

## Fundamental Highlights

### Refined Soy oil:

- **Soy oil price depicted mixed sentiment in the spot market. Weakness in global market capped the upside.** Reduction in oil availability, due to reduction in crushing activity on fewer beans available for the same that too coming from the stockists, while most of is being kept for sowing for the upcoming season, was a supportive domestic factor, along with lower Vegoil imports.
- Going forward, weak demand due to seasonal low and higher availability (due to higher crushing in the current season/2010-11), may remain pessimistic factors on the domestic front along with likely improvement in vegoil imports in the immediate months.
- **Soy oil Availability is estimated at 1.4 million tonnes in 2010-11 higher by 10.2% from 1.27 million tonnes estimated in 2009-10.** Soy oil imports may remain lower by upto 30% at 1.12 million tonnes in oil year 2010-11 as compared to 1.6 million tonnes in 2009-10. While higher domestic availability and lower imports are likely to have offsetting impact on the supplies, market sources suggest that, consumption of soy oil may drift lower as substitution with other lower priced oils remains a case.
- **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.
- **Average price spread between CSO Argentina and CPO Malaysia reach at \$ 87.61 per MT in April 2011** which remains higher than the last year's level of \$ 18.57 per MT until same time previous year. The spread hovered at \$72 per MT in March 2011. The same implicate that CPO Imports may improve both vis a vis last year April and previous month March 2011.
- **CSO Import spread (landed cost vs. domestic cost) has declined in the recent weak due to decline seen in FOB rates:** As a result of the same average spread has narrowed to \$5.51 per MT in April 2011, which although remains higher than the negative spread of \$ 5.5 per MT in the same duration last year but has declined from as high as \$ 31.81 per MT in March 2011.
- **Edible Oil Shipments in May 2011 until 4 reach at 172837 MT.** Out of the same CSFO quantity reach at 37700 MT, Palm shipments hover at 78437 MT, CDSBO at 43750 MT, other edible oil quantity remain at 12950 MT. Total Edible Oil imports in oil year 2010-11 until May 11 likely remain at 3572405 MT.
- **Likely Imports: Total Edible oil Imports may witness a jump of 32.80% in April 2011 as compared to March.** Palm oil

	Actual Imports in March 2011	Shipments in April 2011	% Change
Total Edible Oil	412,088	547,248	32.80
Palm Oil	253,727	363,026	43.08
Soy Oil(CDSBO)	81,131	59,250	-26.97

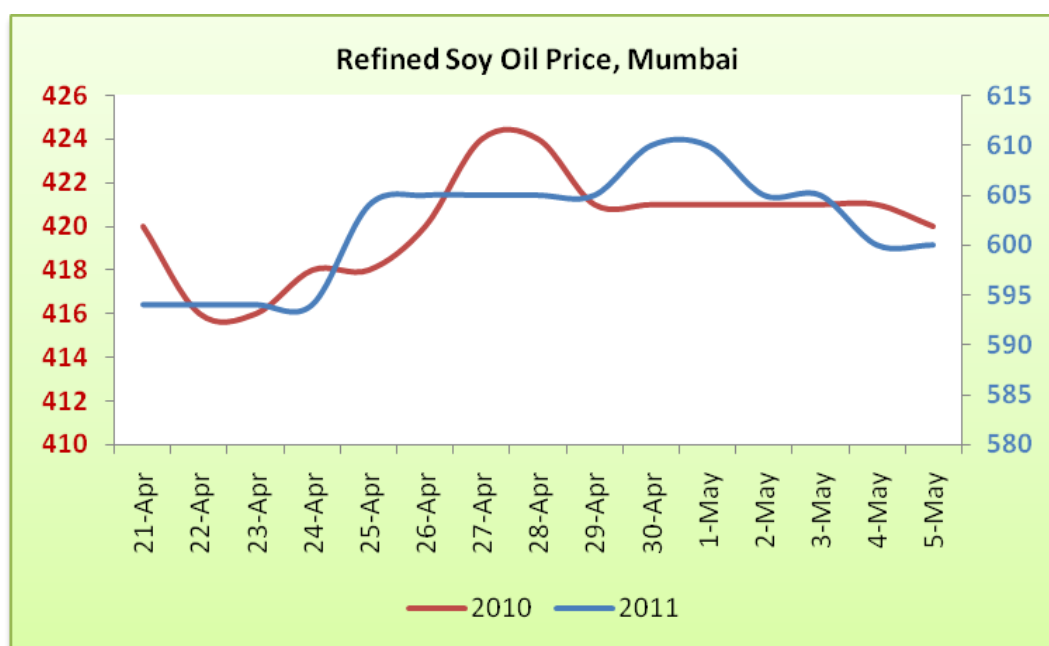
imports are likely higher by 43.08% in April at 363026 MT whereas soy oil imports may face a drop of about 26.97 in April 2010.

