AGRIWATCH

Supply and Demand Report

Domestic:

Soy Oil:

		(Figures in Million Tonnes)
	2009-10	**2010-11**
Opening Stocks	0.1	0.17
Production	1.27	1.4
Imports	1.6	1.4
Total Supply	2.97	2.97
Consumption	2.8	2.88
Exports	0	0
Total Demand	2.8	2.88
Ending Stocks	0.17	0.1

(Source: Agriwatch)

Current and Likely Scenario:

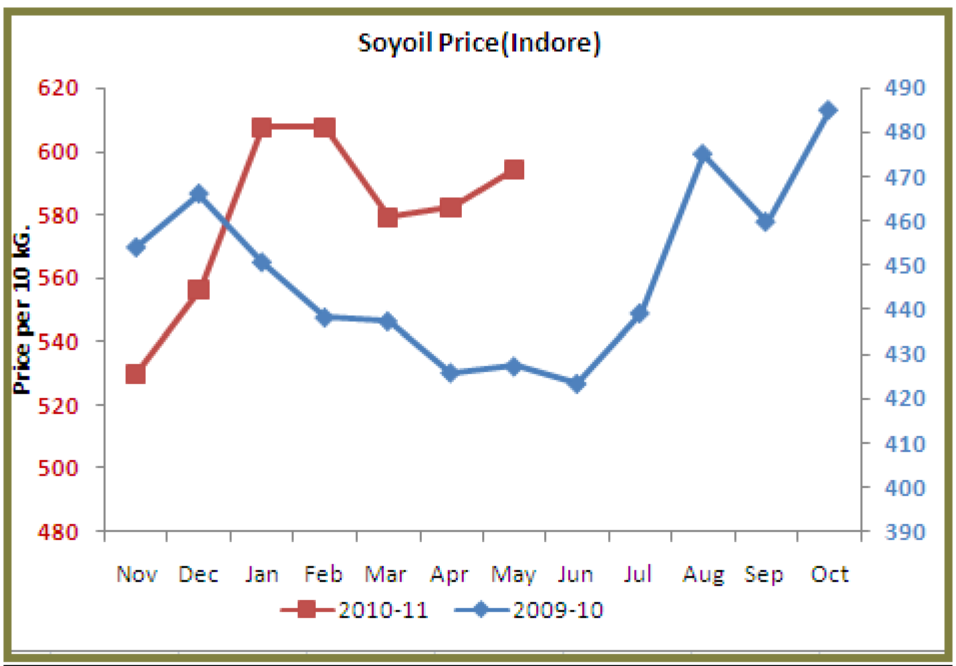
- Production of oil is projected to be higher in 2010-11 as crushing is anticipated higher (driven by higher meal exports) at 8.08 million tones as compared to 7.45 million tones in 2009-10.
- Imports are likely to decline at the end of oil year 2010-11 to 1.4 million tones(as per market sources) as compared to 1.6 million tones.
- Higher domestic availability oils and Import disparity from (Nov-2010-until April 2011) remain the reasons for the drift in Imports. Soy oil Imports in the oil year until April 2011 hover at 0.37 million tones as compared to 0.61 million tones until same period, previous year. While Imports are headed for a rise as Import parity develops, higher price spread with CPO is still going to weigh down the quantity of Soy oil.
- Consumption of Soy oil is likely to grow at a rate of 3% as per gathered consensus from market participants; the same is based on consumer preference. Ending stocks are projected marginally lower compared to 2009-10 at 0.1 million tones as compared to 0.17 million tones, in 2009-10.

Price Projection:

Conclusively, soy oil price is likely to remain positively skewed on likely lower inventory at the end of the year and lower imports. In the immediate months (June, July 2011) however, pick up in Imports remain likely due to lean season in India, which affect crushing but again demand outlook stands optimistic as stocking ahead of monsoon and marriage season will boost the same. The same implies ranged move by the price can not be ruled out but with a positive inclination.

