

Domestic Veg. Oil Market Summary:

Mixed tone could be seen in domestic edible oil basket during the week (05-12 Sept.) on varied fundamental factors. Soybean market witnessed mixed tone as market remains confused over the domestic soy production amid extended rainfall in principal soybean growing regions. At the same time weak cues from international front and weak demand kept the trade choppy during the week under review. Going ahead with the harvest which is expected during 1st week of Oct across India we expect soy oil prices to ease with subsequent increase in domestic crushing. CPO (crude palm oil) prices firmed during the week in tandem with Malaysian palm oil futures (which is rising on account of lower month ending stocks followed by higher demand from importing countries).

Groundnut oil prices couldn't sustain at higher price levels of Rs. 1020 per 10kg and fell down during the week. Upcoming festivals of Navratra and other during coming couple of week might lend underlying support to the edible oil prices.

On sowing front, acreage under sunflower crop (as on 8th Sept, 2011) is lagging by 5.88 per cent at 2.56 lakh ha compared to the same period last year. Significant decline in Sesame and sunflower sowing could be seen from AP (one of the major producer) hinting overall decline in area and thus might get translated to lower production y-o-y.

Meanwhile Oil World mentions that India's sunflower oil imports likely to stay at 780,000 metric tonnes during 2011-12. Sunflower oil average prices during August stood at Rs. 698 per 10 kg which is up by Rs. 3.56 per 10 kg compared to July average prices.

Projections for domestic soy oil production for 2011-12 season is likely to stay at 15.58-16.37 lakh tonnes after considering the sown acreage of 103.09 lakh ha and Agriwatch yield estimation figure of 1190 kg per ha. Total soybean production is estimated in the range of 122-123 lakh tonnes given the condition there is no major incidence of rains during maturity/harvesting.

New crop arrival across India is likely to start from Oct first week while scattered arrivals could be seen from 3rd week of Sep. However, report of rainfall from MP and Rajasthan might delay the crop from its schedule time i.e. from Mid of Sep. Any significant delay in harvest might hold the soybean oil prices along with soybean seed.

Look for soy oil during coming week is likely to stay remains range bound with mixed bias however anticipation of surge in edible oil demand during last week of Sep shall stand supportive for the prices. A marginal rise in edible oil prices may happen based on a surge in demand with the upcoming festivities.

International Veg. Oil Market Summary:

International edible oil market stay range bound to firm during week under review backed by weather worries which are hurting US soy yield. CBOT soybean futures prices remained range bound with marginal up of 1.15 per cent to 58.71 cents per pound (Dec'11 contract) during the week. However, with the release of WASDE report prices eased backed by projection of higher yield compared to its early yield estimates.

USDA's WASDE report released remained bearish wherein it projected global oilseed production for 2011-12 at 453.0 million tons which is up by 1.5 million tons from last month projections. Meanwhile, Soybean production is projected higher for the United States and India. India's soybean production is raised 0.7 million tons to a record 10.5 million due to higher planted area.

Malaysian palm oil futures remained range bound with firm bias during the week as a result of lower month ending stocks as reveal from MPOB data. Malaysian palm harvests are likely to pick up in the month of Sept. as workers/farmers return to work after Ramadan. August month ending palm oil stocks stood at 1.885 MMT which is down by 5.60 per cent compared to July month ending stock of 1.996 MMT.

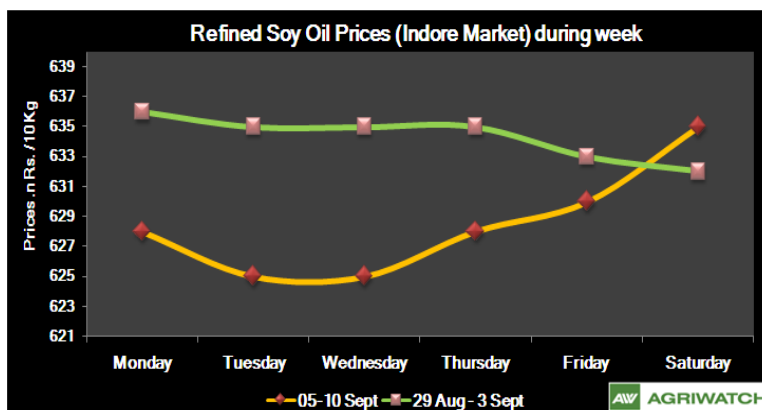
Indonesia palm oil producers association urged the govt. not to impose the higher export taxes on crude palm oil than refined products. To encourage palm oil producers Indonesia, world's largest palm oil producer had taken the decision to cut its export tax on crude palm to 22.50%, RBD palmolein to 13% and RBD palm oil to 10% from its earlier levels.

