AGRIWATCH

VEGOIL MONTHLY REPORT

July 01, 2011

Veg Oil Scenario in oil year 2010-11

Import Scenario until June 2011:

- Import Disparity prevailed until April 2011, both in CPO and CSO.
- Narrow price spread with CPO until Feb remained a case, while differential widened since then
- Higher Oilseed production led to better domestic supplies that restricted Vegoil imports in the oil year until April 2011.

Import Scenario, from July 2011 onwards:

- Import Parity develop in CSO and likely to develop in CPO
- Price spread between CPO and CSO to remain wide.
- Both these factors combined together indicate that CSO Imports may improve in the oil year ahead but the surge in CPO Imports is likely to surpass.
- Domestic Lean season, indicate lesser supplies, which is also indicative of high dependence on Imports ahead in the oil year, starting from here on (June 2011).
- A similar kind of scenario was witnessed in 2007-08 wherein soybean production jumped YOY while Import disparity until April same year affected imports.
- Historically, during the above year, CSO Imports recorded a decline of about 19% until May 2008 while imports recouped about 31% in the rest of the oil year, and finally posted a gains of 19% YOY.
- It is therefore inferred that in the current oil year as well CSO Imports are likely to catch up and make for the shortfall in the same, recorded until May (YOY) and imports at the end of the oil year 2010-11.

Price Projection:

- Higher CSO Imports in the current oil year, from here on are likely to keep up the domestic availability with respect to the consumption/demand, while lean domestic season and lower crushing will also remain a feature and also likely grab of higher import share by CPO is likely to offset the quantity. Projection (made until now) of lower inventory at the end of the year on lower imports may start to see a reversal, amidst new developments.
- Assured supply via imports is likely to be countered by demand outlook for the immediate months (July, August) as it stands optimistic for stocking ahead of monsoon

and marriage season will boost the same. The same implies ranged range bound outlook for the price with both higher and lower side remaining capped.

Fundamental Analysis for Edible Oil:

Domestic Market Recap:

- **Price Movement**: Soy oil price (Indore) recorded a decline of 2.41% in the in June until 24 as compared to a recorded surge of 7% in the prior month. While higher imports kept the availability high, as against the same absence of demand led to weakness on one side and progressive monsoon in Soy regions of Maharashtra and Madhya Pradesh acted a negative cue for the overall market.
- Refined Soyoil price, recovered some of the loss, in the Benchmarket Indore market after hitting the lows of 595 per Kg on June 17. Sources from the same region convey that price level of 600 (Rs. Per 10 Kg.) is likely to stimulate demand. Weakness in international markets continue to supress the domestic sentiment, while going forward the same is also likely to improve as lean season remain on in US as well but weather scenario will hold the moving key and alter the price walk, accordingly.

Vegoil Import Scenario: Projected Vs. Actual

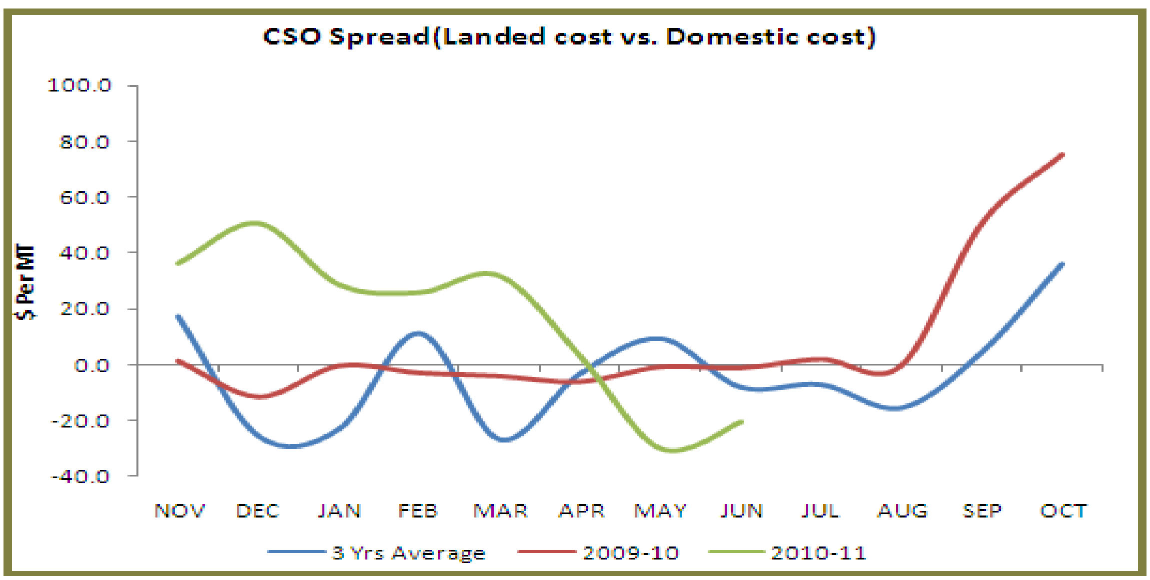
(Figures in MT.)					
	Apr-11	May-11	May-11		
Veg Oils	(Actual Imports)	(Projected)	Actual Imports	Projected % Change(MOM)	Actual % Change
CDSBO	31250	53750	60600	72	93.9
Palm Oil	342468	491876	531299	43.63	55.1
CSFO	76400	45540	40040	-40.39	-47.6

