

16 April- 30 April 2011

## Fundamental Highlights

### Refined Soy oil:

- **Soy oil price depicted mixed trend in the spot market, in the recent fortnight. Ranged walk by CBOT Soy oil remain directed by crude oils price walk and mixed global fundamental developments. Domestically, higher oil availability and weak demand remain negative drivers; however decline in imports to act as a contemporary positive cue.**
- **Soy oil Availability is estimated higher by 8% in 2010-11 to 1.4 million tonnes as compared to 1.27 million tonnes estimated in 2009-10.** Crushing, which was being projected higher at about 8.6 million tonnes in 2010-11 as compared to 7.4 million tonnes in 2009-10, is revised at 8.0 million tonnes as meal exports in 2010-11 remain lower than the projected figure for the year.
- **Imports:** Edible Oil Imports declined by 32.7 % in March 2011 as compared to same month last year, while this decline was reported by 23.4% in March 2011 as compared to Feb 2011. Soy oil imports declined about 44.4% to 81131 MT in March 2011 as compared to same month last year while this decline remains at 37.4% from Feb to March.
- **Edible Oil Shipments:** until 14th April 2011 reach at 189934 MT. Out of the same CSFO quantity reach at 31780 MT, CPO hover at 100302 MT, CDSBO at 27500 MT, other edible oil quantity remain at 25252 MT. Total Edible Oil imports until April likely remain at 3042254 MT.
- **Imports Parity:** soy oil Imports remain viable from Brazil as spread (Landed cost vs. domestic cost) still hover at \$(7.93) per MT while the imports disparity still prevail from Argentina and US. Although the spread has narrowed in case of all the three destinations as compared to few days back as FOB Rates ease.

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- **Likely Imports ahead:** CSO Average spread has reached to \$ 7.86 per MT

in April 2011 until 12th as compared to negative spread of \$5.88 same time last year. While the same still suggest import disparity but the spread is narrowing down from a month earlier when it stood at \$31.82 per MT. The same remains a case on continuous drift in the FOB Rates while domestic rate picks up in the same duration. Going forward the spread is likely to improve further leading to import parity as 3 yrs. average spread of (\$3.1) per MT in the month of April, depict the potential for the same.

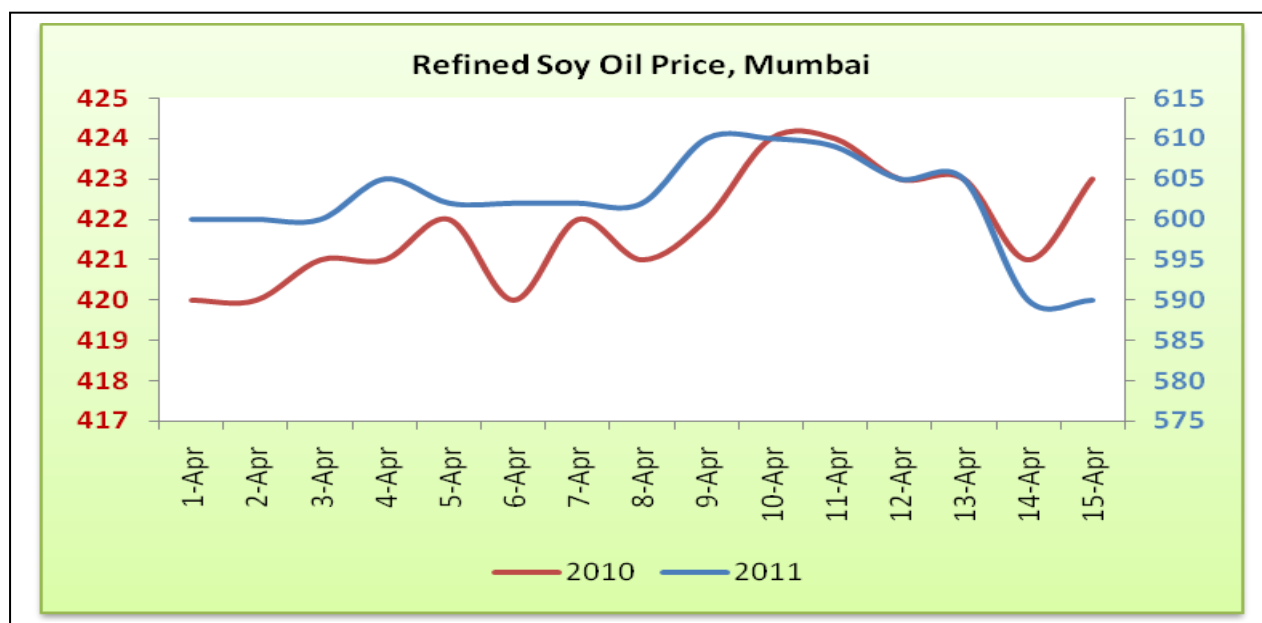
Soy oil Landed cost calculation as on (14/04/2011)	Argentina	Brazil	US
FOB USD per ton (May Contract)	1216.74	1203.1	1231.71
CIF USD per ton	1281.74	1265.13	1294.02
Total landed cost INR per ton	57890.34	57146.72	58440.65
Total landed cost USD per ton	1300.91	1284.2	1313.27
Domestic Market price INR per ton in Kandla (Soy degum)	57500	57500	57500
USD per ton	1292.13	1292.13	1292.13
Spread(Landed cost vs. Domestic cost)	8.78	-7.93	21.14