- Soy oil imports remain viable from Argentina, and Brazil as depicted by negative spread(landed cost vs. domestic cost) of \$ 15.46 per MT and \$16.36 per MT respectively, calculated as on 3<sup>rd</sup> May, whereas imports from US gets unviable as spread widens due to rise in FOB Rates.

#### Prices for Soy (Ref)

(Rs/ 10 kg)

Center	05.05.11	21.04.11	Change
Mumbai +VAT	600	594	+6
Indore +VAT	581	583	-2
Kota +VAT	603	568	+32
Rajkot +VAT	590	585	+5
Soy Oil (CIF, Kandla –US \$/ton)	1265	1295	-30



#### Price Outlook:

- ❖ Vegetable oil price may remain range bound. Lower Veg oil Imports remain supportive until now. Going forward sluggish demand and likely pick up in imports in the upcoming months may act as pessimistic drivers.
- ❖ Internationally, ongoing harvest in Brazil and Argentina which is almost gathered is likely weigh on the sentiment. Cancellation of soy oil cargoes by China and lower soy import revisions by it remain pessimistic global cues. Weakness in crude oil may further dampen the sentiment.

- ❖ Speculations over likely acreage of soybean, sown in India and US along with modifications in the weather outlook are the likely factors that can cause volatility in the markets.

#### Technical Analysis:

##### **RSBO (Refined Soybean Oil)**



- ❖ Soy oil short term price trend remain weak, however price reach near significant support juncture that may facilitate a pullback.

#### **RSBO NCDEX (June)**

Support & Resistance				
S2	S1	PCP	R1	R2
588	600	611.65	625	635

- ❖ 588 remains the nearest significant support and 625 level on the higher side stand as a resistance.
- ❖ Weakness might sustain, despite intermediate bounce backs.
- ❖ Selling near resistances may remain a trading strategy until 635 on the higher side is breached on closing basis.
- ❖ However, likely pullback from the above mentioned support till higher resistances may also be captured.

#### International Market Highlight

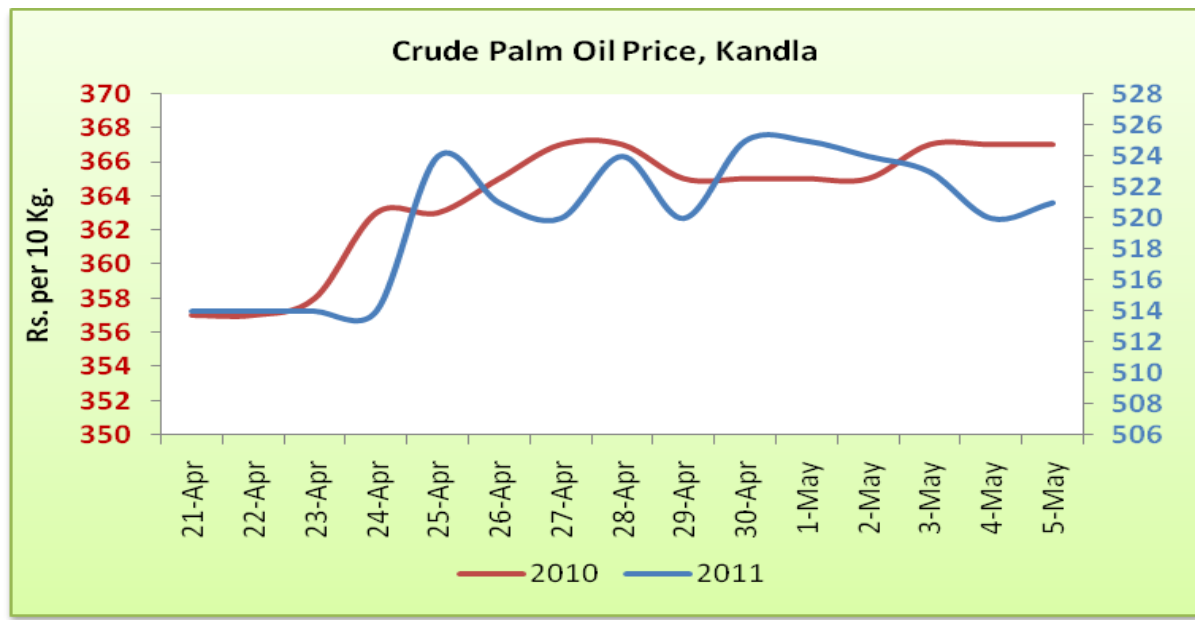
- ❖ Argentine farmers have nearly finished gathering early-seeded 2010/11 soy but yields are uneven due to extreme dryness earlier in the season. This season's crop is estimated at 50.4 million tonnes. Until recently, growers had gathered 67 percent of the estimated area of 18.7 million hectares (46 million acres), up 15 percentage points from the prior week and 1 point more than last season's pace.
- ❖ Harvesting of Brazil's record 70.56-million-tonne soybean crop picked up last week helped by dry weather in most producing areas.