Considering the bearish WASDE report, CBOT soy oil price is likely to stay range bound with weak bias during the coming week. Malaysian palm futures likely to remain range bound during coming week as harvesting of palm is likely to pick up in the coming days which is likely to off-set the impact of lower ending stocks.

Market Recap and Fundamental Analysis

Soy oil:

- Domestic market refined soyoil prices further fell by 0.92 per cent to Rs. 629 per 10 kg (average prices of week) in indicative market Indore. Meanwhile, prices started picking up from mid week onwards to stay at Rs. 635 per 10 kg as the market garner strength backed by crop loss fear.
- The nearing harvesting season with expectation of record crop this year too despite expectation of crop losses from selected pockets of MP and Rajasthan is likely keep prices under pressure during coming week. At the same time demand is likely stay weak for short term but can improve during end of Sep which might but initial pressure on soy oil but can find support during month end.
- Soybean sowing (as on 8 Sept. 2011) stood up by 10.67 per cent to 103.27 lakh ha compared to the previous year. And as per our estimates, soyoil production is projected at 1.58-1.64 MMT. This could increase in domestic soy oil availability during the year which might cap excessive gain in prices and likely to keep long term fundamentals on a soft note. This could also lower our dependency on imports.
- Meanwhile, USDA projects India's soyoil production is likely to stay at 1.57 MMT which is down by 7.10 per cent compared to previous year which is not likely to rationalize. Marked improvement in area and overall better condition of soybean across India (except few patches) negates any sharp decline in production as of now.



India Soybean Oil Supply and Demand Scenario			
Values in MMT	2010-11	2011-12	Y-O-Y % change
Beginning Stocks	0.279	0.267	-4.30
Production	1.690	1.570	-7.10
Imports	0.100	0.050	-50.00
Total Availability	2.069	1.887	-8.80
Exports	0.002	0.002	0.00
Consumption	2.600	2.550	-1.92
Ending Stocks	0.531	0.663	24.86

Source: USDA

- Meanwhile, continuous rains over the major soybean growing regions is likely to cause delay in maturity of soybean and hence the late harvest and late arrivals to the mandies. It is expected peak arrival would start from 1-15th Oct from Rajasthan while might start from 1st week of Oct from MP if weather remain congenial for harvest.
- CBOT soyoil futures prices remained range bound with marginal up of 1.15 per cent to 58.71 cents per pound (Dec'11 contract) during the week.
- Falling soybean production outlooks and crop condition ratings are likely to lead to tighter availability of new crop supplies for crushing added support to the soyoil prices.
- We expect CBOT soy oil prices to remain steady to weak during coming week due to the combination of factors discussed above.

USDA's Sept. Month WASDE report Summary

Parameters	2010-11 Est.	2011-12		% Change
		Aug'10	Sept'11	
US				
Soybean planted acreage m.a.	77.4	75	75	0.00%
Soybean Harvested acreage m.a.	76.6	73.8	73.8	0.00%
Soybean yield, in b / a	43.5	41.4	41.8	0.92%
Beginning Stocks, in m.b.	151	230	225	-2.50%
Soybean production, in m.b.	3329	3055.32	3085.00	0.92%
Soybean imports, in m.b	15	15	15	0.00%
Soybean crush, in m.b.	1650	1635	1635	0.00%
Soybean exports, in m.b.	1520	1400	1415	1.00%
Residual, in m.b	38	21	23	8.00%
Soybean ending stocks, in m.b.	200	155	165	5.71%
Soy meal production, in '000 short tons	39683	38885	38835	-0.13%
Soy meal ending stocks, in '000 short tons	300	300	350	16.67%
Soy oil production, in million lbs	19090	18670	18670	0.00%
Soy oil for Bio-diesel, in million lbs	2300	3500	3600	2.86%
Soy oil ending stocks, in million lbs	2871	1971	2146	7.93%
At other origins				
Soybean production in Argentina, in m.t.	49.5	53	53	0.00%
Argentina soybean beginning stock m.t.	22.28	22.85	23.15	1.31%
Soybean production in Brazil, in m.t.	74.5	73.5	73.5	0.00%
Brazil soybean beginning stock m.t.	15.84	22.16	22.18	0.10%
Soybean import in China, in m.t.	52	56.5	56.5	0.00%
Chinese soybean ending stock, in m.t.	14.21	12.81	12.91	0.76%
Global soybean ending stocks in m.t.	65.88	60.95	62.55	2.58%
Global soy oil ending stocks, in m.t.	3.07	2.47	2.49	0.81%
Global veg oil ending stocks in m.t.	11.23	10.18	10.26	0.79%
Global soy meal ending stocks in m.t.	6.57	6.6	7.17	8.64%

