

26 March- 09 April 2011

## Fundamental Highlights

### Refined Soy oil:

- Soy oil price traded lower in the spot market. Higher domestic availability and weak global cues dampened sentiment.
- Unfavorable developments seen for soy oil imports, like widening differential with CPO Malaysia and average spread( landed cost vs. domestic cost) sustaining at higher levels in March as compared to same month last year, may offer some support, however likely improvement in import parity ahead( based on 3 years average move) may again start to boost them.
- Soy oil availability in India, is projected at 14.79 Lakh tonnes in 2010-11 depicting a surge of 15.54% from 2009-10 as put by Sea of India, however According to AW Estimates Soy oil availability may surge about 18.5% to 15 lakh tonnes in 2011-10.
- India's Veg oil imports plunged lower by 19.8% in February 2011 as compared to same month last year: Higher availability, import disparity remain major contributors to the decline. Soy oil Imports surged in February 2011 by 46.9% as compared to same month last year while month on month surge remain about 161.79%. Lesser price spread with Palm as compared to last year and higher seasonal demand backed the same, despite the offsetting impact coming from import disparity (On average basis)
- **Import parity:** Soy oil Imports become unviable again, from Argentina, Brazil and US. Soy oil Import Spread (Landed cost vs. Domestic cost) widens further due to recovery in FOB Rates in the past few days, which is more significant in Brazil as market anticipates negative impact of recent rains and harvest disruptions takes place.
- **Weakening of dollar** however favor imports but fail to offset the prior's negative impact.
- Soy oil monthly average spread (landed cost vs. domestic cost) of \$50 per Metric Tonne has a adverse

Landed cost calculation as on (24/03/2011)	Argentina	Brazil	US
FOB USD per ton (April)	1183.45	1230.6	1204.15
CIF USD per ton	1248.45	1292.9	1266.19
Landed cost without customs duty in INR per ton	56277.71	58280.08	57077.06
Total landed cost INR per ton	56713.71	58716.08	57513.06
Total landed cost USD per ton	1267.35	1312.09	1285.21
Domestic Market price INR per ton in Kandla (Soy degum)	55500	55500	55500
USD per ton	1240.22	1240.22	1240.22
Spread(Landed cost vs. Domestic cost)	27.13	71.87	44.99

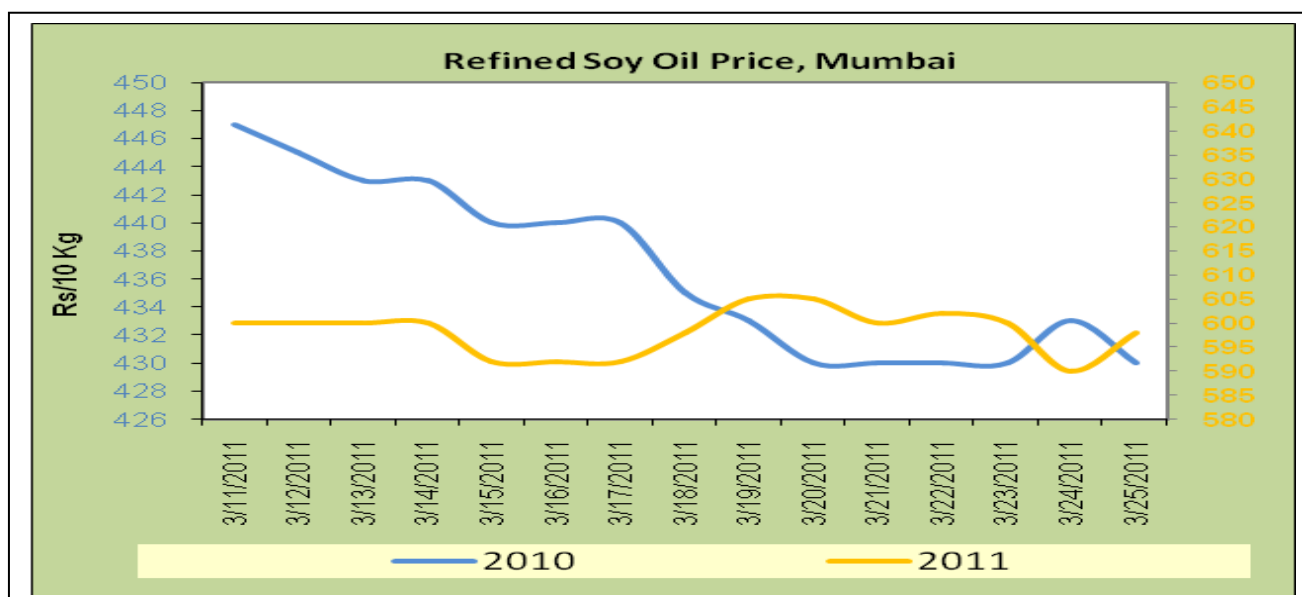
bearing on Soy oil Imports, as depicted by the trend established based on spread and imports in the oil year 2009-10. The average spread until 23rd March <sup>2011</sup> hover at \$33 per MT.

