

08 March- 22 March 2011

## Fundamental Highlights

### Refined Soy oil:

- ✓ **Soy oil price traded lower in the spot market. Weakness in CBOT Soy oil weighed on the sentiment. Weakness in demand at higher price levels and higher Soy oil supplies on higher bean production and corresponding meal export demand dampened the price sentiment**
- ✓ **Soy Import parity:** Imports gets unviable amidst rising landed cost as compared to lower domestic price levels. The same may affect soy oil imports adversely and lay support for the prices.

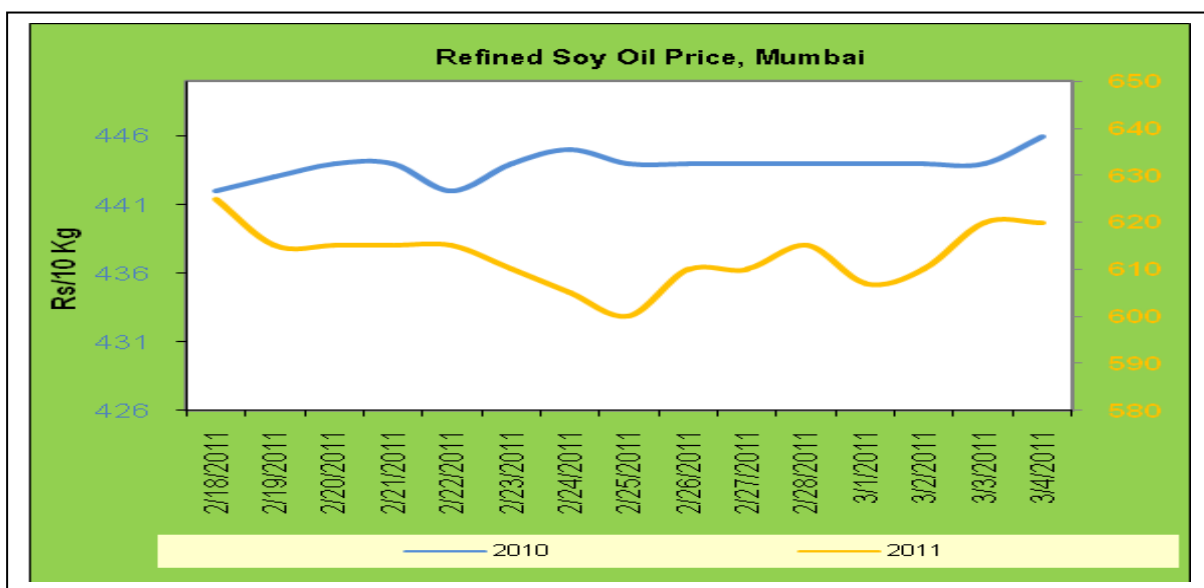
Landed cost calculation as on (03/03/2011)	Argentina	Brazil	US
FOB USD per ton	1275.82	1285.5	1251.55
CIF USD per ton	1340.82	1347.85	1314.07
Total landed cost INR per ton	61265.8	61584.73	60053.22
Total landed cost USD per ton	1360.25	1367.33	1333.33
Domestic Market price INR per ton in Kandla (Soy degum)	59000	59000	59000
USD per ton	1309.95	1309.95	1309.95
Spread (Landed cost vs. Domestic cost)	50.31	57.39	23.38

- ✓ **International price Spread:** of Soy Degum Argentina vs. CPO Malaysia is likely to rise in March and April 2011 as compared to Average spread of \$27 in February 2011 as the drift in Palm Oil prices is likely to affect the same. The same shall make CPO Imports more attractive than Soy Oil in the upcoming months.
- ✓ **Domestic Price Spread: Refined Soy Oil monthly average spread with palm oil is following an increasing trend since it has hit the lowest point in September 2010.** While the average domestic spread (Soy oil vs. RBD) of \$60 per tonne as on February 2011 remain lower from the level of \$106.74 per tonne as on February 2010.
- ✓ **Going forward, Palm oil prices are likely to bear impact, deriving it from weakness in Malaysian market** as production of palm head for a pick up in the coming months. The same shall widen this spread further and shall make the palm imports more attractive than Soy oil.
- ✓ **Soy oil production in India is projected to surge by 10.24% at 1.4 million tonnes in 2010-11 as compared to 1.27 million tonnes in 2009-10,** which is likely to inflate the total supplies by 6.73% in 2010-11, while consumption is anticipated to grow by 6.43 percent in the same period. The same is likely to lead to 11.76% rise in ending stocks.
- ✓ **Total Edible Oil shipments in February remain at 472652 MT and the same stands at 75052 MT until March 3<sup>rd</sup>:**

