

The Bottom Line:

Prices of most of the edible oil improved during the month of July due to higher demand from retailers as well as vanaspati millers to meet festival demand. Lean season of domestic edible oil production and bullish cues from international front bring additional support to the edible oil prices.

Global edible oil prices witnessed lack luster trade during early part of the month but find buying support during second fortnight on US weather concerns and optimistic palm oil export figures from Malaysia.

Outlook:

Overall outlook for edible oil complex looks optimistic during first fortnight while it may cool during second fortnight of Aug. Anticipation of a bullish WASDE report with USDA expected to lower its soy yield in its Aug report might lend lateral support to the prices. At the same time expectation of surge in palm oil export during first 1-15 days of August month period will stand supportive for the prices. A return of cool weather and showers after 15th Aug might help to ease the prices if they materialize. The next cue is the US soy harvest which normally in September that might bring down the soy prices at US front.

Meanwhile, market participants are closely watching China which plans to buy more soy oil from Argentina. Any major shift in Chinese demand towards Argentina might weigh on the soy oil prices at the US. Better demand expectation from Middle East and other Asian nations will keep soy oil prices in a tight range at CBOT.

Global demand for edible oil is to stay strong in the coming month and is likely to keep medium term fundamentals on encouraging note. The edible oil market is likely to remain "volatile and mixed" ahead of a key CPO production forecast- Dorab Mistry.

Domestic Market Recap

Domestic edible oil market sentiment remained firm during the month of July. Seasonal higher demand from the retailer's due to Muslim holy festival Ramadan helped to keep prices on an encouraging note.

To plan for the higher demand with start of festivals from August, importers had inked import deals during June. As per Solvent Extractors' Association of India, total vegetable oils (edible & non-edible) imports for the month of June 2011 were up by 17.80 per cent to 862,550 tons compared to June 2010 imports while edible oil imports for June 2011 were up by 19.63 per cent to 828, 959 MT during the same period. Edible oil imports for June recorded a 8 month high.. This planned edible oil supply during peak demand period has limited excessive gains.

On the price front, groundnut oil prices recorded the sharpest gain (Rs. 80-100 per 10 kg) during July backed by thin stocks and lower availability of groundnut seed for its crushing. Unless Kharif groundnut seed comes into the market, G/N oil and seed prices are likely to rule firm till September.

International Market Recap

Malaysian palm oil futures hit their lowest in more than eight months during the initial days of July 2011 based on bearish Malaysian palm oil fundamentals and weak cues from US front after key US data showed better crop prospects and higher stock levels. USDA's annual acreage and quarterly grain stocks report released was quite positive in the prospects of soybean stocks and supplies which kept overall edible oil prices to stay weak during early July. However, it recovered during later parts as it got positive cues from Malaysian palm oil export figures for the later part of the month. This kept palm oil prices range bound with bullish bias.

As per SGS, palm oil products exports from Malaysia during July rose by 13.40 per cent to 1,633,186 metric tonnes compared to 1,440,173 MT shipped in June. There are fair chances that MPOB might increase export in August. This would lend an underlying support to palm oil prices moving forward.

Fall in international prices for palm oil forced Indonesia, the world's largest palm oil producer to cut its crude palm oil export tax to 15 percent in August down from 20 percent in July. Slash in export tax by Indonesia might attract buyer's thereby boosting export from Indonesian ports. This might lend support to the CPO for short to medium term perspective.

CBOT soy oil futures prices remained firm till mid of July (Dec'11 month contract) on concerns of weather uncertainties for developing soybean crops during the summer growing season. USDA's smaller-than-expected acreage forecast and stressed weather especially in the southern region of US might lead to expectation of lower yield from these locations. This helped to lend lateral support to the soy complex with special references to the soy oil.

The present weather conditions of a dry hot July will affect the crop yield considerably. With G/E crop conditions ratings in below 62%, the final US soy yield could stay close to 41.6 bushel per acre. If conditions are to improve by end of August in over 62% of acreage, we expect final US yield to stay close to 41.8 bushel per acre. However, actual yield estimates could only be known after Aug.

