

16 February- 02 March 2011

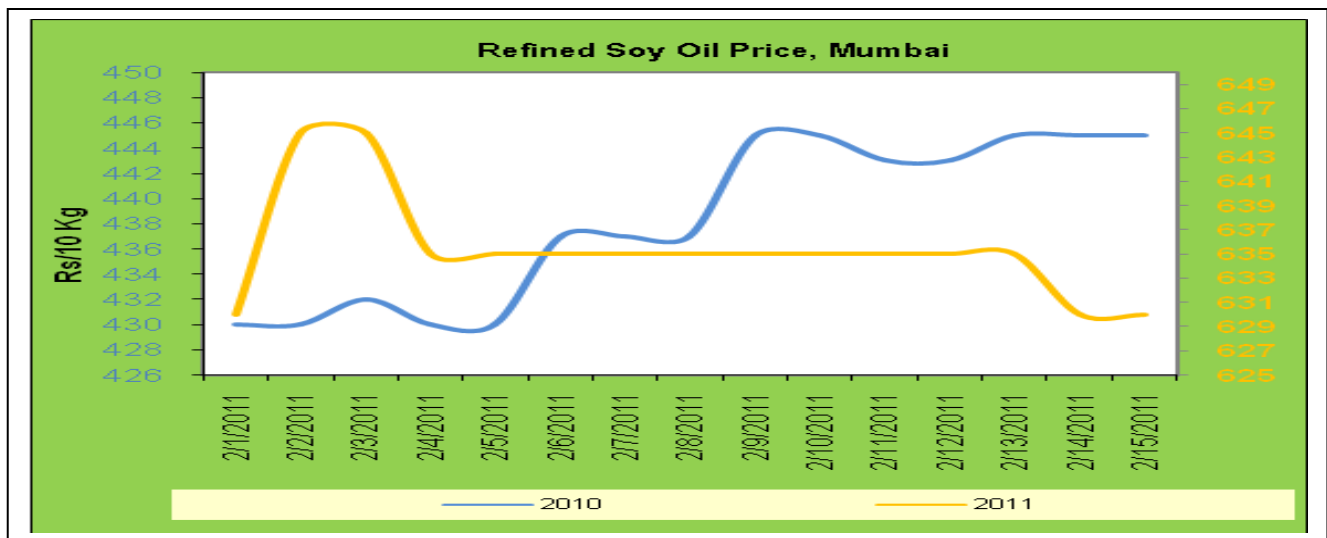
## Fundamental Highlights

### Refined Soy oil:

- ✓ Soy oil price broadly remain lower in the spot market. Weakness in CBOT Soy oil price continues to dampen the sentiment while ranged walk by Malaysian Palm at highs, created skepticism. USDA Report Impact remains digested. Thin domestic demand at higher levels continues to play a dragger.
- ✓ **Vegoil Stock Position:** Veg oil stocks at kandla port hover at 146365.15 MT as of 05/02/2011. Out of these 115734.75 MT Stocks are of Crude Palm Oil, 11105.48 MT are of RBD Palmolein and 14675.07 are of Crude Soybean Oil. The total figure is inclusive of cottonseed oil and sunflower oil stocks. At Mundra Port crude Palm Oil stocks are 19923.53 MT where as RBD Palm stocks stay nil. Crude Soy degummed oil stocks remain at 12233 MT. The total stock of 10000 MT Veg oil at Chennai Port however includes Palm oil, Sunflower Oil and Soy oil.
- ✓ **As per Latest Development:** Import of Edible Oil declined 16% to 6.9 lakh tonnes in January 2011 as compared to 8.2 lakh tonnes same month last year. Imports declined by 9% in first quarter of the oil year. Out of the same Soy Oil Imports witnessed a major drop of 56% to 0.49 lakh tonnes in January 2011 as compared to same month last year. Import disparity, and higher domestic crushing were the working factors behind. Imports Palm oil also drifted lower, recording a drop of 19% MOM and 6.8% QOQ. Imports of RBD Palm plunged lower by 22.34% MOM.
- ✓ **Soy Oil current Import Parity Situation:** Soy Oil Imports remain unviable to import from Argentina and Brazil as Landed cost stay higher vis-à-vis Domestic cost and the spread between the two remain at \$33 and \$22.49 respectively as on 14 February 2011. However Imports from US remain viable as the ease of in the recent Ease off in the FOB rates led to a favorable spread between the landed cost and Domestic cost calculated as on 14 February.