Out of the same CDSBO shipments in February remain at 102705 MT and in March until 3<sup>rd</sup>, the same stand at 8650 MT. Total

EDIBLE OIL SHIPMENT POSITION AS ON 3RD MARCH	QUANTITY IN MT.
Total edible oil shipments in Feb.	472652
Edible oil shipments in march till date	75052
Crude soy oil shipments in Feb.	102705
Crude soy oil shipments in march till date	8,650
Edible oil imports in oil year till date	2,649,139

Edible Oil Imports in Oil year starting Nov 2010 until March Till date hover around 2649139 MT.



Prices for Soy (Ref)

(Rs/ 10 kg)

Center	04.03.11	18.02.11	Chg
Mumbai +VAT	620	625	-5
Indore +VAT	604	606	-2
Kota +VAT	608	617	-9
Rajkot +VAT	600	610	-10
Soy Oil (CIF, Kandla - US \$/ton)	1352	1330	+22

#### Price Outlook:

- ❖ Vegetable oil price trend may remain ranged but weak bias remains likely. Slipping soy oil import parity may restrict imports and may support prices a little. On going harvest in Brazil and continuous drift in the China's Soy imports, in upcoming months is likely to weigh on the international price sentiment. Higher production and drifting Malaysian palm exports are also likely to keep the pressure on prices, alive.
- ❖ Improved Soy availability as against steady demand remain negative domestic drivers while. Higher production contributes to the prior on better production this year.

## Technical Analysis: RSBO (Refined Soybean Oil)



- ❖ Soy Oil price trend remains negatively skewed. Bears march ahead, may locate minor supports ahead.
- ❖ 625 is the nearest significant support and 655 level on the higher side stand as a resistance.
- ❖ Correction is likely to sustain, despite intermediate bounce backs.
- ❖ Selling near resistances may remain a trading strategy until 660 on the higher side is breached.
- ❖ Longs should remain at the side lines, however remain watchful of 600 level on the lower side and 655 on the higher side.

### RSBO NCDEX (APRIL)

Support & Resistance				
S2	S1	PCP	R1	R2
605	615	632	642	655

## International Market Highlights

- ❖ U.S. soybean oil stocks totaled 3.421 billion lbs in January, compared to 3.475 billion lbs in December as put by the the U.S. Census Bureau. The data were released as part of the Census Bureau's monthly Fats & Oils Production and Stocks report.
- ❖ 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.
- ❖ Brazil Soybean production is likely to hover near the record levels of 69 million tonnes in 2010-11, incorporating a minimal change from last year. While domestic use is projected to surge by 2.54% in 2010-11, exports are also projected to grow by 13.02 %. The same is likely to have a cooling effect on the ending stocks by about 7% in 2010-11.

- ❖ Soybean stocks in Brazil are likely to drift lower by 9.52% in 2010-11 as compared to a year ago. While Prices may locate support on the back of same, harvest pressure will lead to short term pressure on the prices.