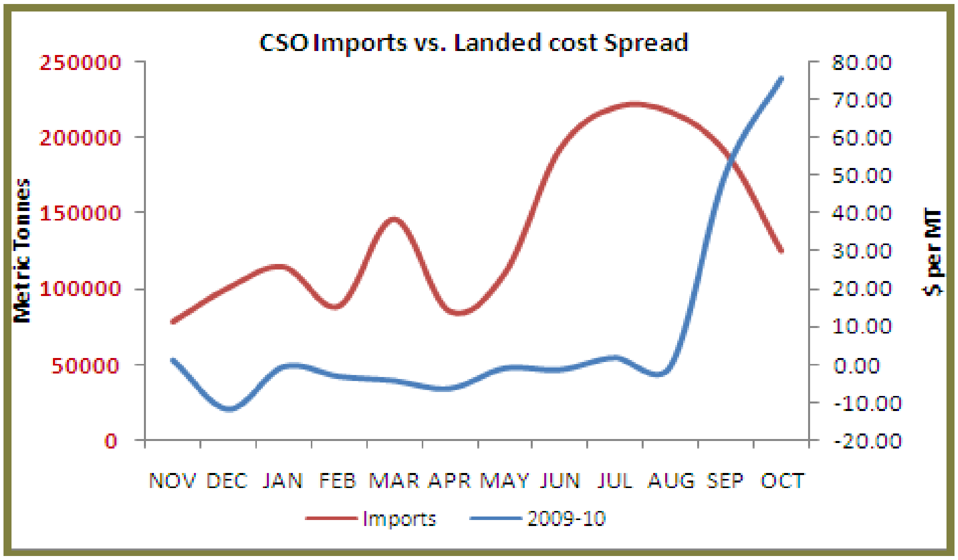
Fundamental Analysis

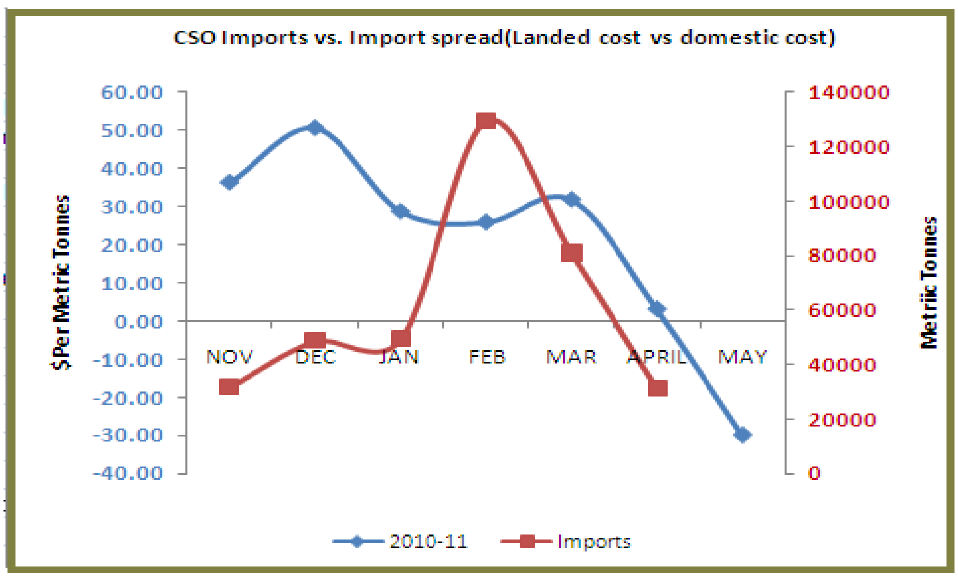
Soy oil Price(Indore, Rs. Per 10 Kg.): Performance in May-June 2009-10 vs. 2010-11



- Soy oil price (Indore) depict range bound move in the spot market in (April-June) 2009-10 and is headed the same way in the 2010-11, while a surge from June onwards may be seen, going forward in the season.