- **Impact on CSO Imports:** based on above development, CSO Imports may start to improve in the April Month, while widening spread with Palm will continue to offset the quantity.

#### Prices for Soy (Ref)

(Rs/ 10 kg)

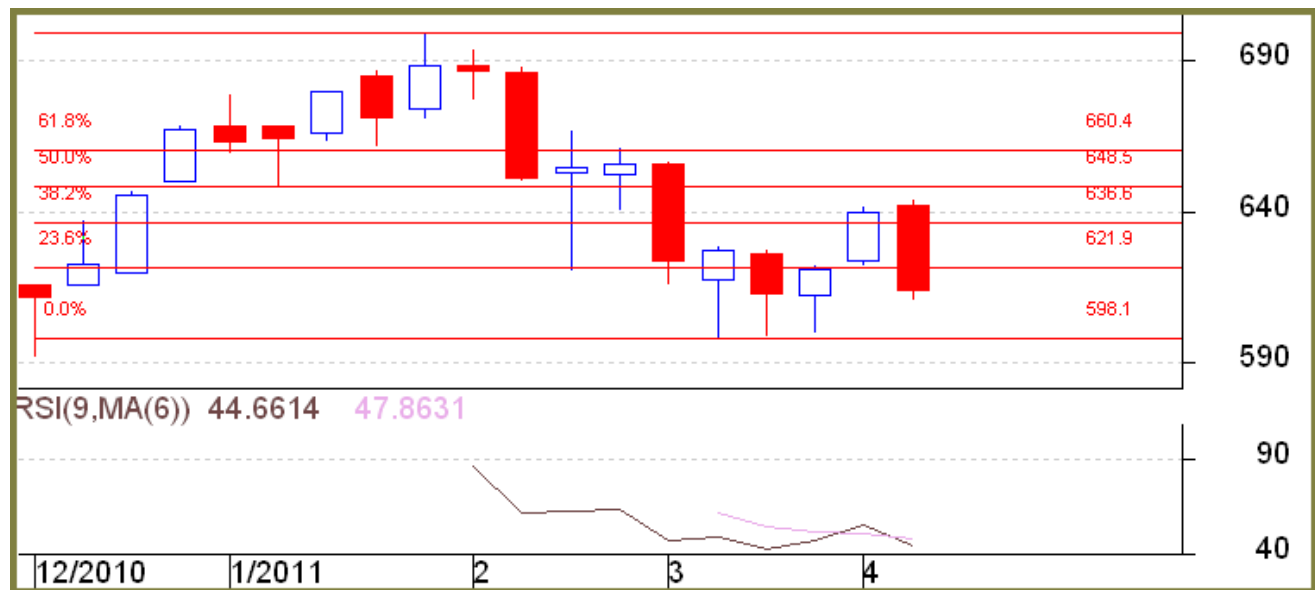
Center	15.04.11	01.04.11	Change
Mumbai +VAT	590	600	-10
Indore +VAT	583	570	+13
Kota +VAT	590	572	+18
Rajkot +VAT	580	590	-10
Soy Oil (CIF, Kandla –US \$/ton)	1265	1285	-20