USDA's crop report (WASDE) for the month of Sep. painted a bearish hue to the market sentiments. USDA increased its projection figure for global oilseed production for 2011-12 at 453.0 million tons which is up by 1.5 million tons from last month. Meanwhile, global soybean production is projected at 258.99 million tons which is up by 0.60 per cent up compared to last month projections and down by 1.94 per cent. Production of other oilseeds like soybean, rapeseed, sunflower seed and cottonseed also projected higher compared to previous month projections.

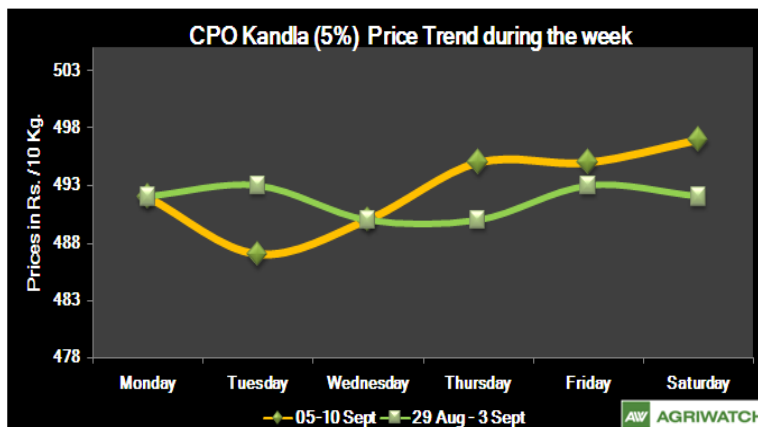
Soybean yield for US increased to 41.80 bushels per acre which is up by 0.92 percent compared to last month projections. Therefore, total production rose by 0.92 per cent to 3085 million bushels compared last month projections. US soyoil production aspects remained unchanged and soy oil use for bio-diesel rose by 2.86 per cent to 3600 million lbs. Soy oil prices are projected at 55.5 to 59.0 cents per pound which is up 0.5 cents on both ends of the range.

On global front, vegetable oil output projected at 151.76 MMT which rose marginally by 0.03 per cent compared to last month projections. Meanwhile, ending stocks projections stood at 10.26 MMT which is up by 0.79 per cent compared to previous month.

Considering above factors, vegetable oil price is likely to stay range bound with marginal firmness expected during the year.

Palm Oil:

- Domestic market crude palm oil (CPO Kandla) prices remained firm during the week and prices rose by 0.20 per cent to Rs. 497 per 10 kg during the week in tandem with Malaysian palm futures.
- At the same time, RBD palm oil prices at Mumbai market remained range bound closely following Malaysian prices and fell by 1 per cent to Rs. 551 per 10 kg compared a week earlier.
- Month imports (CPO) is likely to improve during Sep as reveal from its import sesonality to meet the higher demand for RBD palm oil during nearing festivities like Navaratri and Dussera. But weakening of rupee value against dollar might need to watch closely and any near term appreciation which is expected might boost its import during coming couple of weeks.
- Lowering of August month ending stocks lending support to Malaysian palm oil prices which is likely to keep the prices range bound with bullish bias for very short period of time.
- Indonesia palm oil producers association urged the govt. not to impose the higher export taxes on crude palm oil over refined products. To encourage palm oil producers Indonesia, world major palm oil producer taken decision to cut its export tax on crude palm to 22.50%, RBD palmolein to 13% and RBD palm oil to 10% from its earlier levels.
- As per SGS data, palm oil products exports from Malaysia for the period of Sept 1-10 fell by 36 per cent to 389,069 metric tonnes compared to 608,236 MT shipped during Aug 1-10. Breakdown of SGS palm export figures for Sept. 1-10 compared to a month ago (Values in tonnes):