Actual Imports in May vs. Shipments in June

(Figures in MT.)	2011	
	May	June (Until 27th)
Veg Oils	Actual Imports	Shipments
CDSBO	60600	16216
Palm Oil	531299	917724
CSFO	40040	45600

Soy oil Parity Scenario for the Oil Year 2010-11

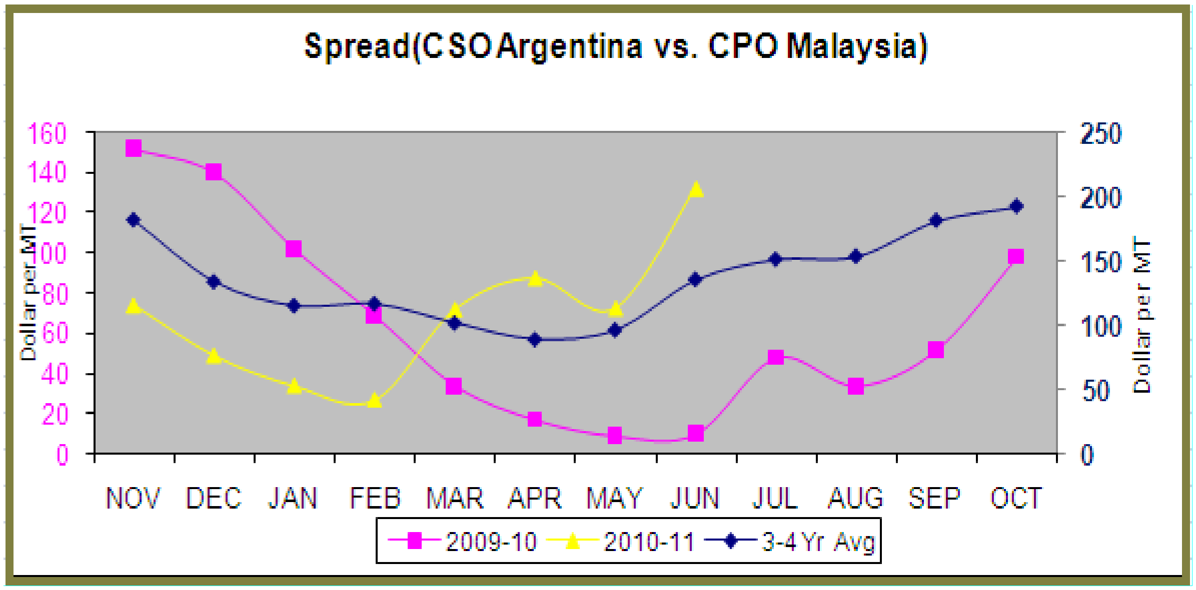
Soy oil Current and Likely Parity scenario based on Spread movement			
Average import spread current vs. previous and average 3 year			
	3 Yrs Average	**2009-10**	**2010-11**
NOV	17.5	1.33	36.32
DEC	-25.4	-11.58	50.63
JAN	-23.0	-0.37	28.70
FEB	11.5	-2.93	25.87
MAR	-26.7	-4.09	31.82
APR	-3.1	-6.16	3.09
MAY	**9.6**	**-0.78**	**-30.01**
JUN(1-13)	**-8.0**	**-1.18**	**-20.42**
JUL	**-7.0**	**1.99**	
AUG	-15.4	-0.24	



Spread between CSO Argentina and CPO Malaysia: Current and Projected Scenario (USD Per MT.)