USDA might revise down its yield estimates in its August report to a range of 41.6 to 42 bushel per acre with a mean of 41.8 bushels per acre. This would bring the production down to 3106 million bushels. Any downward revision of US soy production estimates might lend additional support to soy oil prices for short term.

Moving forward, global demand for edible oil is to stay strong during Aug and Sep which is likely to keep medium to long term fundamentals on encouraging note.

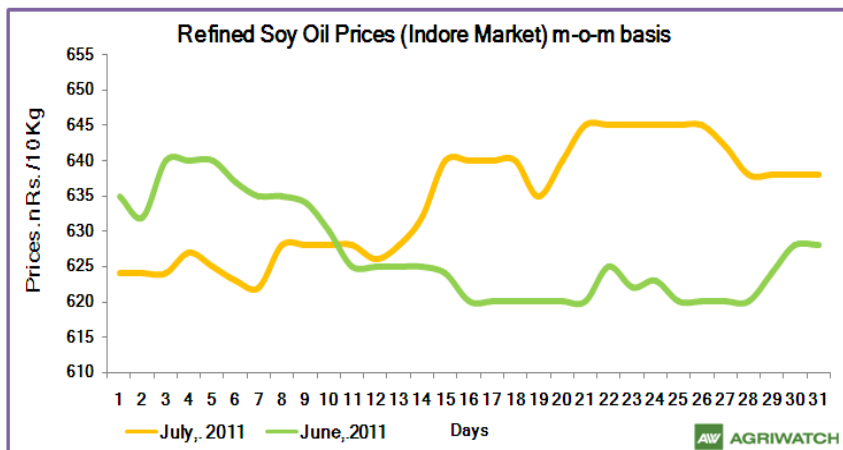
Domestic Market Fundamentals

Soy oil:

Soy oil price (Indore market) rose m-o-m by 4.10 per cent to Rs. 638 per 10 kg in July Higher domestic demand and lean season of crushing are the factors that stand supportive to the prices during the period under review. Retailers and wholesalers are active in purchasing soy oil while seller's un-willingness to liquidate stocks continues to support the soybean oil prices.

As per sources, about 20-23 soybean crushing units with 500 MT of crush capacity per day are in operation for 20 days a month in the Malwa region of Madhya Pradesh. Out of these about 16 crushing units are believed will be operating till September. This translates to about 4 lakh tonnes of soybean crushed by September, which will in turn result in the production of 3.2 lakh tonnes of meal and about 0.72 lakh tonnes of soy oil which is not sufficient to meet the domestic demand as per trade sources.

However, to meet the domestic requirement of soy oil we need to import to meet Aug – Sep requirement. Any major surge in soy oil prices at international front shall lend spill over support to the domestic soy oil prices during the period.



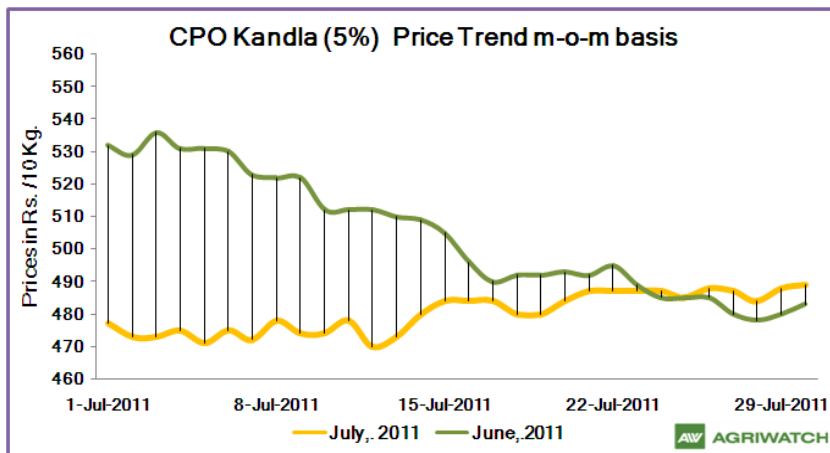
Palm oil:

Domestic market palm oil month end prices remained range bound with marginal rise of Rs. 6 per 10kg during July compared to June. Malaysian palm oil prices dropped considerably from its first week price levels but the higher demand due to festivals limit excessive fall.

