production projection has been revised lower in January to 90.61 MMT for 2010-11 as compared to 91.85 stated, in the prior month. With this revision, production is anticipated to plunge below the level achieved in the 2009-10, however crush is projected lower at 45.04 MMT for 2010-11 as compared to 47.67 MMT estimated in 2009-10, which offset the prior's bullish impact on the price.

Fundamental Highlights:

Palm Oil

- ✓ **Palm oil price moved higher in the spot market. Malaysian palm oil price which remained driven by positive demand ahead of the Chinese Lunar New Year next month.**

- ✓ Malaysian Palm current price trend also remain driven by cuts in production in the December month as compared to November and cuts in the stocks also remains a favorable development, however profit taking become an open possibility as demand face obvious restriction at such high price levels.
- ✓ Palm oil imports in India, witnessed an increase of 2.89% in December 2010 as compared to same month last year, the same may find continuity as purchases might pace up, ahead of implementation of proposed hike of Indonesia's export tax hike in February, however lower differential with Soy oil may offset part of the same.
- ✓ Differential between Palm and Soy faced a reduction in December 2010 as compared to same month year back. It continues to remain lower in January 2011 (average price calculated until Jan 10) as compared to same duration last year, which may offset part of the imports as soy oil appear more attractive.



International Market Highlights

- ❖ Exports of Malaysian palm oil products for Jan 1-25 rose 5.7 percent to 1,060,952 tonnes from 1,003,459 tonnes shipped during Dec 1-25 as put by cargo surveyor Intertek Testing Services. Another Surveyor cargo surveyor Societe Generale de Surveillance reported exports of Malaysian palm oil products for Jan 1-25 down 2.1 percent to 1,017,913 tonnes from 1,040,145 tonnes shipped during Dec 1-25. According to data reported by this surveyor, export to European Union, China, US and India slipped lower in the same period as compared to last month. Exports to Pakistan showed improvement however.

- ❖ Indonesia may increase palm oil export tax for February to 25 percent from 20 percent in January to bring it in line with international prices as said by the industry sources: The base export price for crude palm oil is likely to be set at \$1,194 a tonne in February, up from \$1,112 per tonne in January.
- ❖ Pakistan may buy 8% more palm oil in 2011 as edible oil refining capacity in the country increases on the back of rising consumption: Growing import demand from the world's third-largest consumer suggests that demand erosion scenarios may not play out, despite high international prices for vegetable oils--the result of limited supplies available for export from some of the major oilseed exporting countries.
- ❖ Pakistan's purchases of palm oil, which accounts 98% of its total vegetable oil imports, may climb to as much as 2 million tons from 1.86 million tons in 2010 as stated by Pakistan Edible Oil Refiners Association Vice Chairman.

Prices for CPO

(Rs/ 10 kg)

Center	25.01.11	12.01.11	Chg
Kandla	560	546	+14

Prices for RBD Palmolein

(Rs/ 10 kg)

Center	25.01.11	12.01.11	Chg
Kandla +VAT	580	560	+20
Mumbai +VAT	605	583	+22
Chennai +VAT	600	600	-
Delhi	625	610	+15

Prices for FOB (Kandla)

(US \$ / MT)