#### Price Outlook:

- ❖ **Vegetable oil price may remain range bound. Weak demand and higher availability is likely to weigh on the price. Decline in Veg oil Imports may provide temporary support. Internationally, ongoing normal harvest pace in Brazil and Argentina and likely cool off in China's soy demand in the months ahead remain negative drivers. Recent decline in Crude oil price add to the pessimism, its short term trend is likely to bear the impact.**

## Technical Analysis: RSBO (Refined Soybean Oil)



- ❖ Soy Oil price trend remain weak. Price reach near supports, rang bound action is likely.
- ❖ 590 remains the nearest significant support and 625 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 635 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 (May)

Support & Resistance				
S2	S1	PCP	R1	R2
590	600	613.20	625	635

## International Market Highlight

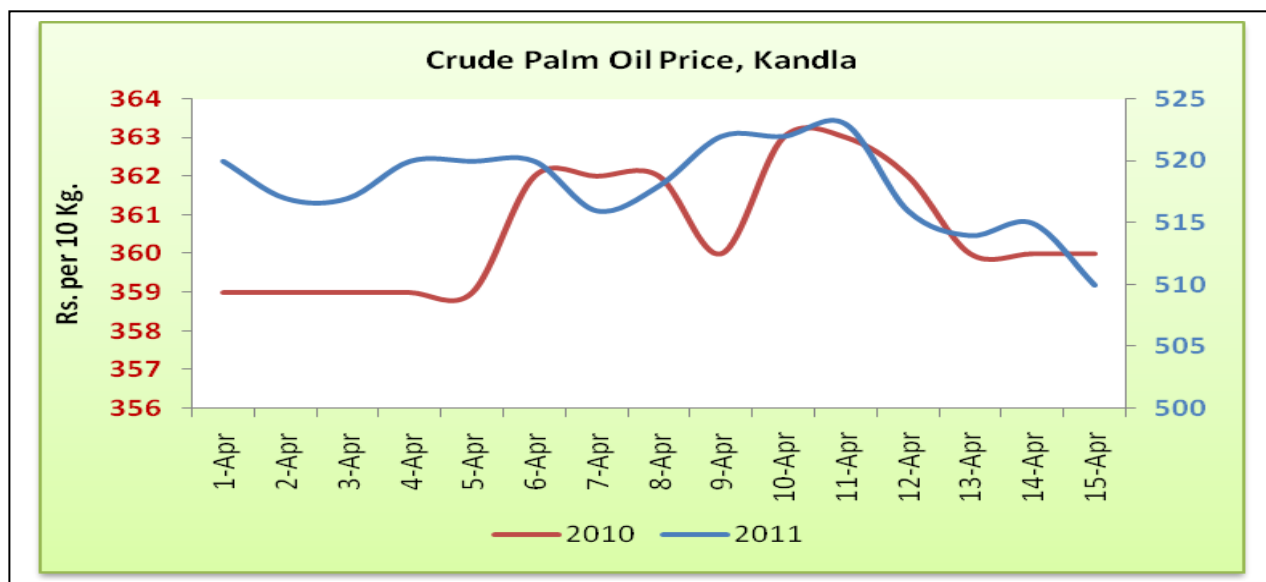
- ❖ The harvest of Brazil's record 70.56-million-tonne soybean crop picked in the recent week as put by the Celeres. 77 percent of the new crop has been collected, up from 67 percent the week prior but lagging the 81 percent harvested at this time last year. On average, Brazil harvests 69 percent of its crop by this week in the season, which still puts this year's harvest above average.
- ❖ Brazilian soybean buyers chased a rapidly dwindling harvest with higher basis bids as news of more Chinese cancellations emerged, but producers held out for more, traders said on Wednesday. Local soy producers, which are roughly four-fifths through the record harvest of about 72 million tonnes, have already sold nearly 60 percent of the crop, well up from the 40 percent sold this time last year.

- ❖ Chinese buyers have cancelled at least three soybean cargoes and are in talks to cancel or defer more shipments, responding to poor margins and Beijing's plan to release state reserves to counter food inflation. Although cancelled cargoes amount to around 150,000-180,000 tonnes, a tiny part of China's monthly imports of around 3 to 5 million tonnes, it could lead to more cargoes being delayed, slowing purchases from South America in coming months as poor crush margins remain the backing cause.
- ❖ China's Ministry of Commerce on revised its estimate for the country's soybean imports in April to 4.28 million tonnes, up from an earlier forecast of 3.42 million tonnes.