Month	3 Yrs Avg.	2009-10	2010-11

NOV	182	152	74
DEC	134	140	49
JAN	116	102	34
FEB	117	69	27
MAR	102	34	72
APR	89	17	87.61
MAY	97	9	72.59
JUN(until month)	**136**	10	**132.23**
JUL	151	48	



- **Soy oil Import Projection for July**: Soy oil Imports by India may remain subdued going forward in July, as maintained viability on the parity front will support while higher differential with CPO until date and ahead is likely to divert the same to CPO, instead. As inferred by a similar kind of scenario in the past. Soy oil imports may even post a decline of about 47% in July 2011 as compared to June 2011.

CPO Import Parity Scenario: Average Monthly Spread: USD per ton

Month	3 Yr Average Spread	2009-10	2010-11
NOV	18	18	38

DEC	10	-1	51
JAN	27	10	60
FEB	37	27	39
MAR	2	26	30
APR	41	16	-0.2
MAY	20	13	6
JUN	7	6	**13.58**
JUL	-5	2	

- **CPO Import Projection**: CPO Imports by India are likely to witness a surge, going forward in July on likely shaping up of parity in favor of the same and also the higher spread between it and CSO is going to facilitate more CPO Imports in July on YOY basis and MOM basis.
- **Projected percentage Change in July**: CPO Imports are projected to rise by about 5.6% YOY basis in July 2011, as inferred by same kind of scenario in the past, while this surge can be about 33.97% in July 2011 as compared to a month back.

Projected Landed cost and Import Scenario from Major Import Sources:

	Argentina	**Brazil**	**US**
FOB Rate Range USD per MT	1160-1270	1190-1265	1168- 1246
Average FOB Rate	1215	1227.5	1207
Range for Dollar in June (Projected)	44.50-45.50		
Average USD Rate (Projected in July)	45		
Range for Soy degum(Kandla)	570-630		
Soy degum(Mumbai) Average Rate	600		
Landed cost at Lower FOB Rate (Projection)INR per ton	55966	57184.72	56178.34
Landed cost at Higher FOB Rate (Projection)INR per ton	60948	60615.54	59746.4
Spread at Lower Levels USD per ton	-22.98	4.1	-18.26
Spread at Higher Levels USD per ton	-45.6	-52.99	-72.3

Edible Oil Imports: Current Scenario/ Projection for the Month of July.

	CSO (Revised Projection)	CPO (Revised Projection)
Average Imports Spread(Landed cost-domestic cost) as of 21June 2011	Parity $(20.42)	Disparity $ 13.58
Import Parity in June ahead	Parity likely to Prevail	Disparity likely to prevail
Import Parity in July	Parity likely to Prevail	Parity Likely to Develop
Price Spread with Palm Oil as of 21June 2011	Spread widen to $(132.23) per MT as $(0.95) per MT until same period last year	
Spread with Palm Oil in June(ahead) and July	Spread Likely to hover near current levels $(132.23) in June ahead whereas, it may widen further in July and August to over $151	
Best suited oil for Import in June		
Best suited oil for Import in July		CPO
Worst Spreads that restrict Imports	$30-$40	$20-$25
FOB Rates in July (Projection)	$1160-$1270	$1000-$1130
Dollar in July (Projection)	44.50 - 45.50	
Domestic rates at Kandla in July (Rs. per 10 Kg.)	570-630	475-525
Average domestic rate at Kandla in July	600	500
Landed cost at Lower Level of the range (INR Per Ton)	55966	47002.36
Landed cost at Higher Level of the range (INR Per Ton)	60948	52890.39