Landed cost calculation as on (14/02/2011)	Argentina	Brazil	US
FOB USD per ton	1288.94	1280.7	1211.43
CIF USD per ton	1353.94	1343.5	1273.54
Weight loss (0.25% of FOB)	3.22	3.20	3.03
Finance charges (0.4% on CIF)	5.42	5.37	5.09
Insurance USD per ton	1.2	1.2	1.2
CVD	0%	0%22	0%
Duty USD per ton	0	0	0
CVD value USD per ton	0	0	0
Ecess (2% on duty) USD per ton	0	0	0
Exchange rate	45.51	45.51	45.51
Landed cost without customs duty in INR per ton	62065.54	61587.58	58383.08
Customs duty %	0%	0%	0%
Base import price	580	580	580

Duty component in INR per ton	0	0	0
Clearing charges INR per ton	353	353	353
Brokerage INR per ton	83	83	83
<b>Total landed cost INR per ton</b>	<b>62501.54</b>	<b>62023.58</b>	<b>58819.08</b>
<b>Total landed cost USD per ton</b>	<b>1373.36</b>	<b>1362.86</b>	<b>1292.44</b>
<b>Domestic Market price INR per ton in Kandla (Soy degum)</b>	<b>61000</b>	<b>61000</b>	<b>61000</b>
<b>USD per ton</b>	<b>1340.36</b>	<b>1340.36</b>	<b>1340.36</b>



Prices for Soy (Ref)

(Rs/ 10 kg)

Center	15.02.11	01.02.11	Chg
Mumbai +VAT	630	630	-
Indore +VAT	604	615	-11
Kota +VAT	620	620	-
Rajkot +VAT	625	615	+10
Soy Oil (CIF, Kandla -US \$/ton)	1340	1355	-15

### Price Outlook:

- ❖ Vegetable oil price trend continue to remain ranged. Indecision in global markets add to the skepticism as positive fundamental developments remain discounted and demand gets subject to higher prices.
- ❖ Internationally, pick up in Brazil's harvest, likely drift in China's Soy imports in February may play draggers, but the offsetting impact may come up from Palm production cuts in Malaysia.
- ❖ Soy oil price trend is likely to stay range bound. Lower imports until now in the season and diminished soy arrivals stay supportive however improvement in availability of the same due to higher production and improved crushing may bear offsetting impact.

## Technical Analysis: RSBO (Refined Soybean Oil)



- ❖ Soy Oil price trend gets negatively skewed. Supports lay ahead. Bears keep an upper hand until 670 on the higher side is taken.
- ❖ 639 is the nearest significant support and 667 level on the higher side stand as a resistance.
- ❖ Profit taking from overbought levels happened as indicated and the same find continuity however intermediate bounce backs can not be ruled out.
- ❖ Selling at highs may remain a trading strategy until 670 on the higher side is breached.
- ❖ Longs should remain at the side lines, while intraday traders may get some chance as and when the short covering happens.

### RSBO NCDEX (March)

Support & Resistance				
S2	S1	PCP	R1	R2
630	639	646	655	665

## International Market Highlights

- ❖ China Soy oil ending stocks projections remain stable in the Feb. month as issued in the latest USDA Report. This surge is projected despite the 16.86% rise anticipated for domestic use. The surge in production and imports remain major contributor to the rise in ending stocks, in addition to the projected rise of 13.23% in soybean imports.
- ❖ USDA Demand Supply Report Analysis: US has kept majority of the projections unchanged in February 2011, in its latest demand and supply report. However, Soy oil stocks have been revised lower by 3.31% to 1.17 million tonnes for 2010-11 as compared to 1.21 million tonnes stated a month earlier. The same is on the basis of upward revision in exports of the same by 3.25% in Feb.
- ❖ US Domestic Soy crush is projected to decline 5.52% in 2010-11 which is likely to result in 3.15% decline in soy oil Production, which contribute to lower soy oil supplies and this