India imported 624,968 MT of crude palm oil during June 2011 up by 48.29 per cent compared to 421,462 MT during May. Moving further we expect CPO import to move up to meet the festival demand.

Buying support at spot market amid pickup in domestic demand lends underlying support to the palm oil prices.

Demand is firm from Hyderabad, Chennai and other South Indian locations which will lend support to the palm oil prices moving forward.



Groundnut oil:

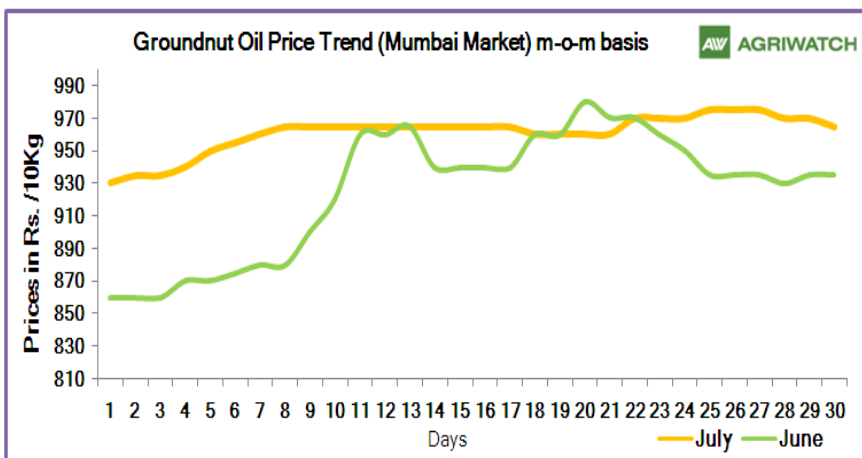
Ground oil prices continue to rule firm during the period under review with no sign of immediate weakness. Concern of lower groundnut crop output in Kharif 2011 season, owing to lower groundnut acreage and initial dry weather after seeding crop supported prices to gain considerably. Lower production estimates during Kharif and thereby lower stocks might keep overall fundamentals on firm note.

Currently groundnut seed prices are hovering at Rs. 800 per quintal which is higher by Rs. 36/qtl compared to June average price (Rs. 764 per quintal) and higher by Rs. 114/qtl when compared to average prices during May.

Keeping in view possibility of lower groundnut production (Kharif

production is expected to decline by 15% y-o-y), groundnut oil may further move up by Rs. 35-50 per 10 kg till Sep thereby keeping overall price trend firm. However, with the onset of new crop harvest in Sep and the start of Rabi sowing during Oct might help to ease the prices but long term bullish trend will remain intact.

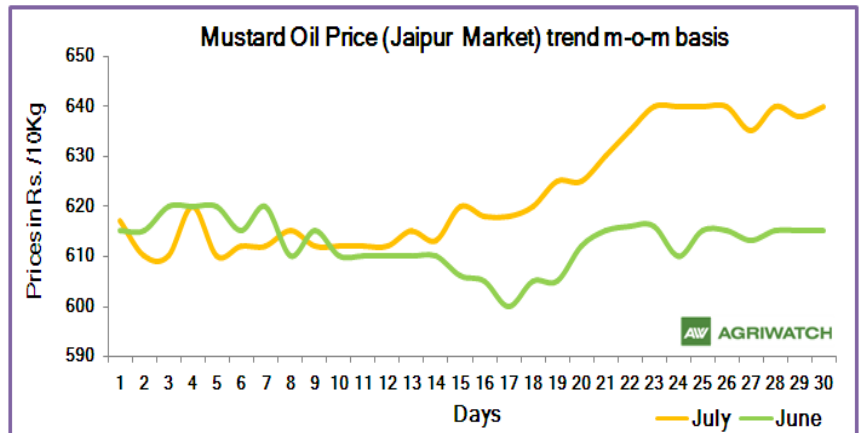
In the coming month, groundnut oil is likely to trade range bound with further improvement expected in the short term backed by strong demand during festivals.