Import Spread range in July $ Per MT.	$(22.98)-$(45.60)	$(11.1)-$8.7

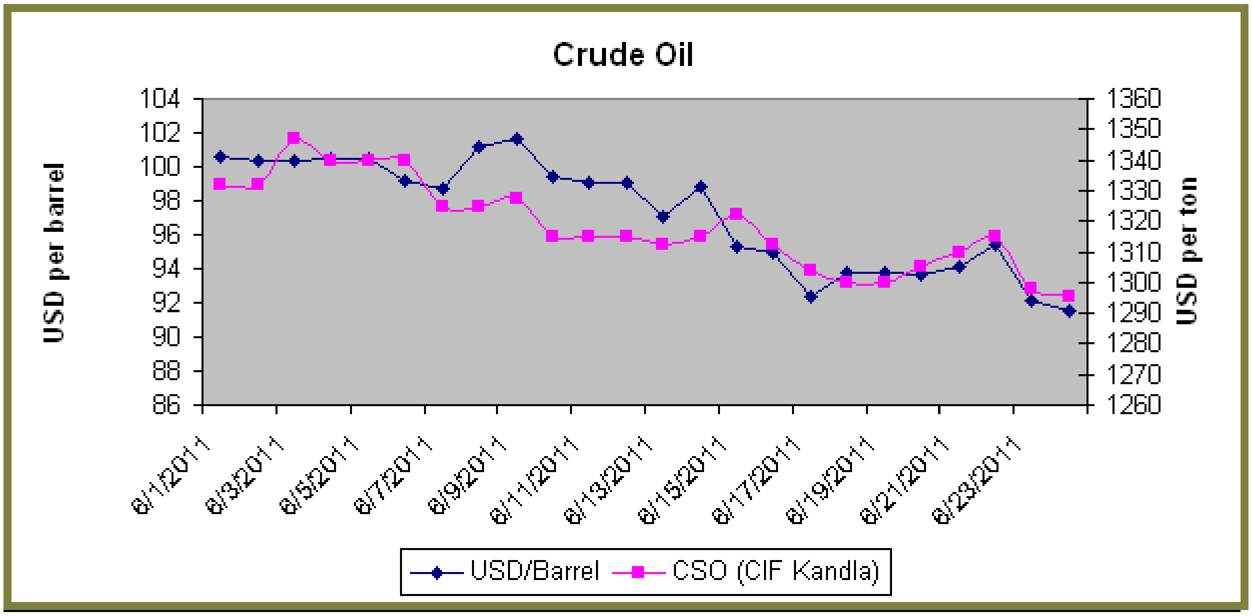
VegOil Stock at Major Ports in India (Month On Month)

Veg oil Stock in MT.	Stock as on 25/04/2011	Stock as on 02/05/2011	Stock at 25/06/2011	% Change (June vs. May)
Kandla	103286.7	125271.61	79068.3	-36.88
Mundra	25372.06	23528.8	14585.5	-38.01

Vegoil stock at Major Ports face a reduction as indicated by the stock data as on 25th June 2011, as compared to a month back, higher Imports, that were witnessed in May indicate growth in supplies but reduction in stocks as a counter activity suggest, improvement in demand as well. Conclusively, Vegoil prices are likely to derive support from the same development.

Crude Oil: Contemporary Driver of the Vegoil Market and Its Way Ahead

	USD/Barrel	CSO (CIF Kandla)
6/1/2011	100.6	1332
6/2/2011	100.4	1332
6/3/2011	100.3	1347
6/4/2011	100.5	1340
6/5/2011	100.5	1340
6/6/2011	99.2	1340
6/7/2011	98.7	1325
6/8/2011	101.2	1325
6/9/2011	101.7	1327
6/10/2011	99.4	1315
6/11/2011	99.1	1315
6/12/2011	99.1	1315
6/13/2011	97.1	1312
6/14/2011	98.8	1315
6/15/2011	95.3	1322
6/16/2011	94.9	1312
6/17/2011	92.3	1304
6/18/2011	93.80	1300
6/19/2011	93.80	1300
6/20/2011	93.60	1305
6/21/2011	94.13	1310
6/22/2011	95.43	1315
6/23/2011	92.10	1298
6/24/2011	91.53	1295



Projection for the month ahead: Crude oil breaks below an important level of 94 USD per barrel, which is a breakdown below a significant trend line. Going forward, while 86 USD per barrel is the next countable support juncture for crude oil, prior to this 88 USD per barrel mark is likely to provide a psychological support for it. On the higher side, a close above 94 USD per barrel can only build hopes of revival for crude. 94-88 is likely moving band for the crude oil price. Weakness in the crude oil price in the week ahead is likely to weigh on the CIF (Kandla) Rates.

International Scenario Analysis:

Market Recap:

International markets remain weakly poised in June 2011 with CBOT Soy oil, posting a decline of 5.49% until 24th of the same month whereas a decline of 4.51% in Malaysian Palm during the same period also remained the main feature of the month. Sentiment in oil market was weak as concerns on rising palm oil ending stocks in Malaysia and progressive soy seeding in US along with weakness in crude oil price weighed on the overall sentiment.