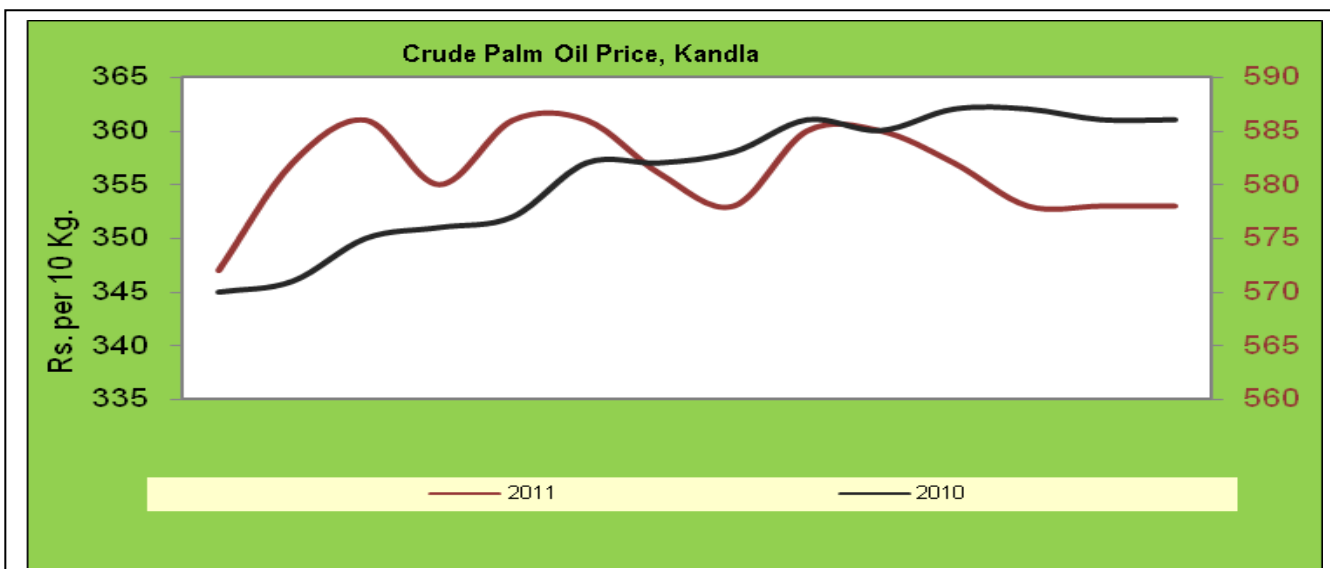
combine with 7.78% rise in soy oil domestic use pave way for 23.03% projected decline for soy oil stocks in 2010-11.

- ❖ While month on month projections were depicted unchanged for china, imports projections remain surged by 13.23% in 2010-11 as compared to 2009-10. Major demand remain shifted towards US, which contribute to a projection of 5.92% rise in US Soy exports.
- ❖ Market Impact: The Report bear a neutral impact as MOM revisions majorly remain steady and lower market remain aware of lower stock revisions. Lower revision for Argentina's crop and higher revision for Brazil's crop offset impact.
- ❖ Brazil's soybean harvest has gained momentum quickly in the past three weeks and early yields point to a modest advance on last year's record output, but forecasts for wet weather could slow the campaign: National harvesting reached 5 percent of the crop, up from 3 percent last week but behind the 14 percent a year ago. Harvest got off to a late start because late spring rains delayed planting in the center-west. Although the stream of new-crop beans hitting the market will be strong by the end of February, international buyers will likely lose the battle with hungry local crushing plants over the first lots to hit the regional grain centers.
- ❖ Argentine soy crushing increased 21.6 percent in 2010 from a year earlier to 36.8 million tonnes, boosted by the record 2009/10 harvest as put by the government in its latest monthly report: The monthly government report said soy crushing increased 35 percent year-on-year in December to 2.7 million tonnes. Soy crushers produced 515,078 tonnes of soy oil - up 36 percent from the same month a year earlier.