Rapeseed/Mustard oil:

Rape/Mustard seed oil prices were sturdily up during July m-o-m backed by strong buying for rape oil and surge in demand from J & K and NE states. Demand from Bengal this time stayed at higher levels prior to the start of festivals which helped the prices to rule firm. Prevailing local prices of expeller oil is at Rs. 641 per 10 kg but the expected upward move in soy and palm shall lend additional spill over support to the RM oil prices till Sep.

Marked improvement in demand from West Bengal, Assam and J&K shall keep overall RM oil prices on encouraging note moving forward.

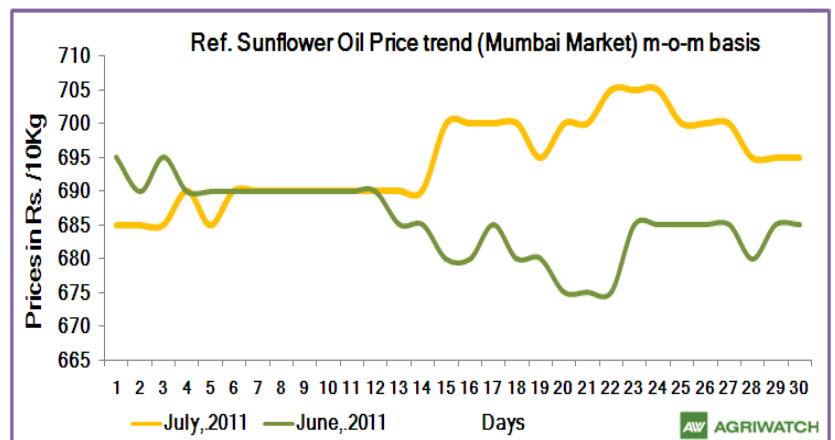


Sunflower Oil:

Refined sun oil prices remained steady to firm during July when prices gained by 1.46 per cent to Rs. 695 per 10 kg m-o-m backed by higher demand and surge in supportive oil prices. Domestic market prices for local/imported sun oil stayed near Rs. 660 per 10 kg. However, crude sun oil (FOB) was quoted US \$ 1410 per MT at Kandla.

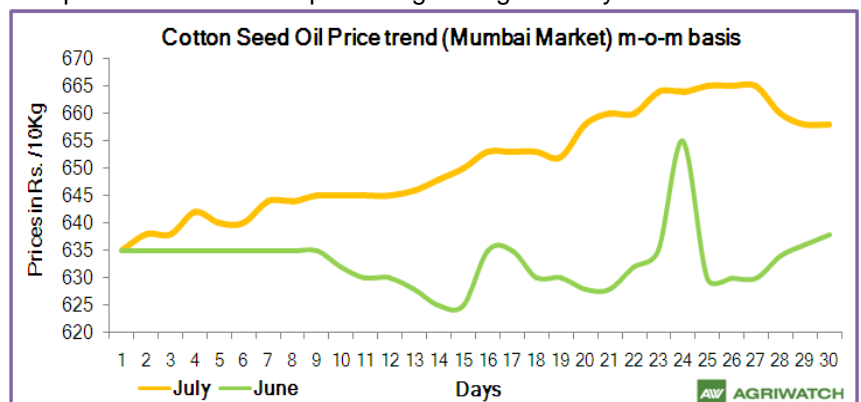
Anticipation of higher imports of sunflower oil till September and lower domestic Rabi sun oil production during 2010 will keep sun oil prices range bound with bullish bias. Given that other edible oil prices are to rule firm during Aug and Sep, we expect similar trend in sunflower oil prices too.