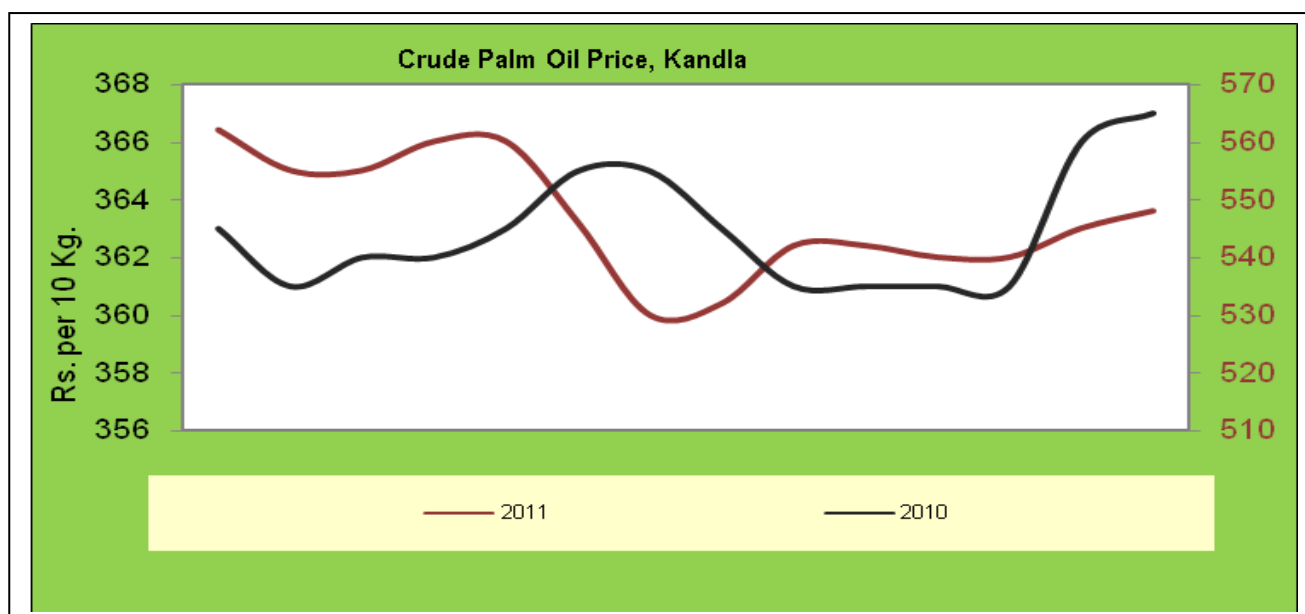
## Fundamental Highlights:

### Palm Oil

- ✓ **Palm oil prices depicted weak sentiment in the spot market deriving majority of the impact from weakness in Malaysian Markets. Drift in Domestic Palm imports could hardly support the market.**
- ✓ Malaysian palm oil price drifted lower on worries about fund selling and concerns that prices had overrun the fundamentals. Uncertainty over a possible cut in a range of food import taxes by China however added skepticism.
- ✓ India's Imports of Palm oil drifted lower; recording a drop of 19% MOM and 6.8% Quarter on Quarter. Imports of RBD Palm plunged lower by 22.34% MOM in January 2011 and the same slipped by 2% QOQ.
- ✓ Palm recent shipments: Out of Total Edible Oil shipments of 472652 MT in Feb 2011, Palm oil shipments remain at 277812 MT. Projected Palm Oil total imports in oil year until 01st March 2011 are 2060086 MT based on account of shipments taken place from 01st March 2011 in addition to actual imports happened in Nov 2010, Dec 2010 and March 2011.
- ✓ CPO Import Parity has improved as on 1st March 2011 as compared to the situation, which existed in Mid February, due to drift in FOB rate within that duration. The spread (Landed cost vs. Domestic cost) has declined to \$ 35.52 per tonne as on 1st March 2011 as compared to \$ 73.81 per tonne as on 15 Feb 2011. The same is favorable for Imports.
- ✓ CPO Imports are likely to remain feasible in March as spread (Landed cost vs. domestic Cost) is likely to get narrower on likely drift in FOB rates of Palm in the same month. The average monthly spread hover at \$39 per metric tonne in February 2011 and it may further reduce to near about 4 year average spread of \$ 2 per metric tonne in March and thereafter this drift may continue in further months.
- ✓ Price projection: YOY Basis, CPO Imports are likely to rise in Feb and March upto 51.3% and 16.59% respectively. The same is likely to bear a flat impact on the prices on in Feb and March on YOY basis and that of +0.3% in February and + 3.4% in March. However this is likely to bring down the March CPO Imports by upto 38.06% which may lead to surge of about 12% in the Domestic CPO Price (Kandla).