### **Fundamental Highlights:**

#### **Palm Oil**

- ✓ **Palm oil price trend remain positively skewed but gains were trimmed as demand gets restricted at higher price level in the spot market. Malaysian palm oil futures rose on concerns that earlier floods and rains could further weaken yields.**
- ✓ On the domestic front: Imports Palm oil also drifted lower, recording a drop of 19% MOM and 6.8% QOQ. Imports of RBD Palm plunged lower by 22.34% MOM.
- ✓ Going forward: Price differential Between Soy oil and Palm Oil remain \$48 calculated based on Average CIF rate of the 1-15 February. While in the same period last year Soy Oil was at a discount of \$8. The same may affect soy oil imports, combined with fluctuating parity situation however it remain subject to the price trend developments ahead.
- ✓ Malaysian Palm current price trend remain supported by cuts in production and exports in January as compared to December and cuts in the stocks also remains a favorable development, which remain an outcome of prior developments.
- ✓ Despite, the monthly cuts, yearly production projections for Malaysia and Indonesia still hover at higher levels, which may eventually bear an offsetting impact on the price.
- ✓ World Palm Oil Production is projected to rise to 47.91 million tonnes in 2010-11 as compared to 44.82 million tonnes in 2009-10, however consumption is seen catching up to 48.20 million tonnes in 2010-11 as compared to 44.69 million tonnes in 2009-10. The later is seen rising at a higher pace, which stands as a supportive factor.



### International Market Highlights

- ❖ Exports of Malaysian palm oil products for Feb. 1-10 rose 45.7 percent to 437,479 tonnes from 300,250 tonnes shipped during Jan. 1-10 as put by cargo surveyor Intertrek Testing Services.
- ❖ Malaysia's January palm oil stocks dropped to a six-month low, below market expectations as exports outpaced production that was hit by heavy rains and floods. As depicted by The Malaysian Palm Oil Board data, stocks fell 12.2 percent to 1.42 million tonnes from December, beating expectations for a decline of 10.2 percent forecast in a Reuters survey.
- ❖ Exports of Malaysian palm oil products in January fell 4.6 percent to 1,202,368 tonnes: from 1,260,713 tonnes shipped in December a put by cargo surveyor Societe Generale de Surveillance. Exports to all the major destinations slipped lower in the month in question when compared to the last year.(Source: Reuters)
- ❖ World Palm Oil Production is projected to rise to 47.91 million tonnes in 2010-11 as compared to 44.82 million tonnes in 2009-10, however consumption is seen catching up to 48.20 million tonnes in 2010-11 as compared to 44.69 million tonnes in 2009-10. The later is seen rising at a higher pace, which stands as a supportive factor.

### **Prices for CPO**

Center	15.02.11	01.02.11	Chg
Kandla	575	572	+3

(Rs/ 10 kg)

### **Prices for RBD Palmolein**

(Rs/ 10 kg)

Center	15.02.11	01.02.11	Chg
Kandla +VAT	600	585	+15
Mumbai +VAT	610	595	+15
Chennai +VAT	615	605	+10
Delhi	642	625	+17