Soy oil Import Spread Vs. Imports: Relative impact



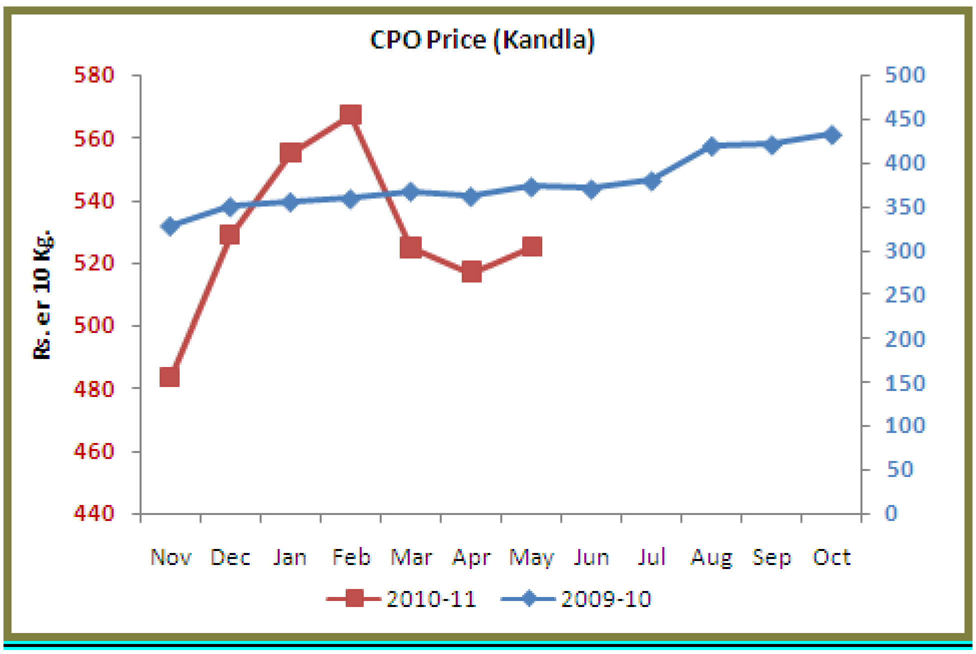


- Soy oil Imports remain driven by parity and as per the established relation between imports and import spread (In 2009-10), it is inferred that Soy oil imports take a sharp decline at a spread range of $30-$40 per Metric tones. Until the same Soy oil imports manage to grow.
- Soy oil Imports hover within a range of 50000-100000 MT during May, while the quantity takes a leap from June onwards, noticeably. The remains a case as domestic

crushing takes a backseat while new crop is sown at the same time and the parity support also prevails

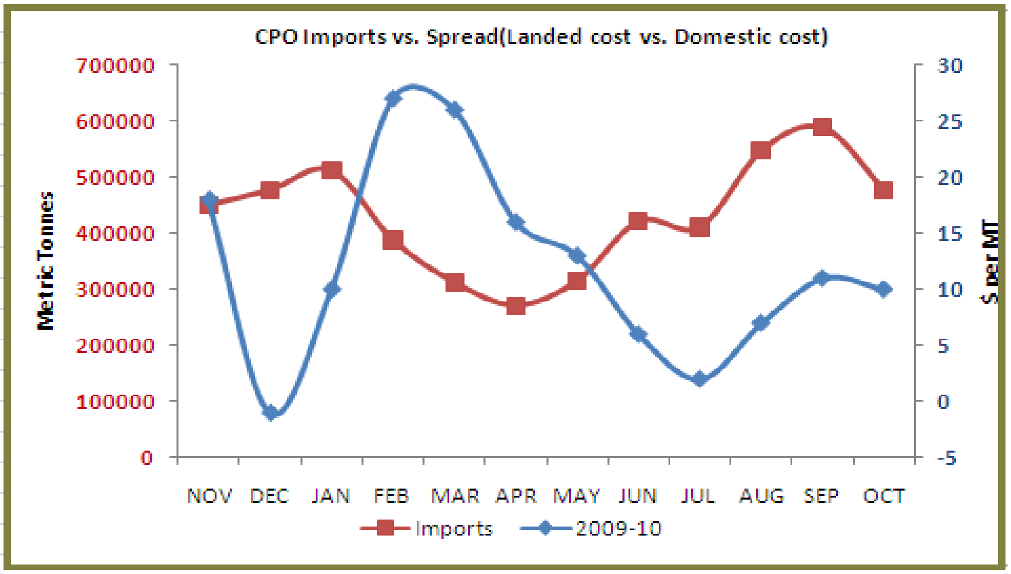
- As per the current scenario (Oil Year 2010-11), Imports remain sluggish due to disparity, that remained a case from January-until April 2011. The situation has again started to Improve as Import parity has developed. CSO average Import spread hover at negative $(30.01) per MT in May 2011 and the same may lead to improvement in CSO imports in not only the same months but consequent months as well.