Palm Products	Sept. 1-10	Aug. 1-10	%change
Crude Palm Oil	75,750	191,779	-60.50
RBD Palm Oil	18,260	21,190	-13.83
RBD Palm olein	191,990	255,294	-24.80
RBD Palm Stearin	51,110	56,592	-9.69
Processed Palm Kernel Oil	10,000	21,795	-54.12
Total	389,069	608,236	-36.03

- India imported 29,370 MT of palm oil products from Malaysia during 1-10 of Sept. which down by 70.19 per cent compared to Aug. 1-10 imports of 98,540 MT.
- At present, Malaysian palm futures trading range bound at MYR 3050 per MT (Nov 2011 contract).

Balance Sheet for Malaysian Palm oil

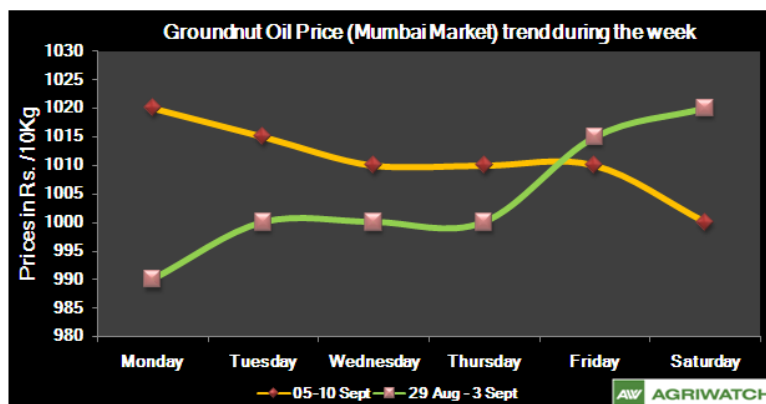
Attribute	May'11	June' 11	July'11	Aug'11	%change over previous month
Beginning Stocks	1.671	1.923	2.053	1.996	-2.80
Production	1.742	1.753	1.751	1.667	-4.80
Imports	0.106	0.110	0.110	0.074	-32.90
Total Supply	3.519	3.786	3.914	3.737	-4.50
Exports	1.406	1.581	1.730	1.689	-2.40
Total Use	0.190	0.152	0.188	0.164	-12.90
Ending Stocks	1.923	2.053	1.996	1.885	-5.60

Values in MMT

Malaysia's August month palm oil output down by 4.80 per cent to 1.667 MMT compared to previous month production of 1.751 MMT as a result of farmers/workers holidays on occasion of Muslim holy festival Ramadan. Meanwhile, August month ending palm oil stocks stood at 1.885 MMT which is down by 5.60 per cent compared to July month ending stock of 1.996 MMT. Higher demand amid delay in matured fresh palm oil bunches harvesting and oil production lead to fall in ending stocks which is supporting Malaysian palm futures prices trade with firm bias in short term.

Groundnut Oil:

- Groundnut oil prices fell by 0.66 per cent to Rs. 1011 per 10 kg during the week as a result of lack of buying interest in the market at prevailing higher prices.
- Groundnut oil prices rose to its peak level of Rs. 1020 per 10kg a week earlier on lack of availability of groundnut seeds for oil extraction amid lag in sowing progress.
- Trade sources feel, nearing harvesting season likely ease the existing pressure on groundnut oil for short to medium term.



Edible oil Shipments at Indian Ports during Sept. month (as on Sept 12)

Product	Shipments (tonnes)
Crude Soybean Oil	11,602
Crude Palm Oil	194,299
RBD Palm olein	9290
Palm Oil	84,820
Crude palm Stearin	6499.63
Crude Sunflower Oil	8,000
Sunflower Oil	8,000
Total edible oils	322,511
Source: Ben Line Agencies(India) Pvt Ltd.	