US Supply and Demand Projection for July 2011

	2011-12	Figures in Million Tonnes	
Attributes	Actual	Projection	
	June	July	% Change

Crush	45.05	43.90	-2.55
Exports	0.82	0.81	-1.22
Soyoil SND			**% Change**
Beginning Stocks	1.28	1.28	-
Production	8.57	8.35	-2.6
Imports	0.08	0.08	0.0
TA	9.9	9.7	-2.2
Domestic Use	8.14	8.14	0.0
Exports	0.82	0.81	-1.2
TU	8.96	8.95	-0.1
Ending Stocks	0.97	0.76	-21.7

- In a likely development, for the upcoming month (July 2011), Soybean crush in US is likely to be revised lower by 2.55%, while the Soy oil exports may also remain sluggish, incorporating a decline of 1.22%. Exports may behave so as the soy oil demand may get diverted to more price competitive Argentine.
- Resulting, lower soy oil production and slip in exports are likely to produce a detrimental effect on the ending stocks. Conclusively, the same is likely to provide support to the soy oil prices on their way down.

China: Soy oil Import Scenario and crush

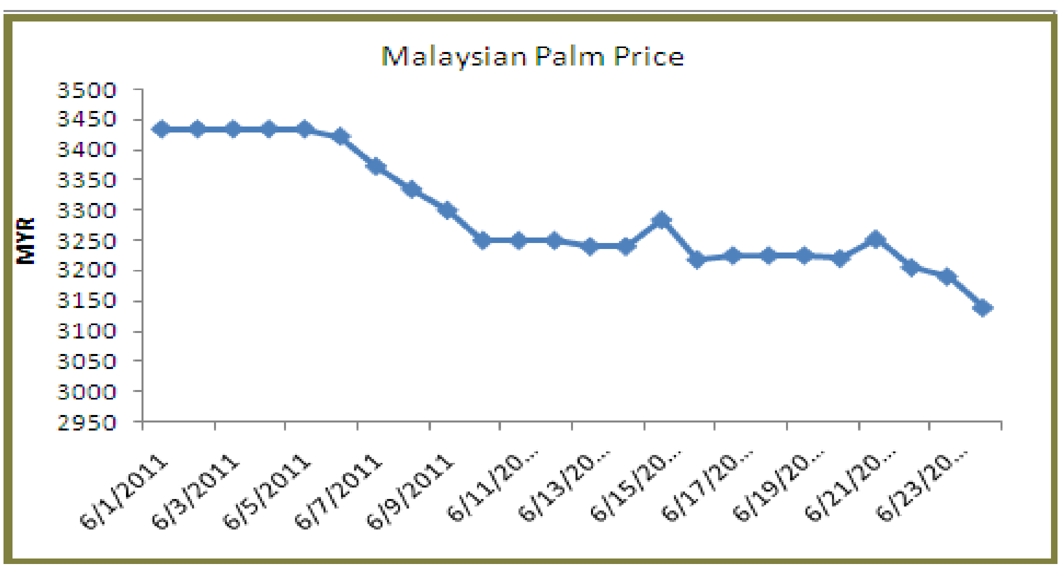
	2011-12	**Fig. in Million Tonnes.**	
	June	**July (Projection)**	**Likely % Change**
Soy oil Imports	1.85	1.85	-
Crush	61.5	62.1	0.95

- Soy oil Imports by China remain may remain steady in July 2011 as compared to June 2011 as inferred by alike trend witnessed by in the past three years, as there is barely any major shift in the Scenario in China over these years. Also the higher soybean imports by China make for the import requirement. Crush rate of July however may continue to witness a marginal rise of 0.95% in July 2011-12 as compared to estimates made for June; the same is likely to remain facilitated by marginally higher meal consumption in July.

- Beijing - Soybean import prices are likely to fall in June, though crushing margins for foreign beans are likely to stay in negative territory as put by the state-backed China National Grain and Oil Information Center. Soybean import prices reached their highest levels in two-and-a-half years in March around $593/ton, up from $558/ton in January. However, prices have begun to erode as negative margins prompted Chinese soy crushers to suspend output and global commodities softened in the second quarter. Free-on-board soybean import prices eased to $581/ton in May from $585/ton in April. Soy crushers were still seeing losses of around CNY200/ton on foreign beans in May, though the negative margin has begun to shrink. Crushing margins for domestic soybeans began to enter positive territory around mid-May. The CNGOIC attribute still-rising soybean imports this year to previously booked cargoes.

Palm Oil

- **Malaysian Palm price behavior**: Malaysian Palm price remain in downtrend with a posted decline of 4.51% in June until 24 as compared to a positive change of 1.6%, a month back. Continuous pick up in the Chinese exports lifted the demand and provided support. Looming concerns of growth in ending stocks, likely at the end of June, despite the noticed rise in exports, affected the price walk.