#### CPO IMPORT PARITY

Date	15-Feb-11	1-Mar-11
FOB USD per tonne	1288	1180
CIF USD per tonne	1318	1210
Total landed cost INR per tonne	60859	55607
Total landed cost USD per tonne	1337	1229
Domestic Market price INR per ton CPO Kandla	57500	54000
USD per tonne	1263.46	1193.11
Spread \$ per tonne	73.81	35.52



### International Market Highlights

- ❖ CPO Production in Malaysia is projected to drift lower to 988200 tonnes in February as compared to 1321244 tonnes estimated in January which suggests a fall of 25% month on month and drift of 14.58% on YOY basis. While the impact of the same remain discounted to a large extent, going forward in March 2011 production is projected to start rising, with anticipated rise of 24.41%.
- ❖ Malaysia's February palm oil stocks probably dropped to 19-month lows as overall demand outpaced almost flat production as showed by a Reuters survey: Stocks probably fell 2.4 percent to 1.38 million tonnes, the lowest level since July 2009, but the pace of the decline has slowed, the median survey of six plantation houses showed.
- ❖ Production was mostly unchanged at 1.06 million tonnes with harvesting activities stalled by floods and heavy rains in key oil palm growing areas in early February, although yields started recovering in the second half of the month. February exports dropped 9.9 percent to 1.09 million tonnes as overseas buyers slowed purchases due to the high prices. Domestic consumption stood at 109,618 tonnes, making overall demand much higher than output
- ❖ Indonesia's palm oil exports in January fell 2 percent from the same month last year on lower shipments to main buyers India and Europe as put by the Indonesian Palm Oil Producers Association. Indonesian producers shipped 1.372 million tonnes of palm oil in January 2011, compared to 1.405 million tonnes in January 2010. Exports in January also fell 15 percent from 1.620 million tonnes in December.
- ❖ Exports of Malaysian palm oil products for February fell 10.4 percent to 1,110,672 tonnes from 1,239,758 tonnes shipped during January as put by the cargo surveyor Intertek Testing Services. Exports to China remain on a rise while the same to European Union, India and sub continent slipped lower in the above mentioned period.

### Prices for CPO

(Rs/ 10 kg)

Center	04.03.11	18.02.11	Chg
Kandla	545	562	-17

## Prices for RBD Palmolein

(Rs/ 10 kg)

Center	04.03.11	18.02.11	Chg
Kandla +VAT	570	585	-15
Mumbai +VAT	585	593	-8
Chennai +VAT	590	605	-15
Delhi	625	635	-10

## Prices for FOB (Kandla)

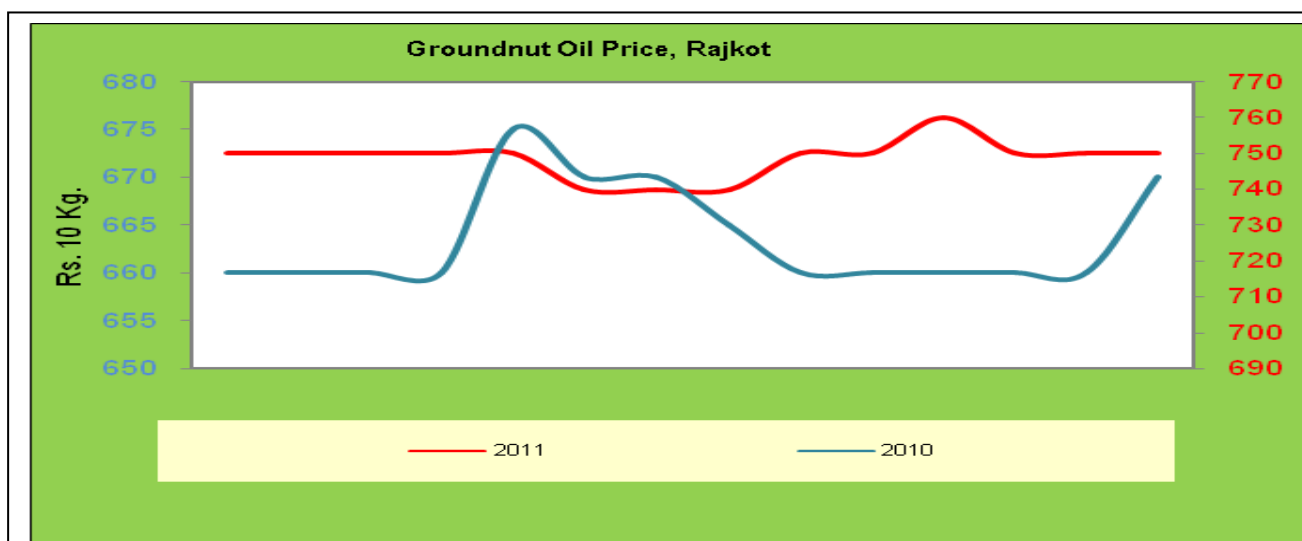
(US \$/ MT)