Crude Soy Oil Import Landed Cost Calculation (Parity/Disparity):

Particulars	CSO Argentina	CSO Brazil	CSO US
FOB USD per ton	1263	1273	1274
Freight (USD/MT)	65	55	50
C & F	1327.6	1327.7	1324.3
Weight loss (0.25% of FOB)	3.16	3.18	3.19
Finance charges (0.4% on CNF)	5.05	5.09	5.10
Insurance (0.3% of C&F)	4	4	4
CIF (Indian Port - Kandla)	1340	1340	1337
CVD	0	0	0
Duty USD per ton	0	0	0
CVD value USD per ton	0	0	0
E cess (2% on duty) USD per ton	0	0	0
Exchange rate	47.09	47.09	47.09
Landed cost without customs duty in INR per ton	63090	63099	62937
Customs duty %	0%	0%	0%
Base import price	580	580	580
Fixed exchange rate by customs department	44.70	44.70	44.70
Duty component in INR per ton	0	0	0
Clearing charges INR per ton	353	353	353
Brokerage INR per ton	83	83	83
Total landed cost INR per ton	63526	63535	63373
Domestic Market price INR per ton Soy Degum Kandla	62000	62000	62000
Total landed cost USD per ton	1349	1349	1346
Domestic Market price USD per ton Soy Degum Kandla	1317	1317	1317
Parity INR/MT (Domestic - Landed)	-1526	-1535	-1373
Current Parity USD/MT (Domestic - Landed)	-32.41	-32.59	-29.15
Previous week Parity USD/MT (Domestic - Landed)	-21.12	-4.37	8.19

Source: Agriwatch/ Reuters

Weakening of rupee value against US dollar lead to major change in import price prospects for India wherein currently rupee value against dollar is 47.09 as on (13th Sept). However, expected correction in USD/INR might give some respite to the import. There is higher disparity for India in importing crude soyoil from Argentina and Brazil which is hovering around US\$ 32.41 and 32.59 per MT.

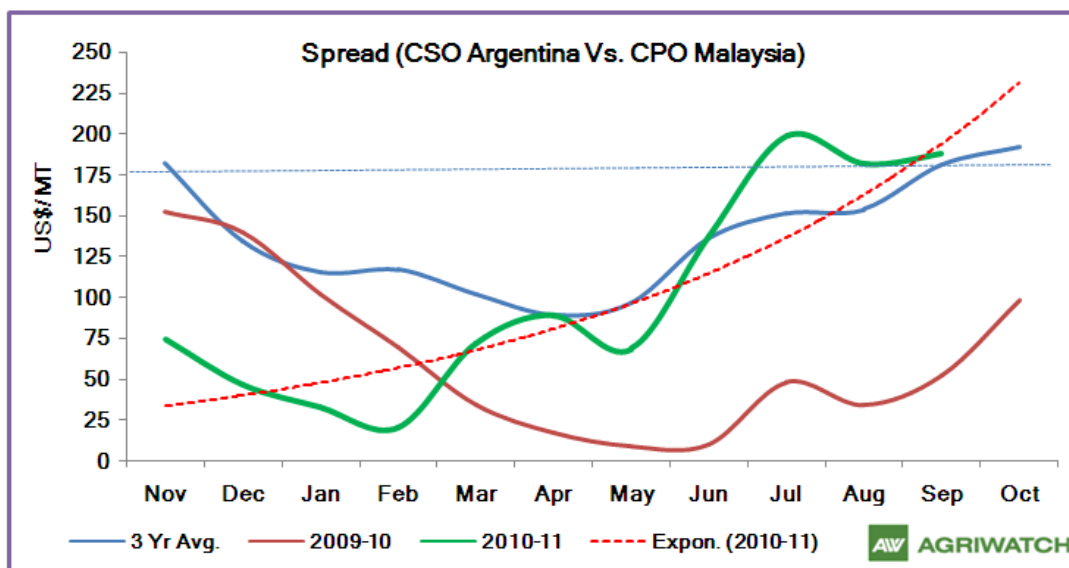
Rise in soybean and soyoil prices has also remained reason to lead for disparity for India in importing crude soyoil from Argentina and Brazil.