- ❖ Brazilian exports of soybeans rose in April from the same month last year, contributing to a jump in the country's trade surplus as depicted by the trade ministry data. Exports of soybeans reached 5.1 million tonnes, compared with 4.9 million tonnes a year before.
- ❖ Chinese soy oil imports picked up in the first quarter of this year and rose 109 percent from year earlier after falling 44 percent in 2010 because of import ban from Argentina. China 2010/11 soy imports seen at 53 million tonnes lower than USDA's 57 million tonnes.

### **Fundamental Highlights:**

#### **Palm Oil**

- ✓ **Palm oil traded with flat gains in the spot market. Lower Imports remain a case until now, the same is likely to improve, which is likely to increase the availability and suppress the price sentiment.**
- ✓ Malaysian Palm trade lower, although trend remains ranged as, higher production anticipation remain discounted to an extent whereas exports improve as indicated earlier on higher palm shipments to India. Going forward, Palm production in Malaysia is likely to rise by 8-13% both in the month of April and May: While MOM production is likely to depict a surge, the rate of the same may remain lower than March and the same may reduce further from here onwards until year end.
- ✓ Malaysian Palm continues to derive negative impact from likely improvement in MOM Production and stocks despite, alongside improvement in exports.
- ✓ **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
- ✓ **Likely CPO Imports ahead: India, CPO Average Spread (Landed cost vs. domestic cost) has reduced to negative \$(0.2) per MT in April 2011, which is lower than the last year's level of \$16 per MT.** Going forward in May (until date), this spread has further reduced to negative \$(11.9) per MT. The same remains favorable for CPO Imports.
- ✓ CPO, FOB rates (Malaysia), which witnessed a rise in after 20th April 2011 have again started easing, which lead to the improvement in import parity.



#### International Market Highlights

- ❖ Exports of Malaysian palm oil products for April rose 13.6 percent to 1,255,392 tonnes from 1,105,440 tonnes shipped during March as put by the cargo surveyor Intertek Testing Services. Exports to India, European Union witnessed increase in April as compared to March, while the same to China remain below the last month's level.
- ❖ Malaysian Palm oil prices may rebound in the last two quarters of 2011 on the back of demand revival in top consumers India and China. Chinese demand has waned in recent months following regular government auctions of soybean and rapeseed reserves to rein in edible oil prices. But China may soon need to replenish stocks, and its crude palm oil demand will be boosted by the onset of warmer weather.
- ❖ Following subdued imports in January-March 2011, Chinese palm oil imports are likely to pick up noticeably in April, reaching at least 550,000 tonnes, as put by oil world. This would be up from only 152,931 tonnes imported by China in March while China's Ministry of Commerce has forecast that 305,688 tonnes of palm oil will be imported in April.
- ❖ Indonesia, the world's top palm oil exporter, will produce 23.8 million tonnes in 2011 versus 22.0 million tonnes last year as put by Oil World: The forecast is 100,000 tonnes higher than Oil World's previous estimate though below the 25.0 million forecast by industry analyst Dorab Mistry.