INTERNATIONAL SCENARIO:

- As per recent set of Data, CPO production in Malaysia grew at rate of 13.74% which remain close to the projected rate of 13.01 and ending stocks inflated by 14.07% in May 2011 as compared to April 2010, which also remained close to our projection of 19.1%.
- Exports of Malaysian palm oil products for June 1-25 rose 17.3 percent to 1,252,780 tonnes from 1,068,050 tones shipped during May 1 and 25 as put by the cargo surveyor Intertek Testing Services. While exports to China improved marginally in the mentioned period, major surge was recorded in exports to India in the mentioned period as compared to a month back.

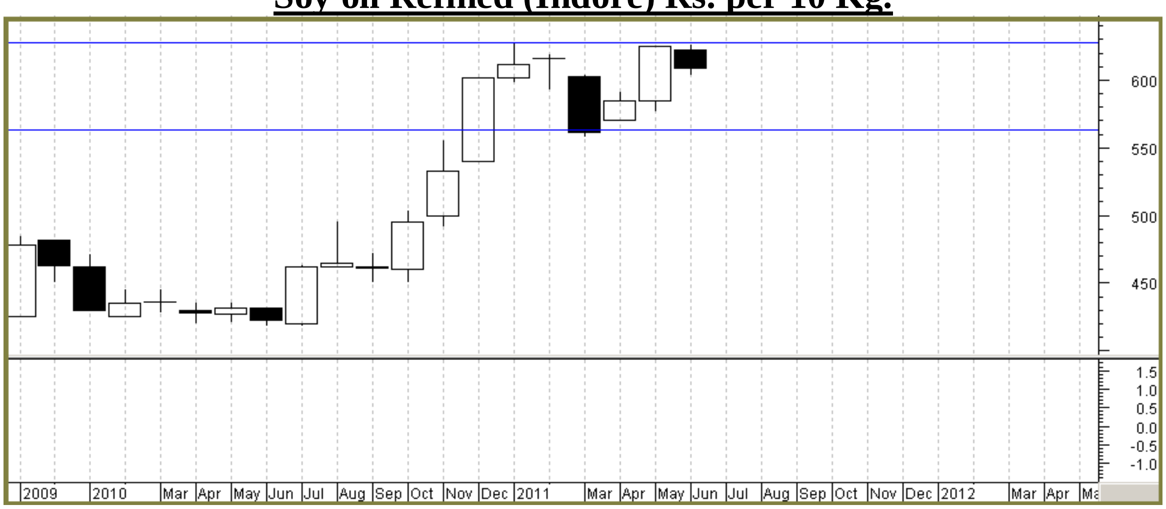
MPOB Monthly Supply and Demand Projection for June:

Figures in MT.	May-11	Jun-11	Likely Rise
Production	1740252	1971357	8.28-13.28
Exports	1402071	1752588.8	25

- Malaysian Palm remains the prominent price dragger. Despite pickup in demand from India and China, which facilitate higher exports, continuous rise in Palm Production lead to inflated stocks. While stock projections for Malaysian Palm for the month of May remain in line with our projections, going forward in June, we project CPO Production in Malaysia to surge by 8.28-13.28%, while exports are likely to grow by over 25% at the end of June. The same combined together with higher carry forward stock in the beginning of June are likely to result in about 10% rise in the ending stock at the end of June Month.

Edible Oil Technical Analysis (Spot): Price Projection

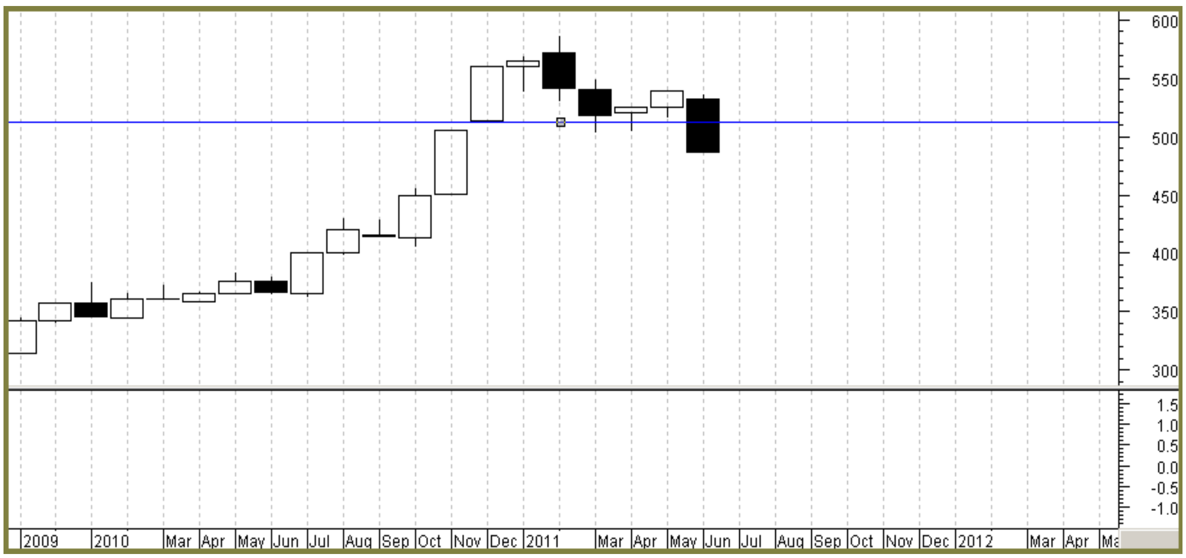
Soy oil Refined (Indore) Rs. per 10 Kg.