Meanwhile, CSO imports is likely to drop in the coming days as the domestic crop harvest is nearing and imports will remain with weak tone till Dec. end to Jan mid and later gradual increase.

Spread Status between CSO Argentina and CPO Malaysia: (USD/MT)

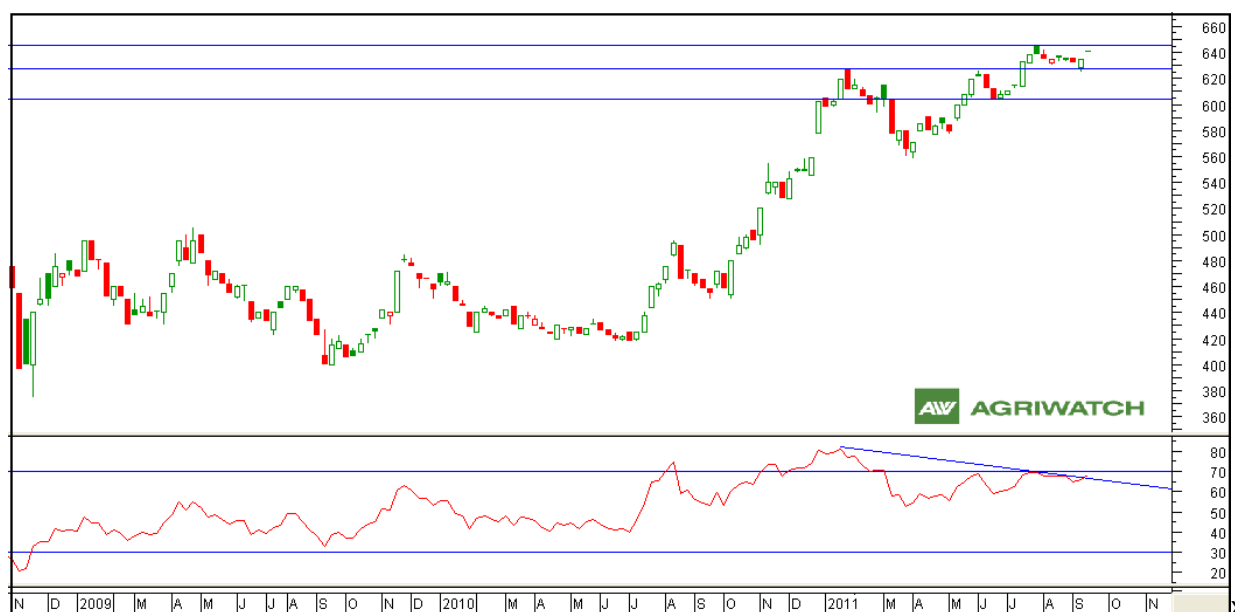
August month ending average price spread between CSO Argentina and CPO Malaysia stood at US\$ 181.70 per MT which is down by US\$ 17 per MT compared to July month. Considering seasonality index of price spread between CSO Argentina and CPO Malaysia, spread difference remains range bound with marginal uptrend for the months of Sept., Oct. and Nov. However, August month ended with spread difference of US\$ 181.70 per MT and from this point onwards spread difference likely to remain range bound for the above mentioned months. The spread difference in first week of Sept. hovering at US\$ 188.33 per MT and any considerable fall in CBOT futures soybean prices will likely ease pressure on Argentina soy oil.

FOB quotes of CSO Argentina remained with steady to firm tone on firming global edible oil market sentiments as soybean crop as weather concern keeping the US soybean crop outlook on weak tone.