#### Prices for CPO

(Rs/ 10 kg)

Center	05.05.11	21.04.11	Change
Kandla	521	514	+7

#### Prices for RBD Palmolein

(Rs/ 10 kg)

Center	05.05.11	21.04.11	Chg
Kandla +VAT	550	544	+6
Mumbai +VAT	575	558	+17
Chennai +VAT	565	555	+10
Delhi	595	580	+15

#### Prices for FOB (Kandla)

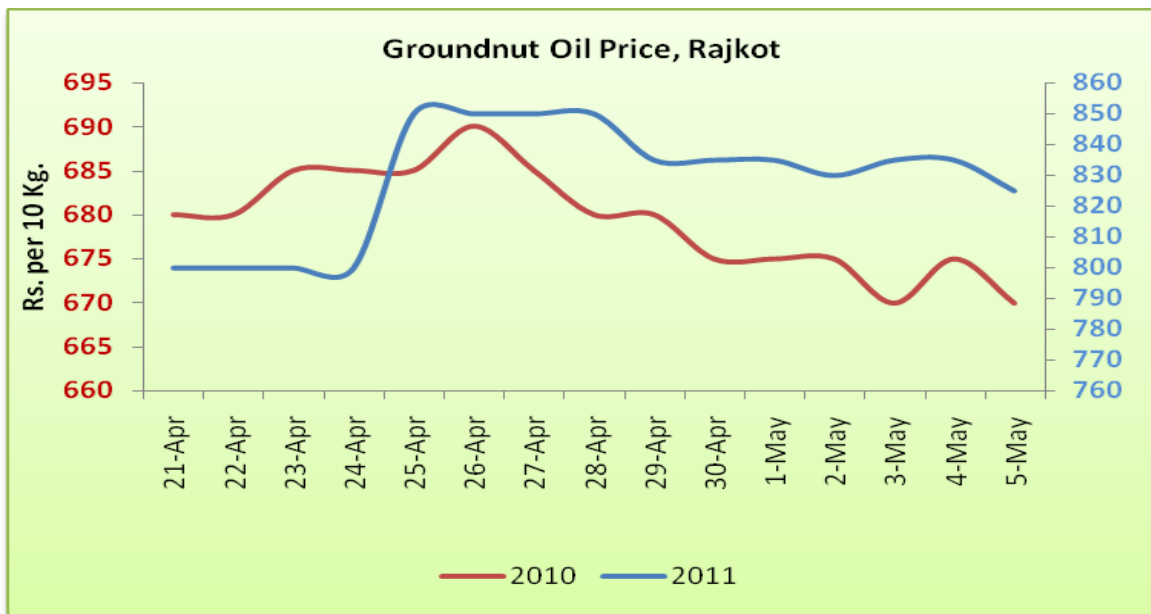
(US \$/ MT)

Center	05.05.11	21.04.11	Chg
CPO	1125	1112	+13
RBD Palmolein	1200	1175	+25

#### Fundamental Highlights:

##### Groundnut Oil

- ✓ Groundnut oil surged higher in the spot market. Lower availability due to crushing disparity, provided support to the price until now. Sluggish demand and summer crop arrivals also remain the feature but hardly contributed to the sentiment.
- ✓ Moving forward, according to market sources, while demand continues to be sluggish, supply witness an improvement in the recent days, which lead to the current drift in the price.
- ✓ Crushing parity improves as cost comes down which lead to breakeven, by mills as compared to disparity of -850 per MT a fortnight back. While the price is likely to remain range bound right now, going forward, demand is likely to catch up at a price level of Rs. 790 per 10 Kg, which may act supportive for the price.
- ✓ Groundnut oil availability may remain lower in 2010-11, 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.



#### Prices for Groundnut Oil

(Rs/10 kg)