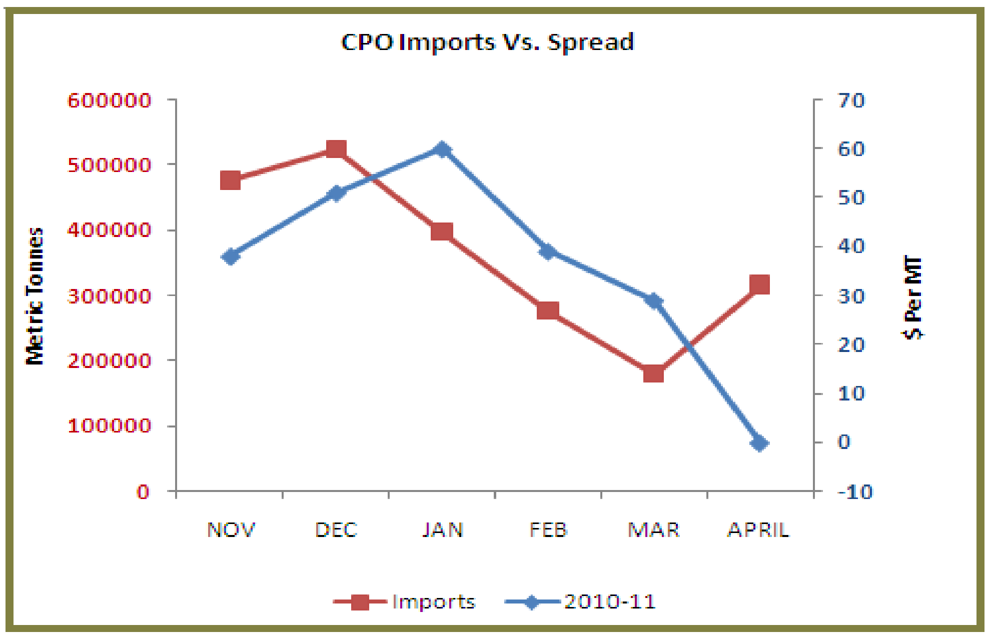
CPO Price (Indore, Rs. Per 10 Kg.): Performance in May-June 2009-10 vs. 2010-11



- CPO price (Kandla) remains positively skewed from April to June in 2009-10. While the price is headed in the same way in the current year (2010-11) as well, soy oil remain expensive than a year earlier.

Crude Palm Oil Import Spread vs. Imports: Relative Impact





- CPO Imports plunge lower as the imports spread start to cross above $20 per MT and while the same manage to remain below that level CPO Imports continue to increase at a conservative rate. The same is inferred as per the scenario in 2009-10.

- CPO Imports take a pick up from May onwards on improved parity situation lesser domestic availability of other oils.

- As per the current scenario, While the CPO Import disparity, depicted by wide spread ($30-$60 per MT) continue to affect the imports in addition to higher availability of other domestic oils. Going forward the spread has started to narrow down (April 2011 onwards) and the same is likely to remain a cause of improvement in CPO Imports, May onwards.