- **Going forward in March this spread may reduce further, based on 3 years average spread movement,** the same is likely as FOB rates may continue to drift. The 3 year average spread stand at negative \$26.7 per MT.
- **Edible Oil Shipments:** in March remain at 249830 MT until March 23rd 2011: Out of the same CDSBO shipments stand at 34250 MT and Palm oil shipments stand at 209059 MT. Total Edible Oil Imports in Oil year starting Nov 2010 until March till date are likely at 2796718 MT.

#### Prices for Soy (Ref)

(Rs/ 10 kg)

Center	25.03.11	11.03.11	Change
Mumbai +VAT	598	600	-2
Indore +VAT	562	582	-20
Kota +VAT	572	590	-18
Rajkot +VAT	575	585	-10
Soy Oil (CIF, Kandla –US \$/ton)	1260	1297	-37



#### Price Outlook:

- ❖ Vegetable oil price trend may remain weakly skewed, barring little recovery. Sluggish demand and higher availability is likely to affect the trend.
- ❖ Improved Soy oil availability on higher production and crushing is likely to have a inflationary effect on the stocks. Imports are likely to remain the driving force, which record an upliftment until now on the back of squeezed differential with Palm. Going forward however it may widen and parity may improve which is also likely to fatten the availability.

- ❖ Internationally, likely drift in China's Soy oil Imports and pick up in Palm Imports may produce an offsetting impact. Gaining pace of Brazil's harvest is also to play a negative factor with higher production projections being made, however disruptions due to rain may bring in respite but in the least.

#### Technical Analysis:

##### RSBO (Refined Soybean Oil)



- ❖ Soy Oil price trend remains negatively poised. Short covering remains a hope for bulls.
- ❖ 590 is the nearest significant support and 622 level on the higher side stand as a resistance.
- ❖ Weakness is likely to sustain, despite intermediate bounce backs.
- ❖ Selling near resistances may remain a trading strategy until 630 on the higher side is breached on closing basis.
- ❖ 590 level is a hope for bulls, until it prevails on closing basis, pullback till resistances might happen but bears are likely to maintain the charge despite that.

#### RSBO NCDEX (APRIL)

Support & Resistance				
S2	S1	PCP	R1	R2
570	590	603.50	613	622

#### International Market Highlights

- ❖ China's Palm oil imports in March are seen at 183,930 tonnes while imports in April to remain at 204,557 tonnes. Buyers report no Soy oil imports for March while imports in April are seen at 30,498 tonnes.
- ❖ 44 percent of the estimated record 69.8 million tonne crop of Brazil has been harvested as of March 18: up from 30 percent the week earlier but lagging the 56 percent at this time last year

due to the late start to planting from a delay in spring rains. Last year's crop also harvested very early. On average, Brazil harvests 41 percent of its crop by this week in the season.