Center	25.01.11	12.01.11	Chg
CPO	1255	1210	+45
RBD Palmolein	1270	1243	+27

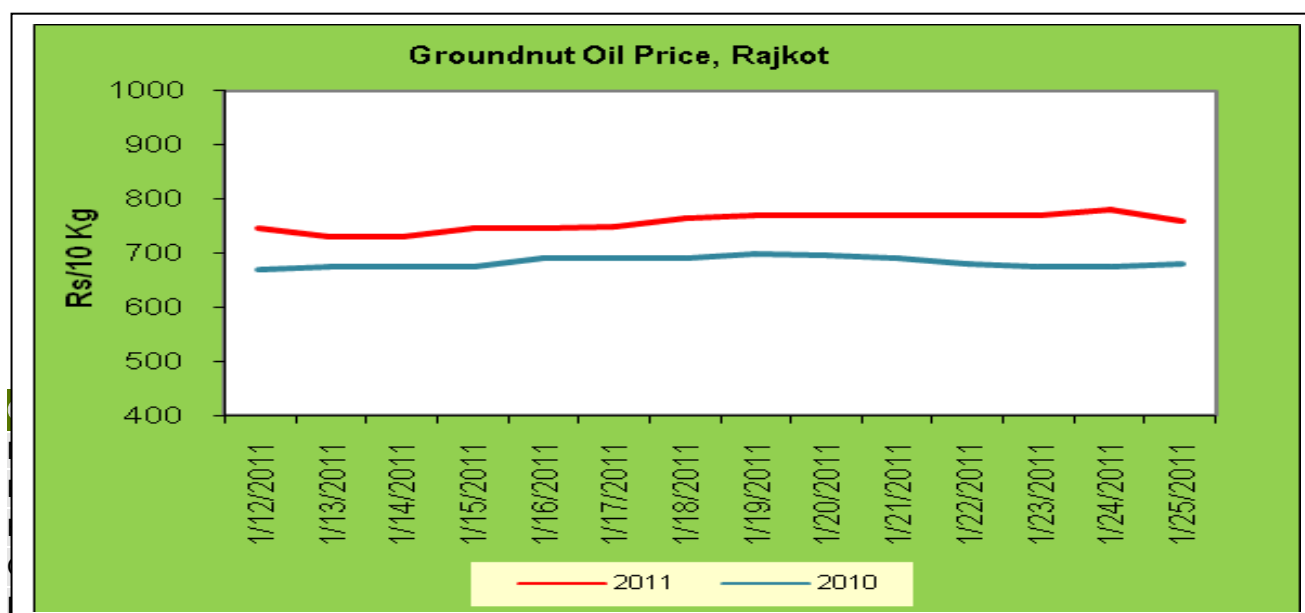
Fundamental Highlights:

Groundnut Oil

- ✓ Groundnut oil price trend stay range bound with positive bias in the spot market. Demand remains medium, which lead to the same. Groundnut arrivals continue to hover in a range of 20000-25000 bags in Rajkot.
- ✓ Groundnut oil demand is normal at present and supply is sufficient to fulfill the demand and hence the same weigh on the price. According to Saurashtra-based millers, easy availability of groundnut for crushing pushed up the supply. This trend

is likely to continue in the coming days. However mild slip in the area under groundnut (Rabi) may provide little support to the prices.

- ✓ Groundnut rabi sowing reached 4.18 lakh hectares as reported until 30th December as compared to 4.28 lakh hectares, last year.
- ✓ Groundnut production this kharif is estimated at 41 lakh tonnes against 32.9 lakh tonnes last year. Initially, groundnut production was estimated at 18.7 lakh tonnes in Gujarat but due to rains in early November, it is lowered at 17.7 lakh tonnes.
- ✓ Groundnut oil availability is projected at 3.48 Lakh tonnes for 2010-11 as compared to 1.8 lakh tonnes in 2009-10. The same is attributed to anticipated increase in crush to 8.70 lakh tonnes in 2010-11 as compared to 4.4 lakh tonnes in 2009-10.



