

Domestic Veg. Oil Market Summary:

- Weak tone witnessed in domestic edible oil market during the week ended on 8th Oct as a result of sporadic demand from retailers and wholesalers failed to sustain edible oil prices at higher levels amid financial economic crisis.
- Groundnut oil prices stay sideways with marginal gains during the week end. Festival demand shall continue to lend support at lower price quotes.
- Soy oil prices stay soft during the week end as new crop arrivals from major centers put pressure on soy refine prices as seeds are available at lower quotes. However, buying is expected before major festival of Diwali which is likely to lend lateral support to the prices moving forward.
- We expect edible oil price to trade sideways in coming week with marginal improvement in prices is expected keeping in view approaching Diwali festival.

International Veg. Oil Market Summary:

- Edible oil prices at bench mark market of CBOT and BMD declined during initial trading days but recover from its lows on technically triggered buying. Malaysian palm oil futures prices fell from MYR 2845/MT to MYR 2772/MT during the week meanwhile CBOT soy oil futures prices fell by 1.69 points to 49.32 cents/pound (Dec'11 contract) which later on see some gains from its support zone. Ambiguity related to Euro-zone crisis and fear of significant decline in recession still persists.
- Since EU and US are the major buyer of Malaysian palm oil and deepening financial crisis could hammer the demand further which mean exports of palm oil products from Malaysia could see negative growth y-o-y. At the same time surging ending stocks m-o-m at Malaysia shall cap interims of excessive gain.

Outlook:
Soy:

CBOT soy oil futures prices are would stay range bound within a range of 48.50-51.50 cents/pound.

Palm:

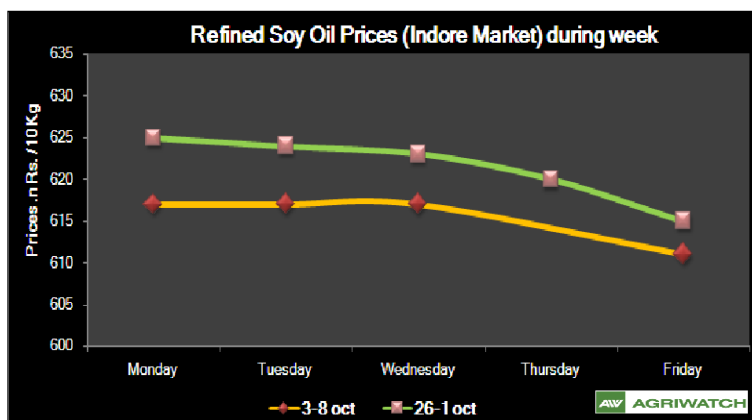
Average price spread between CSO Argentina and CPO Malaysia during the week under review stood at US\$ 166.25/MT which is down by US\$ 1 per MT as a result faster rate of decline in CSO prices at Argentina when compared to CPO Malaysia during the week under review. However, spread is expected to widen during Nov as pressure is expected on palm during Nov owing to slack demand for palm during winter.

Market Recap and Fundamental Analysis

Soy oil:

Domestic Fundamentals:-

- Domestic Indore refined soy oil declined during the week and prices fell by 0.95 per cent to Rs. 616 per 10 kg w-o-w (average prices of week).
- As per trade source, a major plant of Neemuch, MP, based solvent extractor sold refined soy oil at Rs 615 per 10 Kg to Rajasthan buyer's during early week. This encouraged more plants to come into selling thereby weighing on the prices. Earlier market participants were not ready to sell their stock below Rs630 per 10 Kg anticipating recovery in the oil in near-term. In view of the recent sell at the level, other solvent extractors are likely to off-load their stocks around Rs615-620 per 10 Kg which will subsequently add bearish tone to soy oil in near term.
- However, plants are getting handsome returns even if they are selling soy refine at Rs 627/10 Kg (all paid) as on 7th Oct. Seed prices (plant delivery) at 2050/Qtl and meal at Rs 15600/tonnes and refining cost at Rs 1100/MT of crushing, solvent extracted soy oil worked out at Rs 489/10 Kg. Adding refining cost of Rs 30/10 Kg to solvent extracted oil and 5% of VAT total cost comes out to Rs 545/10 Kg. Adding further commission of 2% as brokerage the total cost comes out to Rs 556/10 Kg. At the same time soy refine (all paid) is selling at Rs 627 as on 7th Oct indicating a net gain of Rs 72/10 Kg which is significantly higher in terms of return. With seed prices to see some more declines the margin can increase further. Keeping in view the return from soy refine plants can sell refine even below 590 and get good return out of it.