Edible Oil Imports: Current/Likely Scenario and Impact

	CSO	CPO
Current Spread Situation (Until 25 May 2011)	Parity	Disparity
Price Spread (CSO Arg. Vs. CPO Malaysia)	Spread reach at $60 per MT in May2011, the same is higher than last year however remain lower than previous month (April 2011). It may increase further until 3 yrs. Average of $97 per MT.	
Other Factors	Availability to remains low on lower crushing	Port Stocks run lower
Likely Impact on Imports in May and June	Imports may Improve in May 2011 on MOM basis, higher spread with Palm to offset rate of rise	Imports may manage to rise in May as parity prevailed at the start of the month. Also induced by Lower stock at ports and higher spread with CSO. Going forward in June likely widening of spread with CSO and improvement in

AGRIWATCH

		Parity is likely to remain favorable for CPO Imports

Vegetable Oils: Actual Imports vs. Shipments (In May)

	April Actual Imports	May Shipments (until 25th)	% Change
Total Edible Oil	458119	597154	30.3
Palm Oil	342468	450295	31.5
Soy Oil (CDSBO)	31250	53750	72.0
Sunflower Oil (CSFO) Shipments	76400	38040	-50.2

International Scenario Analysis

US Supply and Demand Projection for June 2011

(Fig. in Million Tonnes)			
Attributes	**2011-12**	**Projection**	
	May	**June**	**% Change**
Crush	45.04	45.53	1.09
Soy oil Exports	0.73	0.70	-3.6
Soy oil SND	**2011-12**	**Projection**	**% Change**
Beginning Stocks	1.12	0.9	-19.6
Production	8.57	8.74	2.0
Imports	0.08	0.08	0.0
TA	9.77	9.7	-0.5
Domestic Use	8.14	8.14	0.0
Exports	0.73	0.70	-3.6

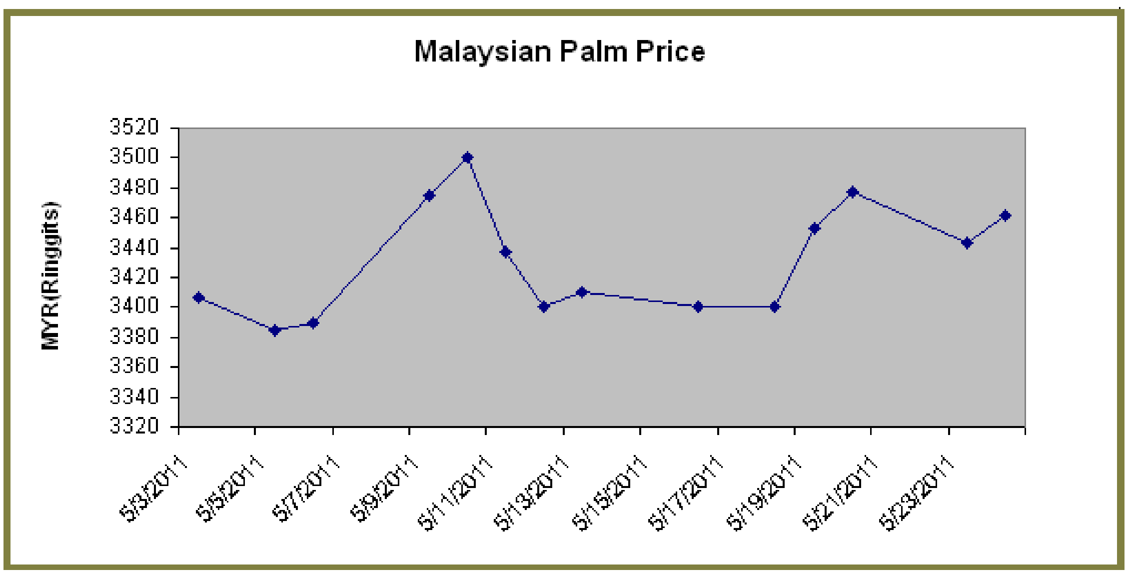
TU	8.87	8.84	-0.3
Ending Stocks	0.9	0.88	-2.5

US Supply and Demand Likely scenario in June

- In a likely development, for the upcoming month (June 2011), Soybean crush in US is likely to be revised higher by 1.09%, while the Soy oil exports may still remain sluggish, incorporating a decline of 3.6%. Exports may behave so as the soy oil demand may get diverted to more price competitive Argentine**.**
- Despite the higher production, likely slip in exports and lesser carry forward stocks are likely to have a detrimental impact on the ending stocks.
- Conclusively, prices are likely to derive support from lower ending stocks, while lower exports may still not be able to weigh much on the prices.