Center	04.03.11	18.02.11	Chg
CPO	1210	1240	-30
RBD Palmolein	1255	1290	-35

## Fundamental Highlights:

### Groundnut Oil

- ✓ Groundnut oil traded with weak bias in the spot market. Demand remain thin due to season low, while arrivals of Ground nut in Shell drifted further to 10000 bags until march till date as compared to the same of 20000 bags a month earlier.
- ✓ Groundnut rabi sowing is reported at 8.62 lakh hectares until March 3<sup>rd</sup> 2011 as compared to 9.94 lakh hectares, last year depicting a decline of 1.32 lakh hectares this season. As per the market sources area and production for rabi has advanced in Gujarat while cumulative for India remain lower.
- ✓ Arrivals of new crop will hit the markets around 15th April 2011 and pace up from May and until that happens likely better demand for groundnut in shell is likely to support the price.
- ✓ 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

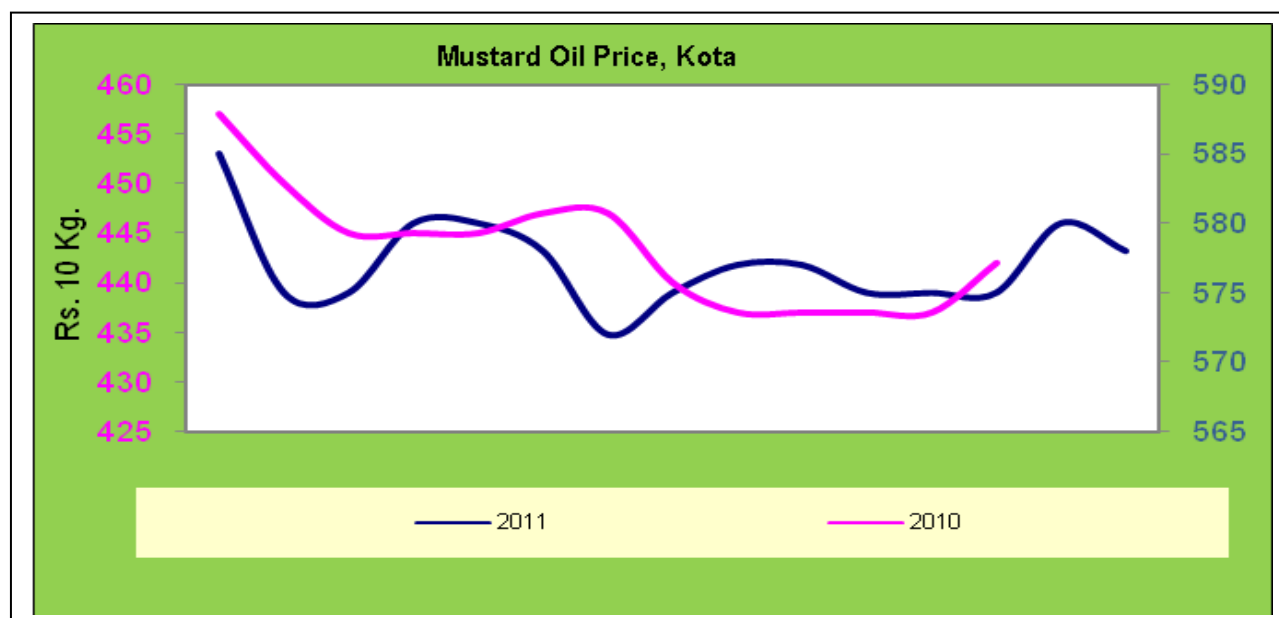
(Rs/10 kg)