#### **Fundamental Highlights:**

##### **Palm Oil**

- ✓ **Palm oil price traded weak in the spot market. Weakness in Malaysian Palm existed as pick up in monthly exports fail to offset the rise in Production which remains much ahead of the market anticipations.**
- ✓ **India's Imports:** Total Palm oil Imports plunged lower in March 2011 by 37.7% to 253727 MT in 2011 as compared to same month last year. Major decline was witnessed in CPO Imports which plunged lower by 42.3% in the same month. Palm Imports also slipped lower by 30.7% in March 2011 vis-a vis Feb 2011. Lower price differential with Soy oil which hovered at \$27 per MT in Feb, both compared to last year's level and 3 year's average, along with higher import spread than last year contribute to the decline but higher domestic oil availability of Vegoils remain a driving cause
- ✓ **Spread between CSO Argentina and CPO Malaysia:** Average price spread between CSO Argentina and CPO Malaysia reach at \$ 84.21 per MT until 15th April 2011 which remains higher than the last year's level of \$23.55 per MT until same time previous year and the same remain in line with the 3 yrs. average spread of \$ 89 per MT in April. The same implicate that CPO Imports may improve in the month of April on MOM and YOY basis.
- ✓ **Likely CPO Imports ahead:** India, CPO spread (landed cost vs. domestic cost), narrows down in the month of April (average -1-14) to \$ 4.8 per MT as compared to \$ 13.6 per MT the same time last year, which is way below the average spread of \$ 30 per MT that existed in March. Better than last year and previous month's spread indicate likely improvement in the Palm Imports in the Month of April as well.
- ✓ Palm Oil Imports are likely to be benefitted from this development as well as widening differential with soy oil indicate shift from Soy oil to Palm Oil.



### International Market Highlights

- ❖ Malaysia's March palm oil stocks jumped 9 percent to 1,614,066 tonnes from a revised 1,481,410 tonnes in February as put by MPOB. March's stock rise exceeded market expectations that stocks likely rose 5.4 percent to 1.56 million tonnes. Malaysia's Palm Output surged by 29.4% in the same month, as against the expected rise of 12.32%.
- ❖ China, chase palm oil cargoes as traders switch over to the tropical oil during the warmer months and avoid soy oil imports on ample supply. China's soy oil imports are falling as soybean from national reserves is set to be released into local markets to rein in prices. Sellers in physical markets are miserable because their crush margins have deteriorated, with the government releasing national oilseed reserves.
- ❖ Palm oil futures may fall nearly 13 percent to below 3,000 Malaysian ringgit on fast rising Southeast Asian output and volatility in financial markets as put by the leading analyst Dorab Mistry. He had to revise his earlier forecast made in March that palm oil would hit 4,000 ringgit in the next few weeks on higher energy prices, lower stocks and pent up demand.

### Prices for CPO

(Rs/ 10 kg)

Center	15.04.11	01.04.11	Change
Kandla	510	520	-10

### Prices for RBD Palmolein

(Rs/ 10 kg)

Center	15.04.11	01.04.11	Chg
Kandla +VAT	540	548	-8
Mumbai +VAT	560	553	+7
Chennai +VAT	555	550	+5

Delhi	580	585	-5
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#### Prices for FOB (Kandla)