Monthly Chart

- Soy oil monthly trend continue to remain positively skewed, while price again recoups back near the recent peak, after witnessing a dip, it is unable to sustain above that. While a close above the level of 630 will redo hopes for bulls. Until then Dips are likely to remain useful.
- 600 level on the lower side is a important support juncture, until it prevail, bulls will not face much problem. However below the same, bears will pounce once again. Strategy may remain buy on dips until 600 level holds or alternatively buying above 630 is also likely to remain fruitful. Selling chance remains possible below 600 level.

CPO Kandla (Rs. per 10 Kg.)



Monthly Chart

- CPO price trend remain weak. Break below 500 levels is a favorable condition for bears. While 475 is the next countable support on the downside, any revival signs will only will visible once price recovers above 510 levels.

- Strategy: Selling at rise near 500, with a view to reverse the trade above 510 can be the current trading strategy, keeping in mind the importance of 475 on the downside as a significant support juncture.

Technical Analysis: RSBO (Refined Soybean Oil): NCDEX

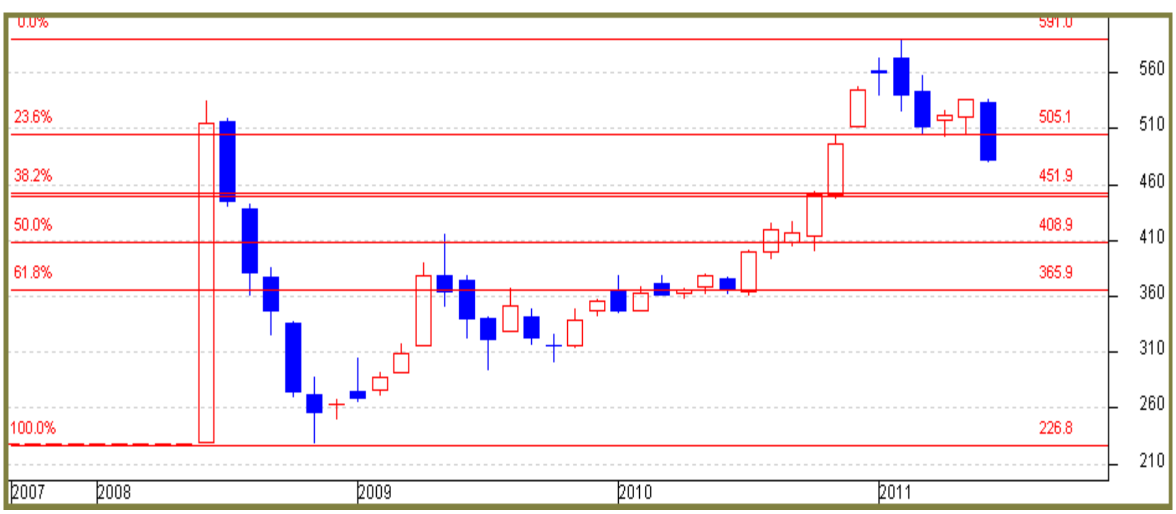
Continuous Chart

- **Soy oil medium term price trend remain bullish. Dip happened as suggested earlier; lower supports are likely to act, going forward.**
- 625 remains the nearest significant support and 660 level on the higher side stand as a significant resistance.
- While bear have an upper hand until now, bulls fight hard to snatch the charge.
- Strategy: Buying on dips until 630 with a stop loss below 620, for the target of 645/655.
- Keep note that trend is yet to turn bullish while buying chance near supports is worth taking with a back up strategy to reverse the trade below 625 level.