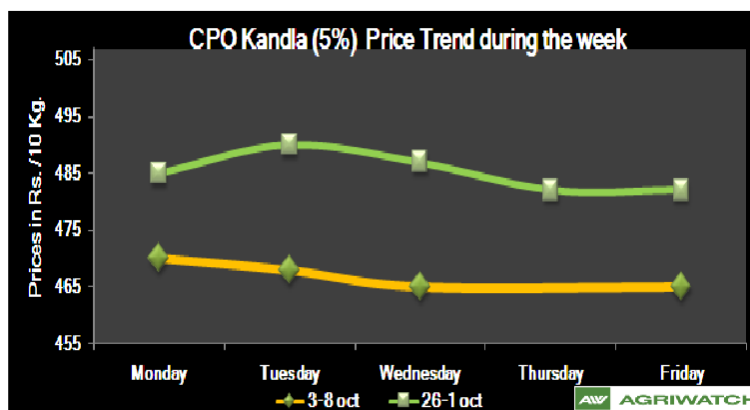
International Fundamentals:-

- Argentina CSO FOB quotes fell by 2.37 per cent to US 1070 per MT during the week. Meanwhile, Soy oil futures prices at CBOT fell by US c 1.96 to US c 50.20 per pound during the week. WASDE report will be released on 12th Oct and various expectations is that USDA might lower its export projection from 1415 million bushel (Sep projection) to 1400 million bushels. At the same time production and crushing is likely to be un-changed which could results into increase in ending stocks by 15 million bushels to 180 million bushels. This is likely keep soy complex prices under pressure for short term. Fear of marked decline in Chinese demand by 3% could be a bearish factor for US soy complex and shall keep weighing on the market sentiments.
- We expect CBOT soy oil prices to remain range bound with expectation of selling from higher levels due to the weak fundamentals and current global financial crisis.

Palm Oil:

Domestic Fundamentals:-

- Domestic market crude palm oil (CPO Kandla 5%) trade with weak bias during the week and prices fell by 3.75 per cent to Rs. 467 per 10 kg compared to previous week average prices. Higher availability of palm oil stocks and weak demand continue to keep palm oil prices under pressure. However, demand from South Indian states might improve at lower quotes on account of approaching Diwali during coming couple of week. Any significant improvement in demand shall cap any major fall.

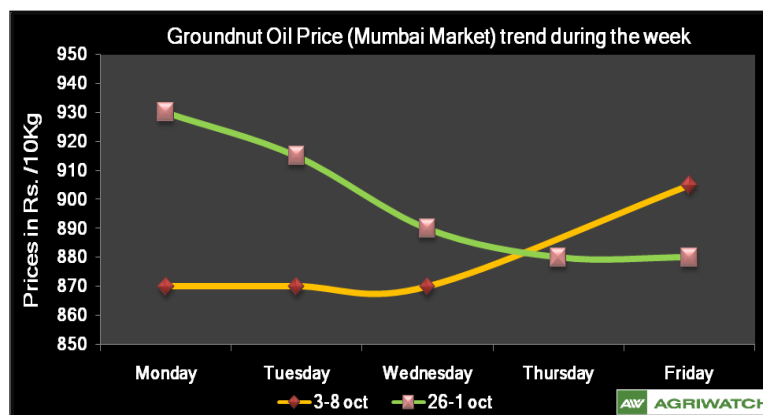


International Fundamentals:-

- As per Intertek Testing Services, Malaysia's palm oil products exports from for September month fell by 6.3 per cent to 1,520,948 metric tons compared 1,622,731 tons shipped during August. Lower export for Sep and expectation of export to decline during Oct too might keep palm oil prices under pressure.
- MPOB data reveal palm oil production could rise 2.2% to 18.7 million tons in 2012 due to replanting efforts. Expectation of surging production y-o-y and peak production period during Sep – Oct shall keep weighing on the market sentiments.
- Monthly MPOB data reveal significant gain in palm oil inventory as the month Sep month ending stocks is up by over 12% which is likely to bear additional pressure on palm oil prices moving forward.
- Indonesian Palm oil Association withdraws its membership from Roundtable on Sustainable Palm Oil (RSPO). Indonesian government will implement its own sustainable palm oil regulations and penalize those which do not follow the OPOA standards. RSPO is an industry body that aim to promote use of sustainable palm oil products. Market participants still feel that RSPO is an international sustainability benchmark.

Groundnut Oil:

- Groundnut oil prices stay mixed with no clear direction. Prices fell by 2.25 per cent to Rs. 879 per 10 kg compared to previous week (average prices) in Mumbai during the week under review. New crop arrivals keep pressure on GN oil for the time being but since we are having lower beginning stocks for current oil year, this could lead to surge in prices during later part.
- Groundnut oil prices seen up in Rajkot markets where prices increased by 2.08% to 858 per 10 kg compared to previous week average prices. Better demand of oil lends underlying support to the GN oil prices in its major trading center of Rajkot.



- As Trade sources, festival demand prior to Diwali helped lending support to the G/N oil prices which is likely to extended for coming week too.
- As per Ministry of Agriculture, groundnut acreage as on 30 Sept 2011 fell by 13.87 percent stood at 42.86 lakh ha compared to previous year. Meanwhile fall in acreage would mean lower production in this year which is likely to keep long term bullish fundamentals intact.