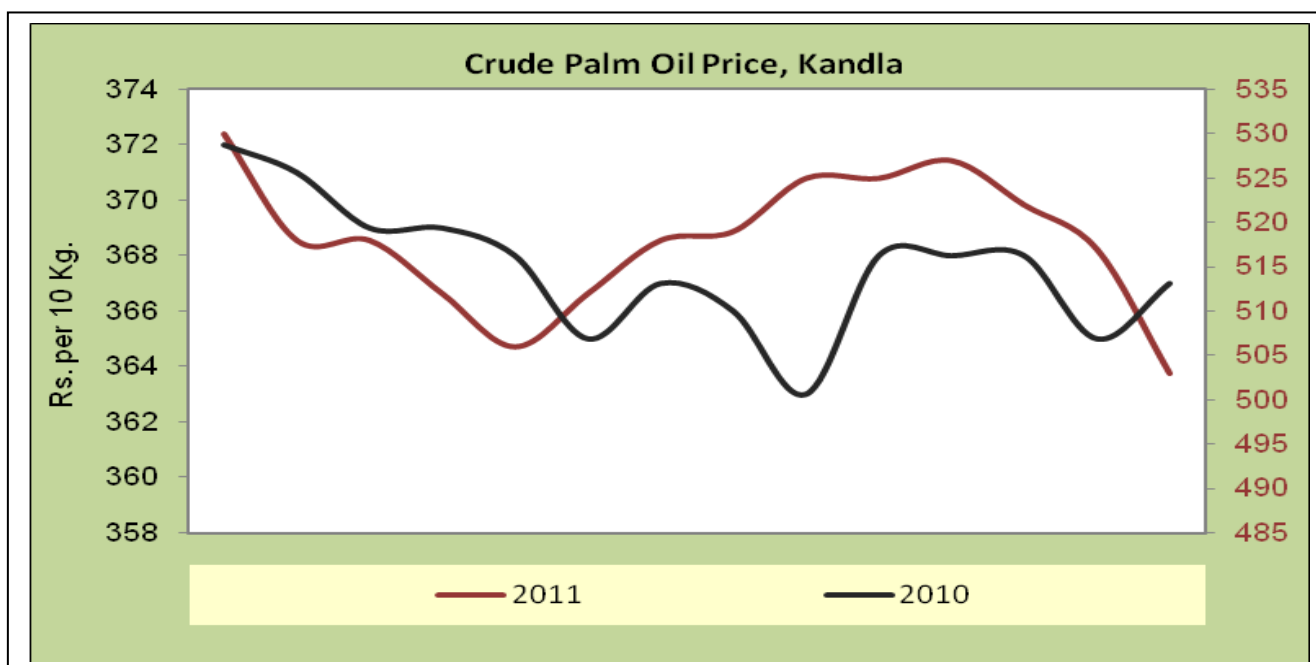
- ❖ Recurring rains lift Argentine soy growth: A second week of rains in central and southern parts of Argentina's farming belt should help maturing soy crops after a dry spell late last month as put by the Buenos Aires Grains Exchange. Argentina, had dry weather earlier this season, but heavy rains from mid-January onward brightened the outlook for the oilseed.
- ❖ US Soybean supply and demand projections for 2010-11 remain unchanged in March as compared to February; however Soybean ending stocks are expected to decline by 7.06% in 2010-11 as compared to 2009-10.
- ❖ The major revision in March is depicted for US Soy oil ending stocks: which are projected to plunge lower by 6.84% in 2010-11 from the projections made in February. Total ending stocks are projected to decline by 28.29% to 1.09 million tonnes in 2010-11 as compared to 1.52 million tonnes in 2009-10.
- ❖ China Soybean Stocks are projected to rise by 12.72 % at 16.31 million tonnes in 2010-11 as compared to 14.47 million tonnes in 2009-10, however ending stocks are revised lower in the month of March 2011 by 1.57% as compared to February 2011.

#### **Fundamental Highlights:**

##### **Palm Oil**

- ✓ **Palm oil price traded weak in the spot market. Malaysian palm oil dip further as weakness intensified. Slipping exports despite rise in export to India in the in March until now, dampens the sentiment along with anticipation of further growth in Production.**
- ✓ CPO Production in Malaysia is likely to grow by 12.33% to 1229400 MT in March and 8.83% to 1338000 MT in April. While exports may also catch up as China may increase purchase to make for the shortage at the ports. Corrected price levels are also likely to encourage the same.
- ✓ India's Palm oil Imports declined in Feb. 2011 by 29.4% as compared to same month last year. They plunged about 29.17% from Jan 2011. Import disparity and seasonal low affected the same along with lesser price differential of CSO with CPO.
- ✓ India, CPO spread (landed cost vs. domestic cost), diminish further to \$ 10.34 per MT as on 23<sup>rd</sup> March after posting a recovery until \$42.34 per MT on 20 th March due to recovery in FOB rates. The average spread (landed cost vs. domestic cost) until 23rd March hover at \$36.52 per MT which remain higher than the last year's level of \$28.18 Per MT until same time last year. Going forward this spread is likely to reduce further which is likely to be favorable for CPO Imports in the month ahead.
- ✓ The average spread (CSO Argentina vs. CPO Malaysia) has increased to about \$64 per MT until 22nd March 2011, depicting a surge from February when it stood at \$ 27 per Metric Tonne. However, going forward in March this spread may further widen on more drift in CPO Malaysia (FOB Rate).
- ✓ Palm Oil Imports are likely to be benefitted from this development as widening differential indicate shift from Soy oil to Palm Oil. More so this price differential stand higher than the last

year's level of about \$32.47 per MT, the same indicates palm oil imports may remain higher in March 20011 as compared to March 2010.