However, any sharp rise in sun oil prices might give exporters an opportunity to liquidate their stocks there by increasing the sun oil availability.



Cottonseed oil:

Cottonseed oil remained firm and up by 3.13 per cent to Rs. 658 per 10 kg during the July as a result of better demand. Since demand for G/N oil and cotton oil are elastic and substitution occurs at higher price levels, the sharp upside in G/N oil during June and July helped demand to shift towards cotton oil in Gujarat thereby supporting the cotton seed oil prices during the period under review. At the same time deficit rains in Gujarat till Mid – July raised concerns for Kharif oilseed production in Gujarat. This also helped to keep



cotton oil prices on encouraging note. Moving forward, we expect cotton oil prices to stay firm and are likely to closely follow the movement in G/N oil prices in the short term.

International Market Dynamics

US Soybean Crop – Expected WASDE Projection and Analysis:

Parameters	2010-11	2010-11		% Change
	Est	Jul'11	Aug11 (Proj)	
US				
Soybean planted acreage m.a.	77.4	75.2	75.2	0.00%
Soybean Harvested acreage m.a.	76.6	74.3	74.3	0.00%
Soybean yield, in b / a	43.5	43.4	41.8	-3.69%
Beginning Stocks, in m.b.	151	200	200	0.00%
Soybean production, in m.b.	3329	3225	3105.74	-3.70%
b / a – Bushels per acre; m.b. – Million bushels; m. t. – Million tons ; m.a. - Million acres				

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US

CBOT soy oil futures prices remained range bound during the month of July and stayed in the range of 56-58 cents per pound. Lower than expected crush rates and expectation of return of favourable weather from Aug mid limits excessive gains. Initial rally was supported by US soybean crop production apprehensions.

Soybean crushes rates for June to drop near 125.1 million bushels in the U.S. Census Bureau's monthly report.

	June, 2011	May, 2011	June, 2010
Soybean Crush (million bushels)	125.10	128	129.20
Soy oil Stocks (billion pounds)	3.070	3.176	3.551

Poor margins for processors, coupled with competitive Latin American soymeal and soy oil prices are the reasons cited for sluggish crush m-o-m. Soybean crush were down by 2.27 per cent to 125.10 million bushels during June, 2011 compared to May indicating weak demand during the period. However, demand for soy products is expected to improve from Sep onwards with the start of new soybean crop.

Decline in crush for June might lead to lower soy oil production and subsequent decline in oil ending stocks. However, significant decline in soy oil ending stock is not expected during its Aug WASDE report.

Argentina and Brazil

As per the Oil World, soybean stockpiles in Brazil, the world's second-biggest producer, rose to a record at the end of June on slower exports of the oilseed. Inventories came to about 39 million metric tons as of June 30, up 19 percent from a year earlier. First-half Brazilian soybean exports fell 2 percent. Production will total a record 74 million tons, up 7.4 percent. The decline of Brazilian soybean exports was mainly thanks to the reduction of exports to China. China still remained the leading destination, receiving 68 percent of total exports in the first half of 2011.

The increasing requirements of soya oil for biodiesel production in Argentina, Brazil and the USA will curb the growth in soya oil exports in 2011-12. As per industry predictions, combined biodiesel output in Argentina and Brazil will rise this year to 4.7 million tons from 3.9 million tons a year ago. Diversion of soy oil for bio-fuel production shall keep long term bullish trend intact.