## Prices for FOB (Kandla)

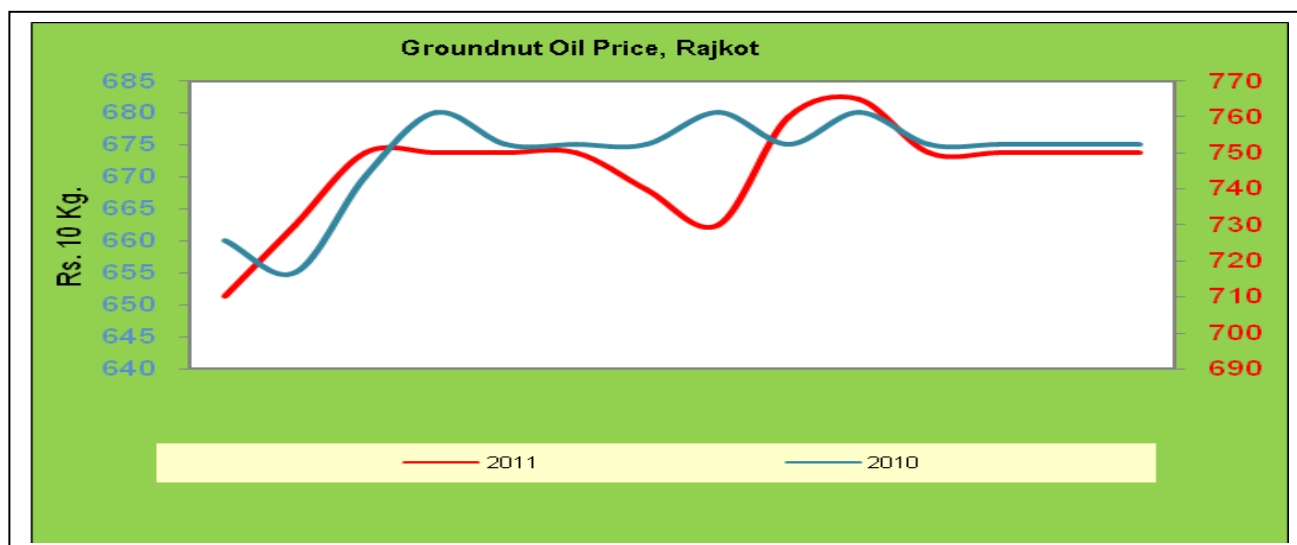
(US \$ / MT)

Center	15.02.11	01.02.11	Chg
CPO	1333	-	-
RBD Palmolein	1288	-	-

## Fundamental Highlights:

### Groundnut Oil

- ✓ Groundnut oil price depicted firm trend in the spot market. Demand remains medium and groundnut arrivals thinned further to 15000-20000 bags.
- ✓ While impact of higher Kharif production has already led to drift in Groundnut oil prices towards the lowest levels, presence of medium demand and little decline in rabi area along with leaner arrivals may continue to provide support to the prices.
- ✓ Groundnut rabi sowing is reported at 7 lakh hectares until 27th January as compared to 7.97 lakh hectares, last year depicting a decline of 0.97 lakh hectares this season.
- ✓ 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

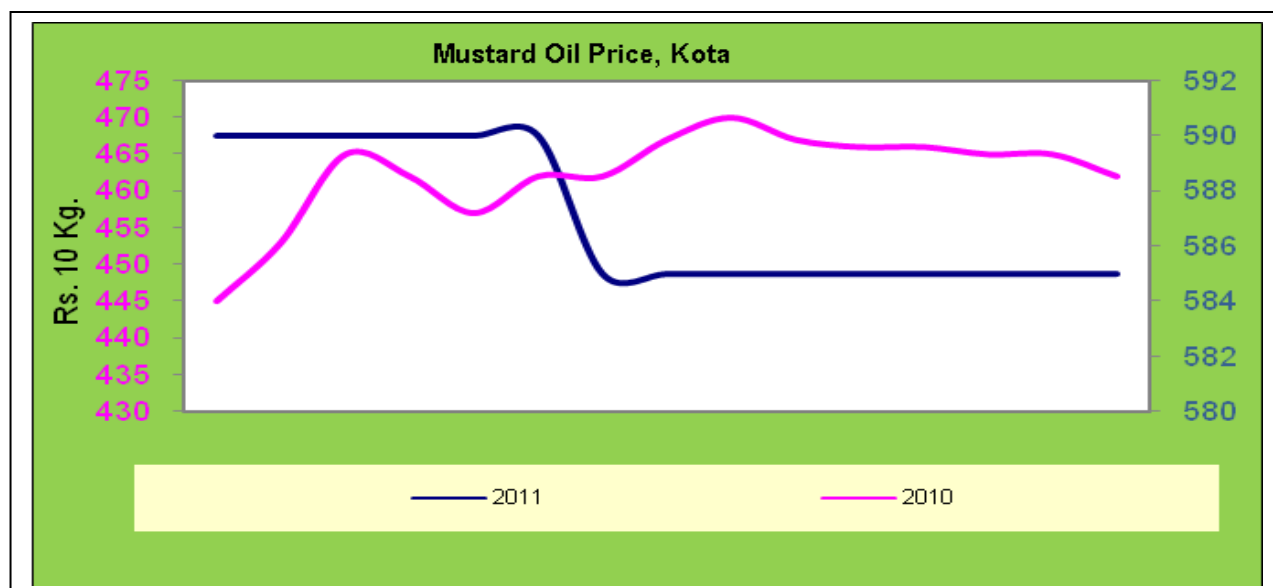
(Rs/10 kg)