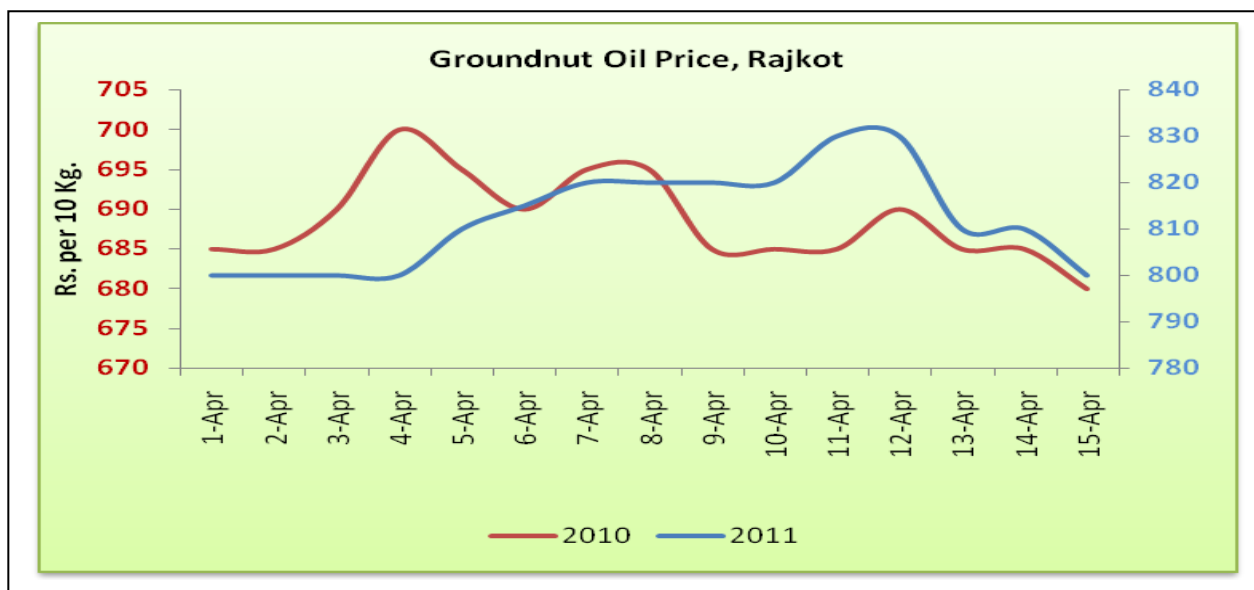
(US \$/ MT)

Center	15.04.11	01.04.11	Chg
CPO	1107	1125	-18
RBD Palmolein	1160	1185	-25

#### Fundamental Highlights:

##### Groundnut Oil

- ✓ **Groundnut oil price surged higher in the spot market, however corrective moves remain part.** Lower availability is likely to remain supportive of the prices which is likely to be so as crushing disparity of 800 per MT still exist which hampers crushing.
- ✓ **Demand for groundnut oil remain almost negligible**, as participants are unwilling to buy at current high price Rs 810 per 20 Kg (Rajkot), a slip to Rs. 780/790 is likely will lead to pick up in the same according to market sources.
- ✓ **Market sources in Gujarat suggest, demand remain limited and the same gets diverted to Cotton seed oil and Palm oil.** Arrivals (Groundnut in shell) remain lower, which further support the price trend. Groundnut oil availability to remain lower despite higher production as demand for groundnut remains on a rise, leaving less supply for crushing, which is likely to lay support beneath the prices.
- ✓ **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.



## Prices for Groundnut Oil

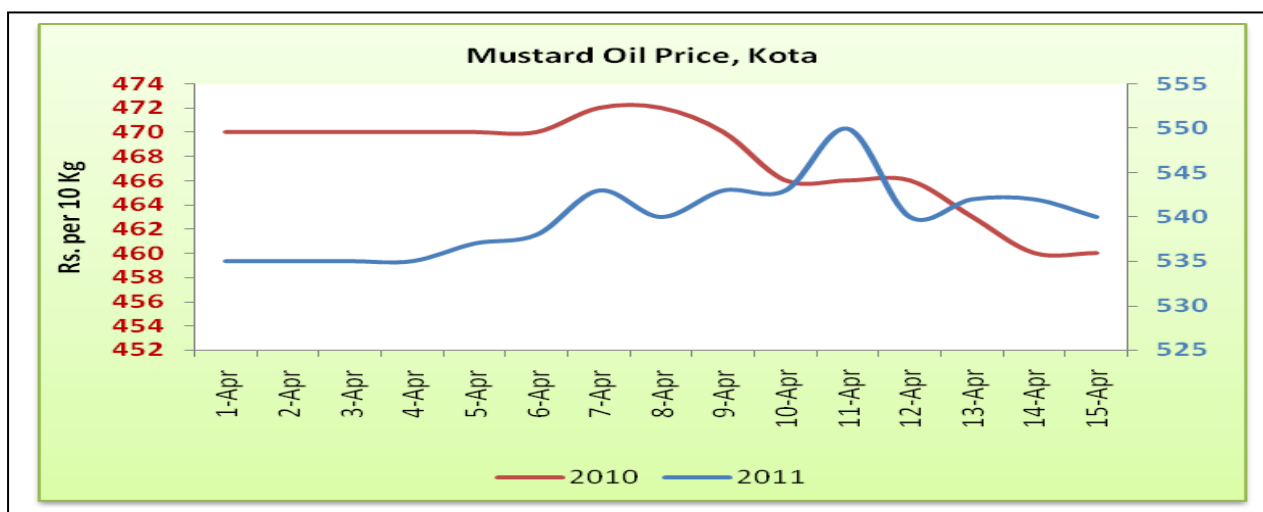
(Rs/10 kg)