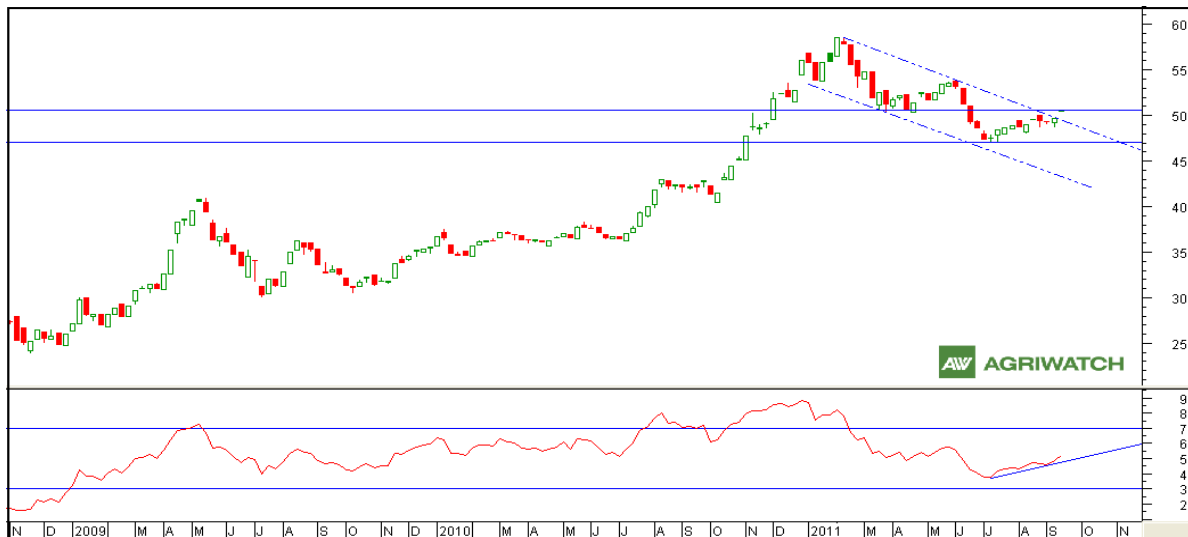
Technical Analysis (Spot Market Weekly Charts)

SOYOIL REFINED (INDORE Rs/10 Kg)



- ❖ Domestic spot market soy oil prices remained with firm tone on buying interest during the week.
- ❖ Prices remained with firm bias after taking support at 627 levels and likely test the resistance level on higher side at 645 levels.
- ❖ Breaching the immediate support level of 627 likely lead to a fall up to 603 levels which seem strong support and likely hold the prices for short to medium term.
- ❖ Positioning of RSI towards overbought zone with widening divergence indicating lack of active buying support which might lead to fall.
- ❖ Looking forward, soy oil spot prices likely to remain range bound with weak bias in coming week.

Strategy: Selling of Soy oil is suggested towards Rs 638 to 640/10 Kg range for trading purpose.

CPO (KANDLA Rs/10 Kg)


- CPO spot market candlesticks depict range bound with firm bias during the week.
- Prices likely to stay within the falling channel for the short to medium term.
- Prices finding stiff resistance at 502 level of upper line of falling channel. Breaching the level lead to breakout of channel and is likely keep the bulls run for medium term.
- 485 levels seem immediate support level and breaching the level likely lead to a fall up to 471 levels in short to medium term.
- Positioning of RSI in chart depicts upward movement in prices.

Strategy: Selling towards 500 to 502 levels is desirable.

Technical Analysis (Futures)
RSBO (Refined Soybean Oil): Weekly Continuous Chart


- ❖ **Soy oil prices stay range bound with firm bias during the week.**
- ❖ Price bounced back once again above its medium term support level of 663 and is likely to test the resistance level of 668 in short term.

- ❖ Prices might find immediate support towards 663 and breaching the level likely lead to a fall up to 656 levels in short term.
- ❖ Prices closed above 9 and 18 day's EMA suggesting range bound with firm bias movement in prices.
- ❖ Positioning of RSI in chart stands supportive for prices indicating range bound movement with chances of initial spike.
- ❖ However prices likely to remain range bound with weak bias movement in the week.

Strategy: Selling on rallies desirable towards 665-668 for a target of 660/662 with stop loss at 670.00 levels.

RSO NCDEX (Oct)

Support & Resistance				
S2	S1	PCP	R1	R2
656.00	662.00	664.50	668.00	670.00

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



- ❖ **Candlestick chart pattern reveal breakout of falling channel from upper side.**
- ❖ Prices breached the resistance level of upper falling channel at 498 levels which is likely to act as its immediate support zone.
- ❖ Technical bounce from its immediate support zone might lead the prices to test towards its resistance at 512 during short to medium term.
- ❖ Breaching the immediate support level of 498 likely lead to a fall up to 481 in short to medium term.
- ❖ Positioning of RSI in chart is in tandem with the prices indicating prices to stay range bound with marginal firmness.
- ❖ Price is likely to remain range bound with firm bias for short term.