MPOB Monthly SND Projection

- **Malaysian Palm price behavior**: Malaysian Palm price hovered in a range with a positive bias in May 2011, incorporating a change of 1.6% until 24th. Continuous pick up in the Chinese exports lifted the demand and provided support. Higher Production that thickens the stocks, continue to remain the price controlling driver.



- Exports of Malaysian palm oil products for May 1-25 rose 16.5 percent to 1,104,075 tonnes from 947,470 tonnes shipped during April 1-25 as put by cargo surveyor Societe Generale de Surveillance. Exports to China surged higher in the mentioned period while to India, they plunged lower.
- Malaysia's April palm oil stocks rose 3.5 as compared to March as put by Malaysian Palm Oil Board. April's rise missed market expectations that the stocks likely rose nine percent to 1.76 million tonnes. Palm output in Malaysia rose by 8.02% to 1530009 tons in April 2011 as compared to 1416440 tons in March 2011, whereas exports surged higher by 7.81% to 1331742 tons in April 2011 as depicted by the MPOB Data.
- Going Forward in May, CPO Production in Malaysia is projected to surge from 8-13% as compared to April. While exports are also likely to grow on continuous demand from India and China and may witness a jump of 13.1%. The ending stocks may grow by 19.1% in May, as a likely result. The same is likely to contain the upside of the palm oil price in Malaysia and may keep the trend ranged.

(Figures in Metric Tonnes)

	Apr-11	May 2011(Projection)	% Change MOM
Production	1530009	1729063	13.01
Exports	1331742	1506200	13.1

Technical Analysis (Spot): Price Projection

Weekly Chart

Soy oil Refined (Indore) Rs. per 10 Kg.

- Soy oil monthly trend remain positively skewed, while nearness to recent peak suggest caution. Dips are likely but may remain useful. 627(Indore, 10 Kg) is likely to be the significant resistance.

- 570 level on the lower side remain is a important support juncture, until it prevail, bulls will keep the charge. Strategy may remain buy on dips until this level holds.

Weekly Chart

CPO Kandla (Rs. per 10 Kg.)

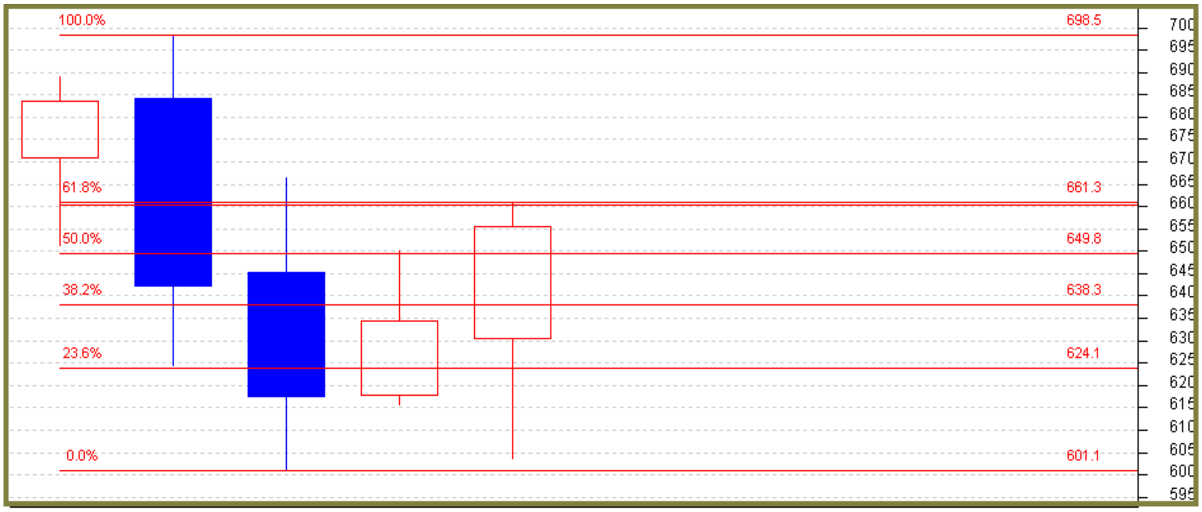
- Soy oil price recoups higher in the spot market but trend still remain range bound. Weakness may set in at higher levels. 500 is a significant support on the lower side, until this prevail, bulls will maintain the chance of hitting back, below the same, bears will enter.