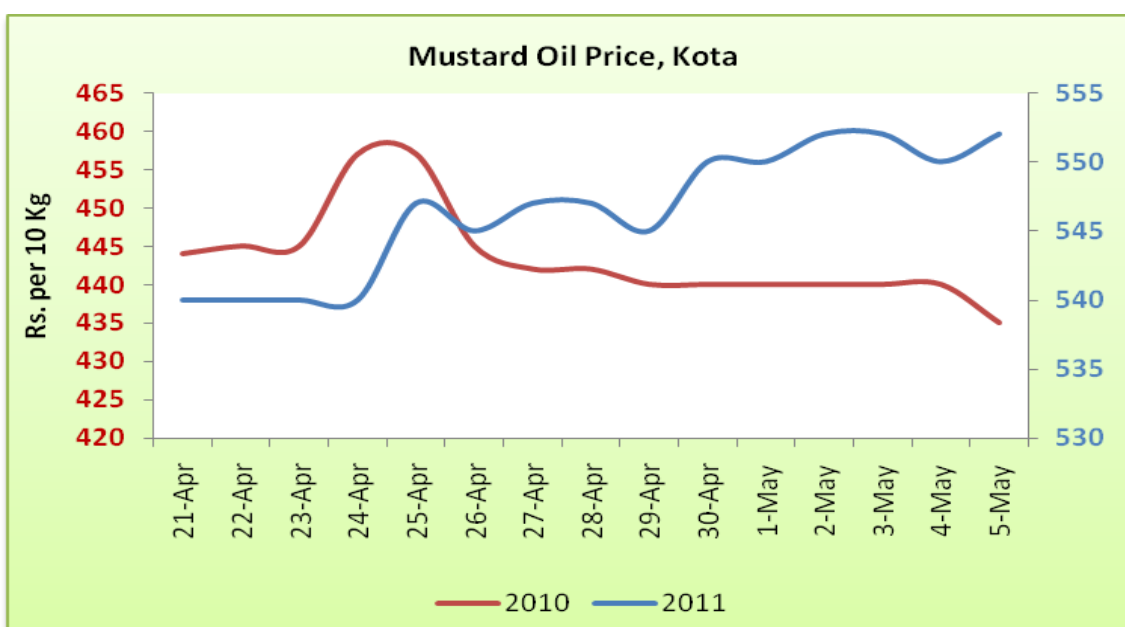
Center	05.05.11	21.04.11	Chg
Mumbai + VAT	840	820	+20
Rajkot + VAT	825	800	+25
Chennai + VAT	840	825	+15
Delhi + VAT	855	825	+30
Hyderabad +VAT	870	860	+10

#### Fundamental Highlights:

##### Mustard Oil

- ✓ **Mustard Oil price managed to increase in the spot market. However,** little ease off was witnessed in few markets after few days of recovery. Market sources attribute recovery in the price to sudden demand generation, right from stockists to retailers and consumers.
- ✓ They have started demanding more oil for they have started stocking also, considering the price stability around Rs 535-540 per 10 Kg, levels for quiet a while. Secondly, mustard seed arrivals have started to ease, which also contribute to the recent surge. Going forward, according to market participants price might recoup until first week of May but is likely to again ease off after that.
- ✓ 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.

- ✓ India has not Imported rapeseed oil, so far in the current oil year (Nov 2010-until March 2011) as compared to the 13950 MT imported in same duration last year. The total rapeseed oil imports in the oil year 2009-10 stood at 13950 MT which remain just the 0.47% of the total world Imports.
- ✓ Stockists are the major buyers of the seed in the physical market and are expected to off-load the seed in lean season. Mustard seed DOC exporters are exploring the overseas market to boost the DOC exports. India is expected to export above 1.5 lakh tones of DOC in May with expected improvement in crushing in days ahead.



#### Prices for Rape Expeller Oil

(Rs/ 10 kg)

Center	05.05.11	21.04.11	Chg
Mumbai + VAT	590	574	+16
Kota +VAT	552	540	+12
Jaipur +VAT	562	543	+19
Delhi	570	555	+15
Neewai +VAT	570	545	+25

#### Fundamental Highlights:

##### Other Edible Oils

- ✓ **Sunflower oil and cottonseed oil could gather flat gains in the spot market.**
- ✓ While demand for sunflower, from niche market in southern region remain normal, higher Imports make for the availability shortfall. 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.



- ✓ Sunflower Imports remain viable in April 2011 as the average import spread(Landed cost vs. domestic cost) hovered at negative \$(6.62) per MT. Goin forward in May the spread widens to \$ 4.44 per MT. The same signifies that while the Imports amy still be higher in April, little ease may be seen in the further months, however the same remain subject to further shaping up of the parity.
- ✓ 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.
- ✓ **Cotton seed oil price recovered in spot market** followed by recovery in palm oil. While institutional demand prevails for the prior, lower priced palm offset the same. While demand from institutional clients maintain, volatility in the Palm oil prices added alike sentiment to the cottonseed 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.

#### Prices for Refined Sunflower and Cottonseed Oil

(Rs/10 kg)

Center	05.05.11	21.04.11	Chg
<b>Refined Sunflower Oil</b>			
Mumbai +VAT	670	660	+10
Chennai +VAT	667	660	+7
Hyderabad +VAT	705	710	-5
Kandla, CIF (USD/Ton)	1415	1390	+25
<b>Refined Cottonseed Oil</b>			
Mumbai +VAT	595	588	+7
Delhi+VAT	580	570	+10
Rajkot +VAT	593	592	+1

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