#### International Market Highlights

- ❖ Exports of Malaysian palm oil products for March 1-20 fell 9.5 percent to 734,897 tonnes from 811,813 tonnes shipped during February 1-20 as put by the cargo surveyor Societe Generale de Surveillance.
- ❖ Indonesia will cut its palm oil export tax for April to 22.5 percent from 25 percent, as put by a government source. The palm oil tax aims to ensure domestic requirements are met in Southeast Asia's biggest economy and to reduce volatility in local cooking oil prices.
- ❖ Indonesian palm oil production will continue to grow and will reach 25.4 million tonnes in marketing year 2011/2012, due to expanded harvested areas and higher yields. Indonesian soybean production remains uncertain due to unpredictable weather patterns.
- ❖ Malaysia's February palm oil stocks rose 4.24 percent to 1,478,793 tonnes from a revised 1,418,663 tonnes in January as put by Malaysian Palm Oil Board: February's rise countered market expectations that stocks likely dropped 2.4 percent to 1.38 million tonnes.
- ❖ Dorab Mistry, godrej international, price outlook: Given the high energy prices and tight palm oil stocks and the pent up demand, he expect current high prices to remain intact for the next 8 to 10 weeks and during that time to test new highs. It is conceivable that CPO prices may test 4,000 ringgit in the next few weeks. Palm oil's discount to soy oil: During the Second Half of 2011, the price outlook will be dominated by biodiesel demand and production. Soya oil will be in the driving seat and it is probable that soya oil premium over RBD Palm olein will reach historic highs of USD 200 per tonne as winter sets in.

**Prices for CPO**

(Rs/ 10 kg)

Center	25.03.11	11.03.11	Change
Kandla	508	530	-22

**Prices for RBD Palmolein**

(Rs/ 10 kg)

Center	25.03.11	11.03.11	Chg
Kandla +VAT	535	550	-15
Mumbai +VAT	552	572	-20
Chennai +VAT	550	580	-30
Delhi	575	600	-25