- Strategy: Buying should be considered above 550 or towards the dip near 500, the same eat current levels may be avoided. Keep note of the fact that selling pressure will set in below 500 and in the same case be prepare to reverse the trade.

AGRIWATCH

Technical Analysis:

RSBO (Refined Soybean Oil): NCDEX



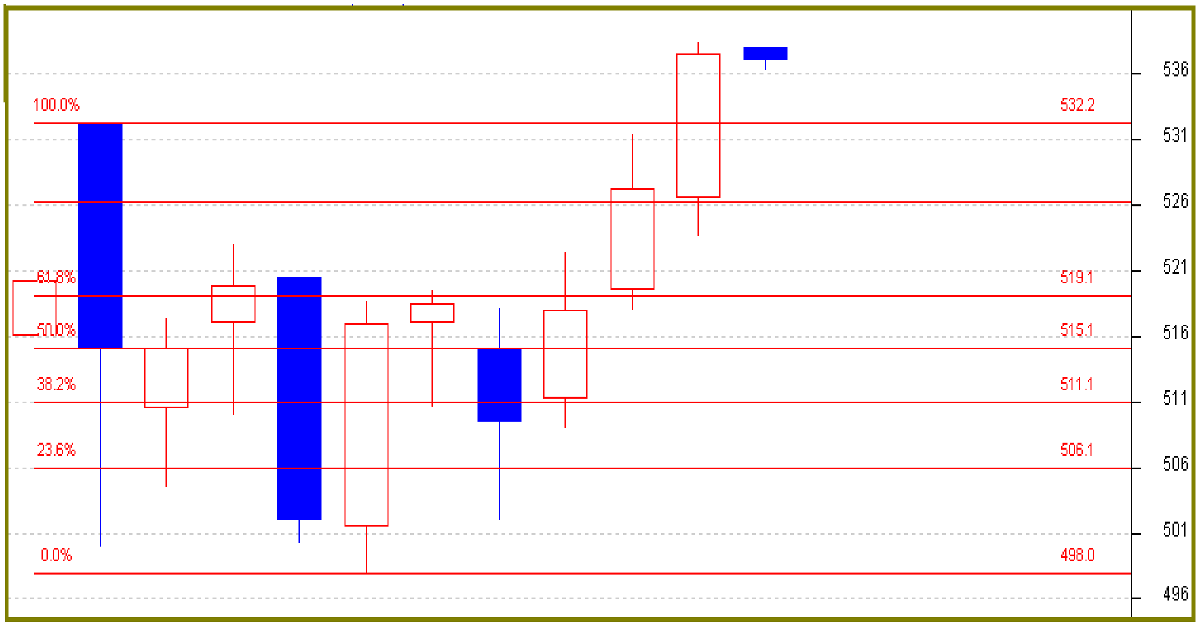
Monthly Chart

- **Soy Oil price trend remains bullish. Although, caution is also advised as price enters overbought territory. Dips until supports, likely.**
- 650 remains the nearest significant support and 665 level on the higher side stand as a resistance.
- Bulls may hold on to strength but may locate hurdles ahead as well.
- Strategy: Buying on Dips until 640 with a stop loss below 632, for the target of 660/670.

RSBO NCDEX (June)

Support & Resistance				
S2	S1	PCP	R1	R2
645	650	659.40	665	670

CPO (Crude Palm Oil): MCX



Weekly Chart

- **CPO price remain in the short term uptrend. Overbought conditions may lead to intermediate dips.**
- 530 remains the nearest significant support and 545 level on the higher side stand as a resistance.
- Bulls are likely to maintain the charge. Buy at dips to remain low risk.
- **Strategy**: Buying on Dips until 525 with a stop loss below 519 and targets of 545/555

CPO MCX (June)

Support & Resistance				
S2	S1	PCP	R1	R2
519	525	537.40	549	555