Strategy: Market participants are suggested to wait for the direction.

CPO MCX (Oct)

Support & Resistance				
S2	S1	PCP	R1	R2
481.00	498.00	498.90	512.00	522.00

Edible Oil Prices at Key Markets (Week on Week)

Commodity	Centre	Prices (Per 10 Kg)		Change
		10-09-2011	03-09-2011	
Refined Soybean Oil	Mumbai +VAT	640	645	-5
	Delhi (Loose)	665	667	-2
	Indore (Loose)	635	632	+3
	Kota(Loose)	644	642	+2
	Hyderabad+ VAT	710	715	-5
	Jaipur (Loose)	655	652	+3
	Rajkot (Loose)	640	640	Unch
	Akola (Loose)	676	677	-1
	Amrawati (Loose)	676	677	-1
	Haldiya Port (Loose)	-	656	-
	Jalna	673	681	-8
	Nagpur	681	676	+5
	Soy Degum Kandla/Mundra+VAT	620	625	-5
	Soy Degum Mumbai+VAT	615	624	-9
Palm Oil	Kandla CPO (5%FFA)	497	492	+5
	Kandla RBD Palmolein +VAT	549	542	+7
	Chennai RBD Palmolein (Loose)	570	566	+4
	Kakinada RBD Palmolein (Loose)	553	556	-3
	Mumbai RBD Pamolein+ VAT	552	556	-4
	Hyd. RBD Palmolein VAT	600	610	-10
	Delhi RBD Palmolein (Loose)	585	582	+3
Refined Sunflower Oil	Hyderabad Exp +VAT	760	760	Unch
	Bellary (Exp. Oil)+VAT	641	641	Unch
	Chellakere (Exp. Oil)+VAT	656	666	-10
	Erode (Exp. Oil)+VAT	715	715	Unch
	Latur (Exp. Oil)+VAT	656	661	-5
	Kandla/Mundra	655	660	-5
	Mumbai + VAT	710	705	+5
	Chennai (Loose)	745	740	+5
Groundnut Oil	Hyderabad +VAT	995	995	Unch
	Chennai (Loose)	890	880	+10
	Delhi (Loose)	1040	1060	+20
	Gondal+VAT	1010	1030	-20
	Jamnagar +VAT	1010	1030	-20
	Narsarropeth+VAT	841	841	Unch
	Prodattour+VAT	901	901	Unch

	Mumbai + VAT	1000	1020	-20
	Rajkot (Loose)	1010	1050	-40
Rapeseed Oil	Alwar (Expeller Oil)(Loose)	636	633	+3
	Sri Ganga Nagar(Exp Oil-Loose)	624	623	+1
	Delhi (Exp. Oil) (Loose)	665	655	+10
	Jaipur (Expeller Oil) (Loose)	640	635	+5
	Kota (Expeller Oil) (Loose)	627	625	+2
	Mumbai (Exp. Oil) +VAT	664	664	Unch
	Hapur+VAT	660	668	-8
	Agra (Kacchi Ghani Oil) +VAT	670	665	+5
Refined Cottonseed Oil	Mumbai +VAT	652	658	-6
	Hyderabad (Loose)	695	695	Unch
	Rajkot (Loose)	665	665	Unch
	Delhi (Loose)	650	642	+8
Malaysia Palmolein USD/MT	FOB (Oct)	1150	1170	-20
	CNF (Oct) - India	1185	1205	-20
Indonesia/Malaysia CPO USD/MT	FOB (Oct)	1170	1085	+85
	CNF (Oct) - India	1205	1120	+85
Argentina FOB (\$/MT)		09-09-2011	01-09-2011	Change
Soybean Oil Ship(Sep)		1272	1291	-19
Refined Soy Oil (Bulk) Ship(Sep)		1316	1336	-20
Sunflower Oil Ship (Sep)		-		-
Cottonseed Oil Ship(Sep)		1252	1271	-19
Refine Linseed Oil (Bulk) Ship(Sep)		1292	1311	-19

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