Center	15.04.11	01.04.11	Chg
Mumbai + VAT	820	765	+55
Rajkot + VAT	800	800	-
Chennai + VAT	810	720	+90
Delhi + VAT	850	800	+50
Hyderabad +VAT	825	770	+55

### Fundamental Highlights:

#### Mustard Oil

- ✓ **Mustard oil price traded range bound in the spot market.** According to market sources, demand from Refiners remains poor. Market participants further suggest that demand should have been higher by now but the same is not becoming the case as retail demand remains weak. Higher availability of oils also causes the weakness. Seed arrivals remain robust as the same remain over 4 lakh bags until April 15<sup>th</sup> 2011, while it hovered at 2.4 lakh bags same time last year.
- ✓ **Overall, the majority of the buyers of the seed are stockists or those who have holding capacity, and they hold with an intention to offload when the price surge.** The crushing is expected to improve with the decline in the moisture content in the seed. The average reported moisture content in the seed stands at 8 per cent and the fall to 5 per cent is expected to increase the crushing in the seed.
- ✓ **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 is 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.
- ✓ **Price walk likely ahead:** Going forward, mustard oil price is likely to stabilize and even pick up as the demand is likely to improve in the coming days, while the upside will be limited due to sufficient availability.



**Prices for Rape Expeller Oil****(Rs/ 10 kg)**

Center	15.04.11	01.04.11	Chg
Mumbai + VAT	572	570	+2
Kota +VAT	540	535	+5
Jaipur +VAT	544	542	+2
Delhi	555	552	+3
Neewai +VAT	545	550	-5

**Fundamental Highlights:****Other Edible Oils**

- ✓ **Sunflower oil and cotton seed oil prices depicted mixed sentiment in the spot market.**
- ✓ Demand for refined cotton seed oil remains higher in south western Maharashtra, Kolhapur, Ratnagiri and also in Gujarat. Price of refined cotton seed oil drifted lower from Feb 2011 to March recording a dip of about 2.4%(Rajkot) MOM, however recovery has been seen in the first few days of April. Demand from institutional buyers like hotel industry remains high while availability thickens. Availability is estimated at 11.97 lakh tonnes as compared to 10.8 lakh tonnes in 2009-10.
- ✓ Going forward, market participant expect prices of cotton seed oil to remain volatile as the same inculcate directional impact from Palm oil price which eased until now thereby causing a demand shift from cotton seed to Palm oil. Higher Availability of Mustard oil also contribute to the offsetting demand as the same lead shift from soy oil and palm to mustard, eventually pulling down the price of the later.
- ✓ Cotton seed oil availability is estimated higher 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.
- ✓ Sunflower oil imports rose by 44.5% in the month of March 2011 to 76230 Metric Tonnes as compared to same month last year, the quantity remain higher by 104.7% in comparison to February 2011.
- ✓ India's Sunflower seed rabi production is estimated lower 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 also estimated lower 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.

**Prices for Refined Sunflower and Cottonseed Oil****(Rs/ 10 kg)**

Center	15.04.11	01.04.11	Chg
<b>Refined Sunflower Oil</b>			
Mumbai +VAT	653	665	-12



Chennai +VAT	665	660	+5
Hyderabad +VAT	705	705	-
Kandla, CIF (USD/Ton)	1380	1375	+5
<b>Refined Cottonseed Oil</b>			
Mumbai +VAT	590	585	+5
Delhi+VAT	570	570	-
Rajkot +VAT	587	600	-13

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