Center	04.03.11	18.02.11	Chg
Mumbai + VAT	755	765	-10
Rajkot + VAT	750	750	-
Chennai + VAT	700	710	-10
Delhi + VAT	780	775	+5
Hyderabad +VAT	740	-	-

## Fundamental Highlights:

### Mustard Oil

- ✓ Mustard oil price traded with weak bias in the spot market. While demand for Mustard oil remains stable, new crop arrival pressure dampen the price sentiment.
- ✓ Mustard seed arrivals increased in Rajasthan and hovered at 120000 bags until 07 th March 2011 as compared to 50000 bags a fortnight ago. Alwar the largest mustard seed producing district in Rajasthan witness total arrivals of 5000 bags until same date, which include a new crop arrival of 2500 bags.
- ✓ The total area sown with mustard as of March 03, 2011, stood at 72.45 lakh hectares as against 65.76 lakh hectares last year depicting a surge of 7.69 lakh hectares.
- ✓ Mustard seed production is projected at 7.2 million tonnes in 2010-11 depicting an anticipated rise of 20% from last year. The same is likely to bear an incremental impact on mustard oil availability which is projected to incorporate a surge of 4.49% in 2010-11 as compared to last year.
- ✓ Higher mustard seed beginning stocks is likely to keep the ending stocks inflated despite the 5 % expected rise in Consumption.



## Prices for Rape Expeller Oil

(Rs/ 10 kg)

Center	04.03.11	18.02.11	Chg
Mumbai + VAT	615	619	-4
Kota +VAT	578	585	-7
Jaipur +VAT	588	592	-4
Delhi	617	610	+7
Kolkata			

## Fundamental Highlights:

### Other Edible Oils

- ✓ **Sunflower oil and cotton seed oil prices traded with weak bias in the spot market.**
- ✓ Sunflower, Rabi area has been reported at 5.69 lakh hectares as on 3<sup>rd</sup> March 2011 as compared to 9.04 lakh hectares, until same time last year depicting a decline of 3.35 lakh hectares. Which is likely to keep the rabi production and oil availability lower.
- ✓ Further, 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.
- ✓ Sunflower oil imports grew 161.07 % in Jan 2011 as compared to same month last year. The same has recorded a surge of 73.485 in the oil year starting Nov 2010-until Jan 2011. Imports stand at 222294 Metric tonnes in Nov-Jan 2011 as compared to 128135 MT same period last year. Reduction in production of sunflower seed and consequent reduction in availability enforce higher imports.
- ✓ Sunflower oil price has surged higher until March 2011 as compared to last year by about 50% and the FOB Rate have also increase at about same rate YOY.
- ✓ Total stocks at Chennai Port hover at 20000 Tonnes until March 07, which includes Palm oil, Soy oil and Sunflower oil.

## Prices for Refined Sunflower and Cottonseed Oil

(Rs/ 10 kg)

Center	04.03.11	18.02.11	Chg
<b>Refined Sunflower Oil</b>			
Mumbai +VAT	710	705	+5
Chennai +VAT	685	705	-20
Hyderabad +VAT	720	-	-
Kandla, CIF (USD/Ton)	1425	1425	-
<b>Refined Cottonseed Oil</b>			
Mumbai +VAT	612	615	-3
Delhi+VAT	590	600	-10
Rajkot +VAT	605	615	-10

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