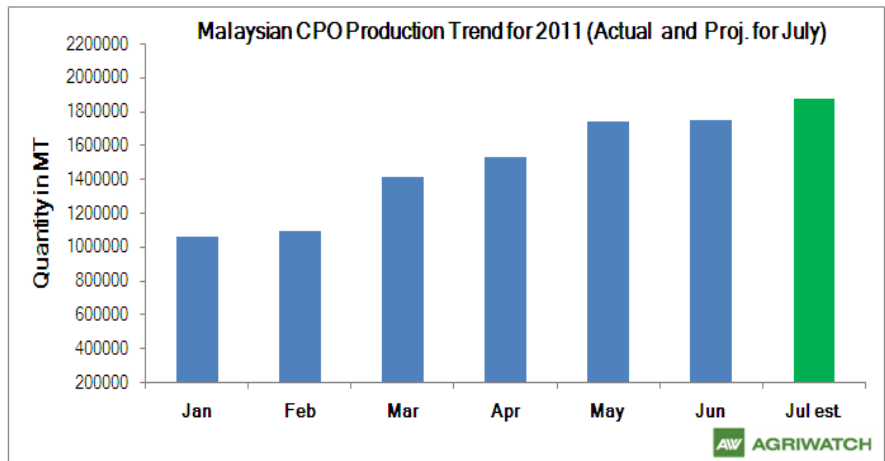
China

China, the world's largest soy importer, is expected to import 3.15 million tonnes of soybeans in August, down 34 percent from the same period last year. China is currently buying soybean cargoes from Brazil and Argentina, but has increased its U.S. soy purchases as South American export premiums have rallied over the past week. With shifting of demand at US the gulf-barge price is expected to improve which might stand supportive for the CBOT soy oil prices.

Malaysia

Malaysian palm oil futures hit their lowest in more than eight months during the initial days of July month as a result of bearish palm oil fundamentals and weak cues from US front after key US data showed better crop prospects and higher stock levels.

Higher palm oil stock at Malaysia dragged palm oil futures to the level of MYR 3031 per MT and from this point onwards it mostly sustained in range of MYR 3060-3162 per MT during the July month. Exports stayed at higher levels during July. CPO exports till July end is pegged at 1843867 MT which is up by 13.85



per cent compared to prior month total exports of 1434464MT. Similar export figure is expected from Aug MPOB data which is scheduled to get released during second week of Aug.

Palm oil stocks are expected to stay at higher levels despite surge in exports thanks to the higher palm oil production during August. Congenial weather in the equatorial region during July might increase palm oil output by 7 per cent to 1875927.21 MT compared to the previous month when palm oil production was reported at 1753203MT. However, strong demand from Asian nations like China, India and Pakistan and marked buying from Egypt and other Middle East nation is likely to keep July export high. This might keep ending stocks to improve marginally against prior market anticipation of significant jump in palm oil ending stocks. Such a scenario at Malaysian front shall lend underlying support to Malaysian palm oil prices during medium to long term perspective.

BMD CPO futures prices and its price range is depicted in the following chart:

Malaysian Palm Oil Futures (Oct'2011 contract) (Weekly Chart)



Indonesia

Indonesia, the world's biggest palm oil producer and exporter, could lower the maximum export tax rate by this month. The existing palm oil export system was put in place to secure domestic supply and reduce volatility in cooking oil prices. The government now charges between 1.5 percent and 25 percent depending on average spot Rotterdam market prices in the preceding 30 days.

Slashing 5% export duty means lowering of Indonesian palm oil prices by USD 52.75 per MT (current Indonesian CPO price is at USD 1055/MT). This shows better palm oil export potential of Indonesia. Higher availability and lower export tax regime might attract buyers to book export orders.