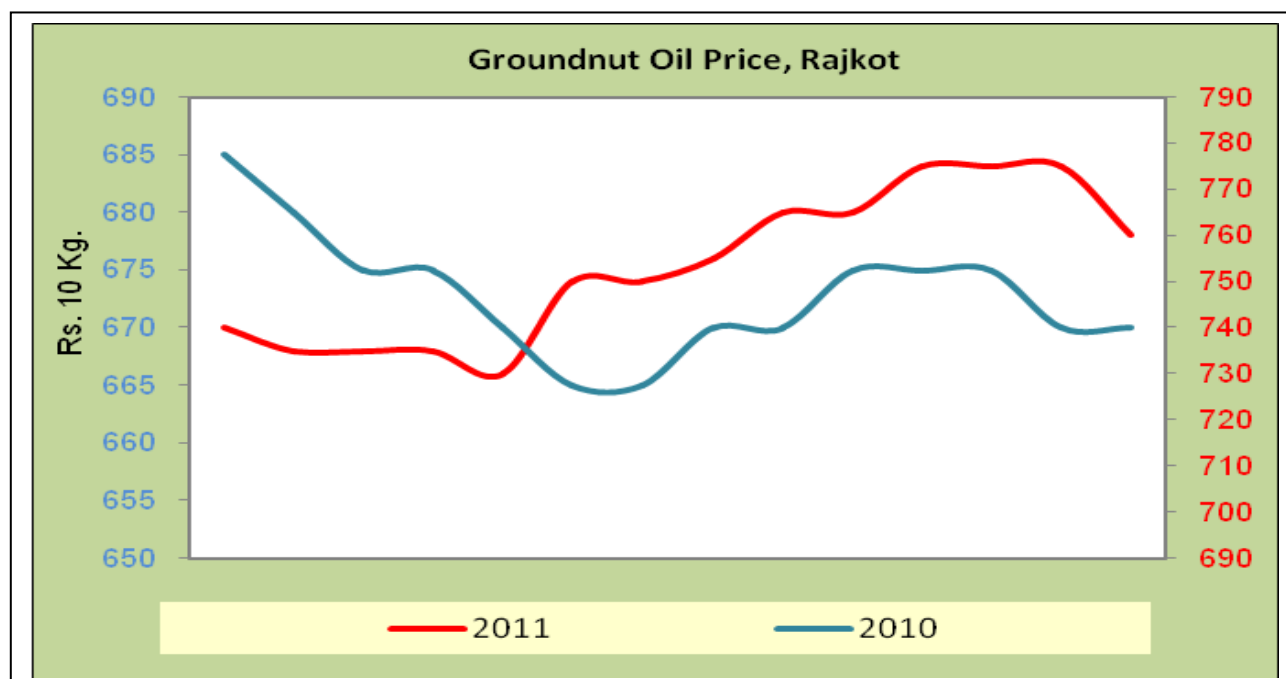
**Prices for FOB (Kandla)**

(US \$/ MT)

Center	25.03.11	11.03.11	Chg
CPO	1115	1160	-45
RBD Palmolein	1162	1230	-68

**Fundamental Highlights:****Groundnut Oil**

- ✓ Groundnut oil price trend remain ranged in the spot market. Demand remain thin due to season low, while arrivals of Ground nut in Shell hover in a range of 5000-10000 bags until march till date as compared to the same of 10000-20000 bags a month earlier.
- ✓ Groundnut oil availability is projected to surge by 20.65% in 2010-11 at 7.36 lakh tonnes as compared to 6.1 lakh tonnes in 2009-10, mainly due to increase in groundnut(in shell) kharif production, however rabi production is projected to decline at 17.40 lakh tonnes as compared to 18.3 lakh tonnes in 2009-10.
- ✓ Rabi Production (2010-11) of groundnut (in shell) is anticipated lower for Southern regions viz Tamil Nadu and Andhra Pradesh due as unfavorable weather affects the same.
- ✓ 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.
- ✓ *Price view: Despite the above developments, groundnut oil price may continue to surge higher as oil availability to remain affected due to disparity and less availability of groundnut as the demand for same is rising @5%. While demand for groundnut oil may remain under impact of seasonal low, a little surge in the same will push up the prices further.*



#### Prices for Groundnut Oil

(Rs/10 kg)

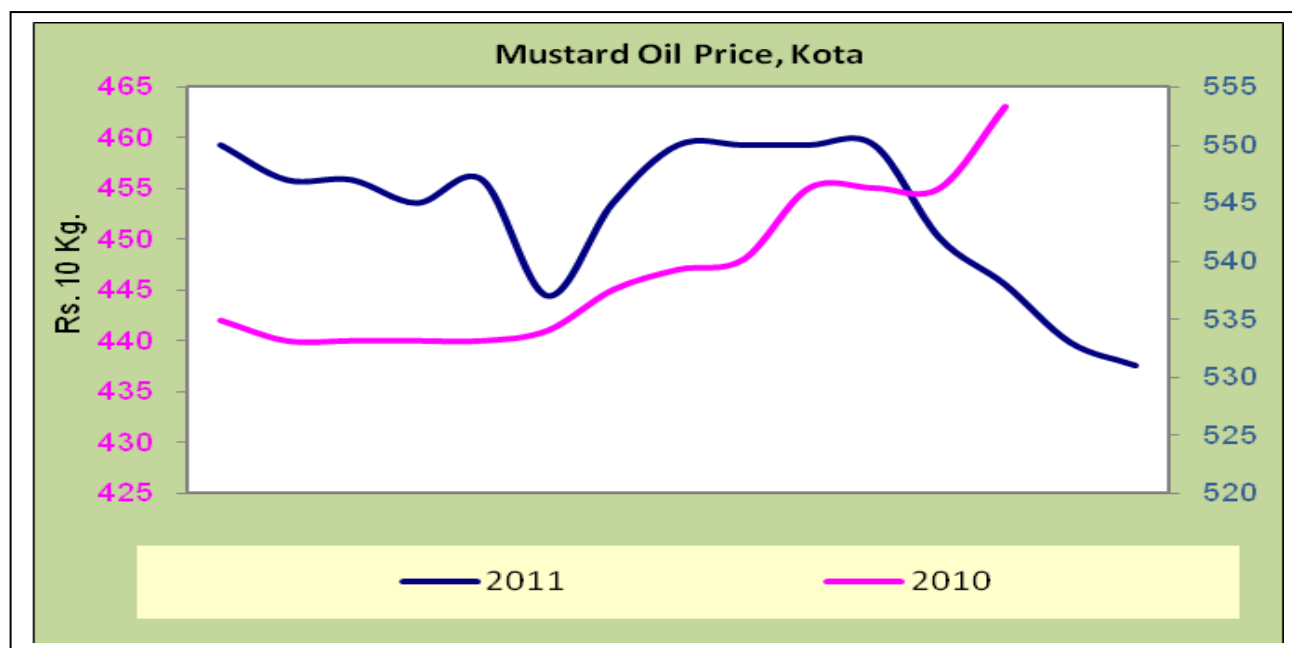
Center	25.03.11	11.03.11	Chg
Mumbai + VAT	755	750	+5
Rajkot + VAT	770	740	+30
Chennai + VAT	720	700	+20
Delhi + VAT	785	770	+15
Hyderabad +VAT	760	750	+10