Prices for Groundnut Oil

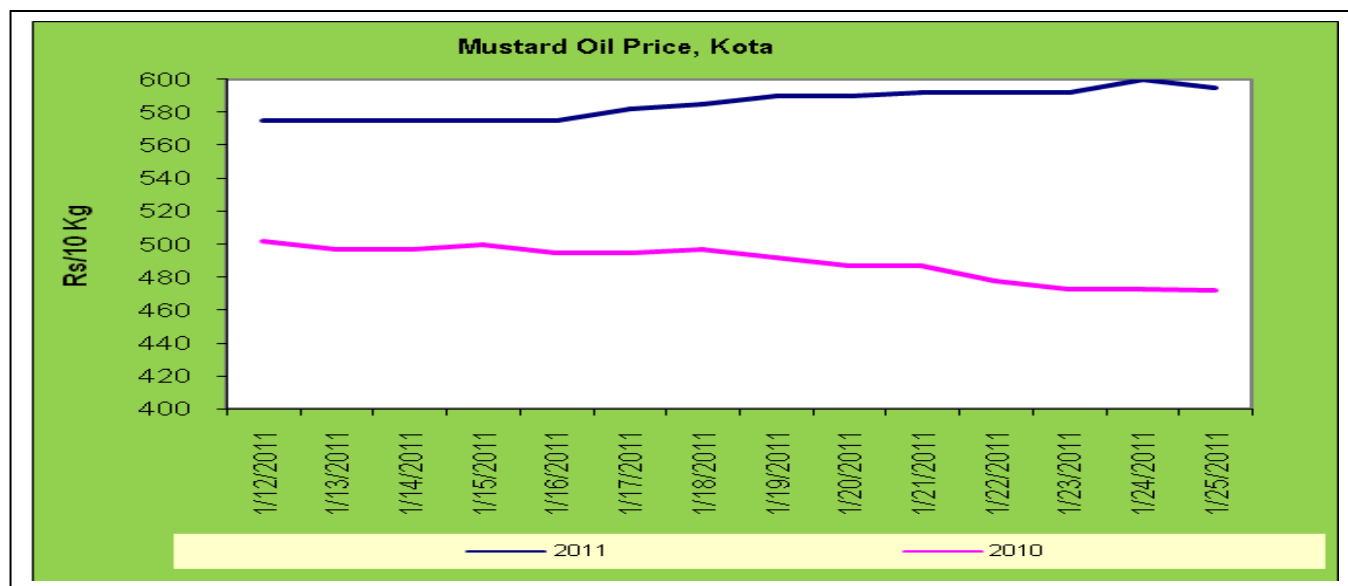
(Rs/10 kg)

Fundamental Highlights:

Mustard Oil

- ✓ **Mustard oil price could manage to post gains in the spot market. While demand perks up the same, arrival did not reduce from the earlier levels. Going forward price may ease, as crop enters the market around February.**
- ✓ Arrivals in Rajasthan reduced to 30000 bags until 24 the January as compared 40000 bags a week back.

- ✓ Higher area sown under mustard, this year suggests better production is likely and with new crop just round the corner, prices may bear the impact. To add to this, easing winters and marriage season, demand is likely to get sluggish.
- ✓ The total area sown with mustard as of December 30, 2010, stood at 70.44 lakh hectares as against 63.39 lakh hectares last year.



Prices for Rape Expeller Oil

(Rs/ 10 kg)

Center	25.01.11	12.01.11	Chg
Mumbai + VAT	633	602	+31
Kota +VAT	595	575	+20
Jaipur +VAT	605	585	+20
Delhi	618	595	+23
Neewai +VAT	-	-	-

Fundamental Highlights:

Other Edible Oils

- ✓ Sunflower oil prices depicted ranged nature while cotton seed oil prices remain broadly higher in the spot market.
- ✓ India's oilseed area for kharif season witnessed an increase of 0.61% in 2010 as compared to 2009, whereas Rabi oilseed sowing until January 14, 2011, witnessed an increase of 2.40% as compared to same period last year.
- ✓ On the basis of Kharif sowing, major production shifts are seen for Ground nut and Soybean crop, which contribute to higher anticipated oilseed production. The

corresponding oil availability is likely to be affected due to that. Total oil availability from kharif produce, is projected at 55.37 lakh tonnes.

- ✓ Sunflower, Rabi seeding has reportedly progressed to 4.32 lakh hectares as on 30 December 2010 as compared to 7.52 lakh hectares, until same time last year. Its Kharif production is projected to face a decline at 1.35 lakh tonnes as compared to 3.2 lakh tonnes estimated for 2009.
- ✓ Global edible oil production is projected to rise by 4.61 percent in 2010-11 whereas consumption growth is projected to outpace the same and remain around 6.21 percent; the same along with lower beginning stocks for 2010-11 is likely to draw down stocks. This anticipated development in figures may aggravate, given the unstable weather scenario in South America and Malaysia, which poise a threat to supplies.

Prices for Refined Sunflower and Cottonseed Oil

(Rs/ 10 kg)

Center	25.01.11	12.01.11	Chg
Refined Sunflower Oil			
Mumbai +VAT	725	700	+25
Chennai +VAT	710	720	-10
Hyderabad +VAT	755	760	-5
Kandla, CIF (USD/Ton)	1460	1435	+25
Refined Cottonseed Oil			
Mumbai +VAT	625	598	+27
Delhi+VAT	592	570	+22
Rajkot +VAT	605	585	+20

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