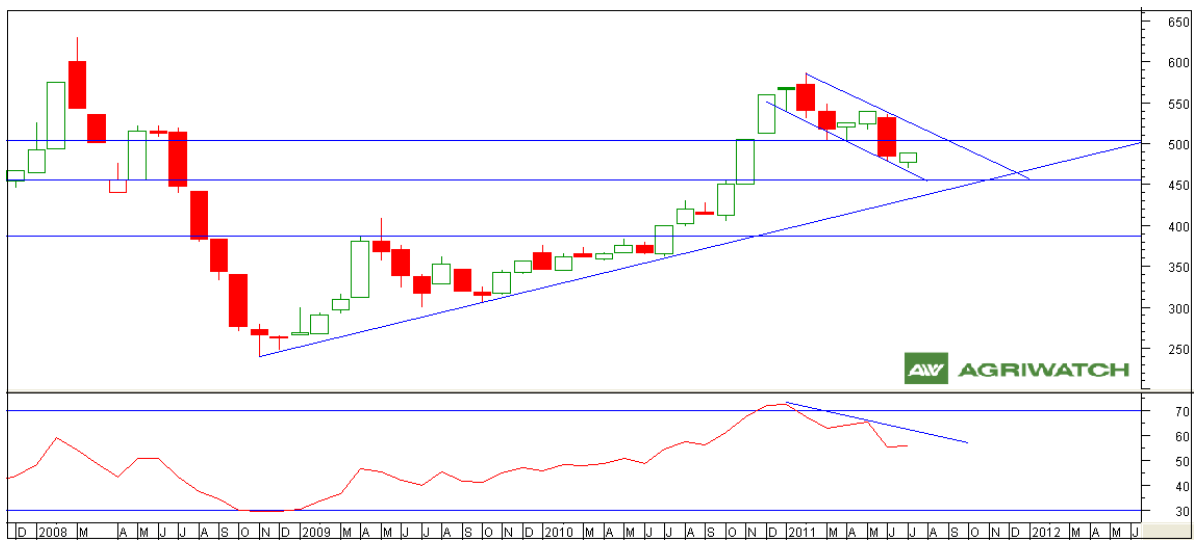
Indonesia's current Palm oil stocks are recorded at 2.3 million to 2.5 million tonnes and any lowering of the export taxes would not affect the cooking oil supplies. Traders expect the maximum palm-based bio-fuel export tax to be lowered to 7.5 percent from 10 percent, signaling more shipments of the product to Europe and adding to earnings of producers. European demand for palm-based biodiesel will be strong in the near term which might give a boost to palm oil export from Indonesia and Malaysia. This might lend underlying support to palm oil prices going ahead with the peak production phase till Sep.

Technical Analysis (Spot Market Monthly Chart)
SOYOIL REFINED (INDORE Market Rs/10 Kg)



- ❖ Domestic spot market soy oil prices improved during July. Prices are likely to stay firm and likely to test the 650 and 672 levels. However at this price range it might face strong resistance.
- ❖ 610 levels will act as the closest support where buying is expected in the spot.
- ❖ Breaching the level of 610 might result the prices to touch 570 though the possibility of touching these levels in near term are low.
- ❖ Looking forward, soy oil spot prices likely to remain range bound with a bullish bias in the coming month.

CPO (KANDLA Rs/10 Kg)



- Domestic market CPO prices are in a short term falling channel. Prices are likely to take a bounce at 467 levels which seems like a strong support in the short term.

- After taking a bounce it could move up during the month under review. CPO prices are expected to continue the existing channel.
- Fair chances are there for prices to test its key resistance at 508 while 467 might act as a strong support.
- Breaching the lower falling channel line can lead a bearish run but might find strong support at 455.
- If prices breach the upper falling channel line at 503 levels, it could lead to a bull run.
- Considering the above technical factors, palm oil price is likely to stay range bound for short term and waiting for indication to breach any of the support or resistance levels.

Technical Analysis (Futures)

RSBO (Refined Soybean Oil): Monthly Continuous Chart



- ❖ **Soy oil prices stay firm during the month after taking support at level 632.**
- ❖ The level of 661 seems nearby support for the prices.
- ❖ Breaching support level at 661 will lead prices to move towards 632.
- ❖ If prices sustain after getting a technical bounce from 661 it might inch up to test towards 673-708 levels.
- ❖ Prices are likely to remain in range bound with technical bounce is expected at lower levels.

Strategy: Buying near support is desirable.

RSO NCDEX (Sept)

Support & Resistance				
S2	S1	PCP	R1	R2
627.00	642.00	658.45	671.00	-

Technical Analysis: CPO (Crude Palm Oil): Monthly Continuous Chart


- ❖ CPO price is likely to stay in falling channel and is likely to get buying support towards its lower channel line.
- ❖ Any immediate jump from its support might lead CPO prices to test its resistance at 538 or its upper falling channel line during the coming month.
- ❖ 451 levels seems strong support to the prices and 535 levels as resistance.
- ❖ Price is likely to stay range bound with expectation of a jump from its near term support level.