#### Fundamental Highlights:

##### Mustard Oil

- ✓ **Mustard oil price traded with weak bias in the spot market. While demand for Mustard oil remains steady, significant increase in mustard seed arrival pressured the price further.**
- ✓ Mustard seed arrivals increased in Rajasthan and hovered at 4 lakh bags until 25 th March 2011 as compared to 1.25 lakh bags a fortnight ago. Alwar the largest mustard seed producing district in Rajasthan witness total arrivals of 20000 bags until same date, which include a new crop arrival. Noticeably arrivals, exceed last years level of 2 lakh bags in Rajasthan.
- ✓ Mustard oil production is likely to depict a surge of 18.59% to 22.77 Lakh Tonnes in 2010-11 vis-à-vis previous year as mustard seed production in anticipated to climb in rabi season 2010-11 by 18.04% at 70 lakh tonnes as compared to 59.3 lakh tonnes in 2009-10.
- ✓ Higher seed production along with beginning stocks is likely to keep the ending stocks inflated despite the 5 % expected rise in Consumption.

- ✓ *Mustard oil price may continue to remain downward trending on higher availability amidst increased seed production, while normalcy in demand can only offset some impact.*



Prices for Rape Expeller Oil

(Rs/ 10 kg)

Center	25.03.11	11.03.11	Chg
Mumbai + VAT	571	587	-16
Kota +VAT	531	550	-19
Jaipur +VAT	542	562	-20
Delhi	555	595	-40
Neewai +VAT	542	564	-22

#### Fundamental Highlights:

##### Other Edible Oils

- ✓ **Sunflower oil and cotton seed oil prices traded weak in the spot market.**
- ✓ Sunflower oil price has witnessed a constant decline from the start of March 2011 until date; however price levels remain quiet higher than the last year's level.
- ✓ India's Sunflower seed rabi production is anticipated to decline by 22.38% to 5.20 lakh tonnes in 2010-11 as compared to 6.7 lakh tonnes in 2009-10. Sunflower oil availability is projected to plunge by 32.64% to 2.29 lakh tonnes as compared to 3.4 lakh tonnes estimated in 2009-10. Reduction in kharif production is also a contributor in the same.
- ✓ Sunflower oil imports plunged lower in Feb. 2011 by 21.11% as compared to same month last year. Imports however stand higher by 48% in the oil year starting Nov 2010- till month (Feb). Imports stand at 259531 Metric tonnes in Nov-Feb. 2011 as compared to 175337 MT same



period last year. Reduction in production of sunflower seed and consequent reduction in availability enforce higher imports.

- ✓ Cotton seed oil availability is likely to rise by 10.83% to 11.97 lakh tonnes in 2010-11 as compared to 10.8 lakh tonnes estimated in 2009-10. Surge in production of cotton seed in 2010-11 remains contributory to the same.

#### Prices for Refined Sunflower and Cottonseed Oil

(Rs/ 10 kg)

Center	25.03.11	11.03.11	Chg
<b>Refined Sunflower Oil</b>			
Mumbai +VAT	665	700	-5
Chennai +VAT	665	685	-20
Hyderabad +VAT	700	715	-15
Kandla, CIF (USD/Ton)	1340	1400	-60
<b>Refined Cottonseed Oil</b>			
Mumbai +VAT	580	598	-18
Delhi+VAT	565	575	-10
Rajkot +VAT	580	580	-

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