RSBO NCDEX (August)

Support & Resistance				
S2	S1	PCP	R1	R2
610	625	638.75	648	660

CPO (Crude Palm Oil): MCX



Continuous Chart

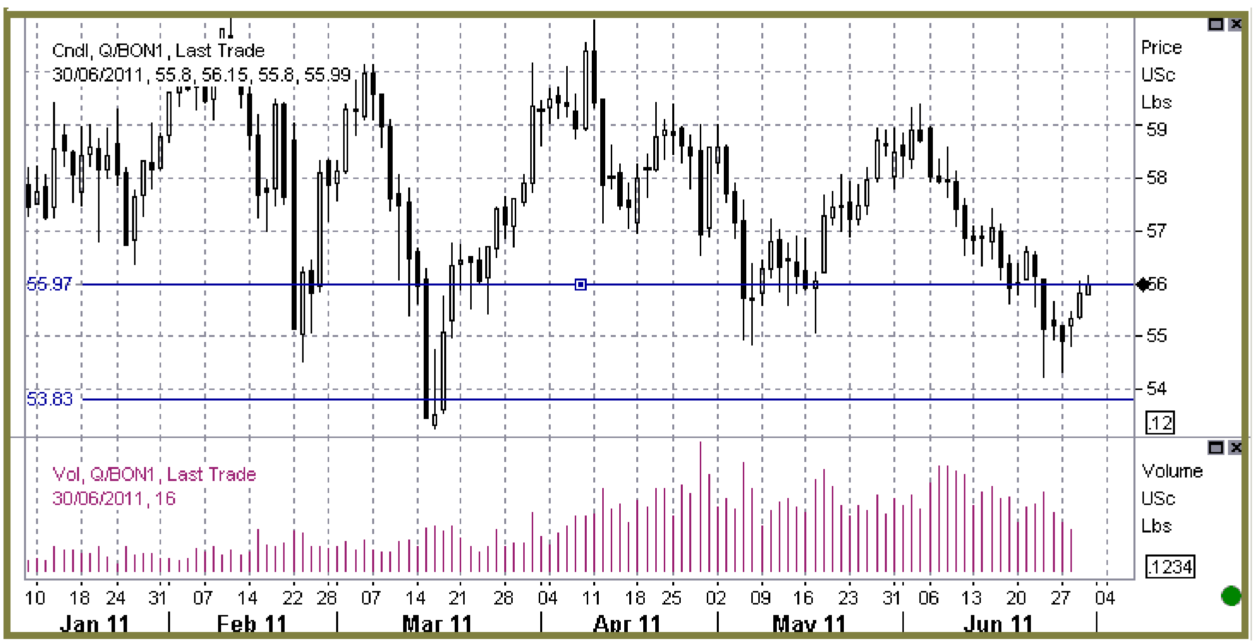
- **CPO price remain in the short term downtrend as correction extends.**
- 470 remains the nearest significant support and 490 level on the higher side stand as a resistance.
- Bears are likely to march ahead, while bounce backs from intermediate supports cannot be ruled out.
- **Strategy**: Sell at rise until 535 levels on the higher side is breached, while being cautious to attempt the same near supports. While the trend is likely to turn bullish above 540, until same doesn't happen, price is likely to remain under pressure.

CPO MCX (August)

Support & Resistance

S2	S1	PCP	R1	R2
460	470	481.50	490	510

CBOT Price Outlook for Soy Oil: (Front Month Contract)



Short term Outlook (1 Week) (RANGEBOUND WITH WEAK BIAS)	➢ **Short term trend remain negatively skewed.** ➢ **57 cents per lbs becomes the applicable resistance for the price.** ➢ **Level of 53 cents per lbs becomes the reliable support on the lower side. Major move is only likely beyond**

	these levels.
Medium term Outlook (1 Month)(**RANGEBOUND**)	➢ This trend is likely to remain fine until 49 on the lower side sustains as a support. ➢ Correction to remain inherent but bulls keep the majority.

Price Outlook for Malaysian Palm Oil (Front Month BMD Contract):

Short term outlook (1 Week) (BEARISH)	➢ **Malaysian Palm price trend remain weak.** ➢ **3050 MYR remains an acting closing support on the lower side.** ➢ **However MYR 3300 remain the resistance level, on the higher side.** ➢ **A close above 3400 can only re build hopes for bulls.**
Medium term Outlook (1 Month) (**RANGEBOUND**)	➢ Medium term trend remain still in favor of bulls and is likely to remain that way until MYR 2980 remains un breached on the lower side.