Strategy: Buy on dips near 477-480 levels.

CPO MCX (Sept)

Support & Resistance				
S2	S1	PCP	R1	R2
477.00	481.00	486.50	491.00	495.00

Edible Oil Prices at Key Markets (M-o-M basis)

Commodity	Centre	Prices(Per 10 Kg)		
		30- 07- 2011	30- 06- 2011	30- 05- 2011
Refined Soybean Oil	Mumbai +VAT	638	628	637
	Delhi (Loose)	668	645	660
	Indore (Loose)	635	610	622
	Kota(Loose)	641	616	630
	Hyderabad+ VAT	715	680	680
	Jaipur (Loose)	650	623	640
	Rajkot (Loose)	620	615	625
	Akola (Loose)	682	659	-
	Amrawati (Loose)	682	659	-
	Haldiya Port (Loose)	636	626	641
	Jalna	677	663	-
	Nagpur	676	661	-
	Soy Degum Kandla/Mundra+VAT	606	603	610
	Soy Degum Mumbai+VAT	606	600	610
Palm Oil	Kandla CPO (5%FFA)	489	483	538
	Kandla RBD Palmolein +VAT	515	513	565
	Chennai RBD Palmolein (Loose)	555	540	595
	Kakinada RBD Palmolein (Loose)	546	520	581
	Mumbai RBD Pamolein+ VAT	554	538	-
	Hyd. RBD Palmolein VAT	590	572	625
	Delhi RBD Palmolein (Loose)	580	575	-
Refined Sunflower Oil	Hyderabad Exp +VAT	765	735	750
	Bellary (Exp. Oil)+VAT	643	631	633
	Chellakere (Exp. Oil)+VAT	671	646	635
	Erode (Exp. Oil)+VAT	715	696	700
	Latur (Exp. Oil)+VAT	666	661	666
	Kandla/Mundra	655	648	640
	Mumbai + VAT	655	645	640
	Chennai (Loose)	735	675	685
Groundnut Oil	Hyderabad +VAT	990	900	880
	Chennai (Loose)	890	880	850
	Delhi (Loose)	980	950	875
	Gondal+VAT	995	930	850
	Jamnagar +VAT	955	930	850

	Narsarropeth+VAT	801	896	881
	Prodattour+VAT	861	891	826
	Mumbai + VAT	965	935	860
	Rajkot (Loose)	950	925	850
Rapeseed Oil	Alwar (Expeller Oil)(Loose)	641	611	631
	Sri Ganga Nagar(Exp Oil-Loose)	627	603	625
	Delhi (Exp. Oil) (Loose)	655	633	640
	Jaipur (Expeller Oil) (Loose)	640	615	615
	Kota (Expeller Oil) (Loose)	625	605	605
	Mumbai (Exp. Oil) +VAT	667	633	632
	Hapur+VAT	670	635	652
	Agra (Kacchi Ghani Oil) +VAT	-	-	-
Refined Cottonseed Oil	Mumbai +VAT	658	638	637
	Hyderabad (Loose)	680	630	640
	Rajkot (Loose)	665	655	640
	Delhi (Loose)	648	640	635
Malaysia Palmolein USD/MT	FOB (Oct)	1165	1125	1235
	CNF (Oct) - India	1200	1155	1263
Indonesia/ Malaysia CPO USD/MT	FOB (Oct)	1070	1050	1165
	CNF (Oct) - India	1105	1080	1193
Argentina FOB (\$/MT)		30-07-2011	30-06-2011	30-05-2011
Soybean Oil Ship		1242	1220	-
Refined Soy Oil (Bulk) Ship		1285	1263	1296
Sunflower Oil Ship		1280	1295	1315
Cottonseed Oil Ship		1222	1200	1237
Refine Linseed Oil(Bulk) Ship		1262	1240	1273

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