Center	15.02.11	01.02.11	Chg
Mumbai + VAT	765	760	+5
Rajkot + VAT	750	710	+40
Chennai + VAT	715	710	+5
Delhi + VAT	790	765	+25
Hyderabad +VAT	-	-	-

## Fundamental Highlights:

### Mustard Oil

- ✓ **Mustard oil price walk remain ranged. While demand remains steady, arrivals hovered in the range of 50000-65000 bags, which remain higher as compared to previous fortnight.**
- ✓ The situation prevailed despite the lean season as market awaits crop within next fortnight in Rajasthan and stocks are let out into the markets on anticipations of drift in the price.
- ✓ The total area sown with mustard as of January 27, 2011, stood at 72.47 lakh hectares as against 65.28 lakh hectares last year.
- ✓ 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.
- ✓ Domestic production of oils & fats is seen rising sharply to 9.8 Million Tonnes in 2010/11, benefiting from large crushing of soybeans and rapeseed. Prospects of a record rapeseed crop contrast with a severe decline of sunseed production. Consumption of oils & fats may grow by at least 0.7 Million Tonnes this season despite the current high prices, requiring imports in the vicinity of 8.8 Million Tonnes, down from last season's record 9.1 Million Tonnes.



### Prices for Rape Expeller Oil

(Rs/ 10 kg)

Center	15.02.11	01.02.11	Chg
Mumbai + VAT	624	625	-1
Kota +VAT	585	585	-
Jaipur +VAT	592	594	-2
Delhi	612	600	+12
Kolkata	655	666	-10

## Fundamental Highlights:

### Other Edible Oils

- ✓ **Sunflower oil and cotton seed oil prices traded with negative bias in the spot market.**
- ✓ Sunflower, Rabi seeding has reportedly progressed to 5.12 lakh hectares as on 27 January 2011 as compared to 8.40 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 as area faced a drop of 50.43% YOY.
- ✓ World Veg oil stocks are projected to plunge lower by 12.34% in 2010-11 as compared to 2009-10. Total output is projected to rise by 5.28% in 2010-11 and, however total use growth is likely to outpace at 6.04%.
- ✓ US Veg oil stocks are projected to dip 18.88 percent in 2010-11 with also a projected decline in the total Veg oil output by 1.79% YOY. The anticipated withering of the stocks bear impact on the medium term trend of the market.

#### Prices for Refined Sunflower and Cottonseed Oil

(Rs/ 10 kg)

Center	15.02.11	01.02.11	Chg
<b>Refined Sunflower Oil</b>			
Mumbai +VAT	710	710	-
Chennai +VAT	710	715	-5
Hyderabad +VAT	-	750	-
Kandla, CIF (USD/Ton)	1450	1450	-
<b>Refined Cottonseed Oil</b>			
Mumbai +VAT	625	625	-
Delhi+VAT	602	605	-3
Rajkot +VAT	628	630	-2

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