Sunflower oil

Domestic Fundamentals:-

- Demand for expeller sun oil stay steady with approaching Diwali. However, some decline could be seen from higher levels and prices fell by 1.08 per cent to Rs. 719 per 10 kg compared to previous week average prices in Mumbai market during the week.
- As per trade sources, sunflower seed production is expected to drop down to 1.50 lakh tonnes (combined production) in Karnataka and Maharashtra when compared to 1.64 lakh tonnes a year ago. Market expects sun oil import during the current oil year could exceed 9-10 lakh tonnes on poor domestic supply.

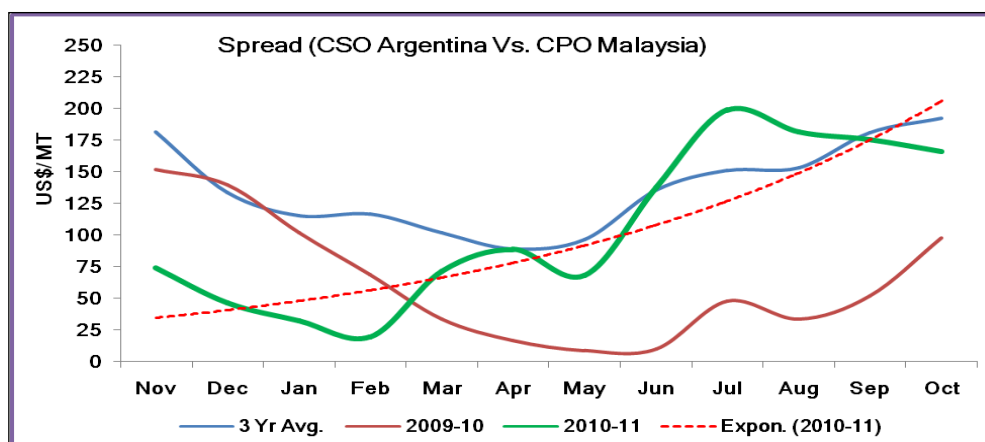
International Fundamentals:-

- At International front, Ukraine, the world's biggest sunflower oil exporter, is likely to produce a record 3.55 million tonnes of sun oil in the 2011-12 seasons.
- Better global supply shall ensure relatively cheaper sun oil import, at the same MNC's starts booking import orders. This might keep domestic sun oil prices range bound with weak bias and will depend on the volume of sun oil import during current oil year.

Edible oil Shipments at Indian Ports during Oct. month (1-7 Oct 2011)

| Product | Shipments (tonnes) |
|---|--------------------|
| Crude Palm Oil | 109048.57 |
| Crude Sunflower Oil | 6120 |
| Total edible oils | 115168.57 |
| Source: Ben Line Agencies(India) Pvt Ltd. | |

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



Average price spread between CSO Argentina and CPO Malaysia during the week under review stood at US\$ 166.25/MT which is down by US\$ 1 per MT as a result considerable falls in Argentina CSO prices as well as Malaysian CPO faster rate of decline in CSO prices at Argentina when compared to CPO Malaysia during the week under review. However, spread is expected to widen during Nov as pressure is expected on palm during Nov owing to slack demand for palm during winter.

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

| Landed Cost Calculation as on 15/09/2011 | CSO Argentina | CSO Brazil | CSO US |
|---|----------------------|-------------------|---------------|
| FOB USD per ton | 1070 | 1065 | 1054 |
| Freight (USD/MT) | 65 | 55 | 50 |
| C & F | 1135.0 | 1120.3 | 1103.8 |
| Weight loss (0.25% of FOB) | 2.68 | 2.66 | 2.63 |
| Finance charges (0.4% on CNF) | 4.28 | 4.26 | 4.22 |
| Insurance (0.3% of C&F) | 3 | 3 | 3 |
| CIF (Indian Port - Kandla) | 1145 | 1131 | 1114 |
| 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 | 49.13 | 49.13 | 49.13 |
| Landed cost without customs duty in INR per ton | 56272 | 55546 | 54729 |
| 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 | 56708 | 55982 | 55165 |
| Domestic Market price INR per ton Soy Degum Kandla | 58800 | 58800 | 58800 |
| Total landed cost USD per ton | 1154 | 1139 | 1123 |
| Domestic Market price USD per ton Soy Degum Kandla | 1197 | 1197 | 1197 |
| Parity INR/MT (Domestic - Landed) | 2092 | 2818 | 3635 |
| Parity USD/MT (Domestic - Landed) | 42.59 | 57.36 | 73.99 |

Source: Agriwatch/ Reuters

It is evident from the above table that parity comes into positive territory with imports viable from US ports. With the onset of US harvest and subsequent decline in soy oil prices helped to ease the soy oil prices during recent time. Despite depreciation of rupee during last couple of weeks shall stand encouraging for imports to import CSO from US we expect booking of few consignments during coming week shall ensure adequate domestic edible oil supply.

Technical Analysis (Spot Market Weekly Charts)

SOYOIL REFINED (INDORE Rs/10 Kg)

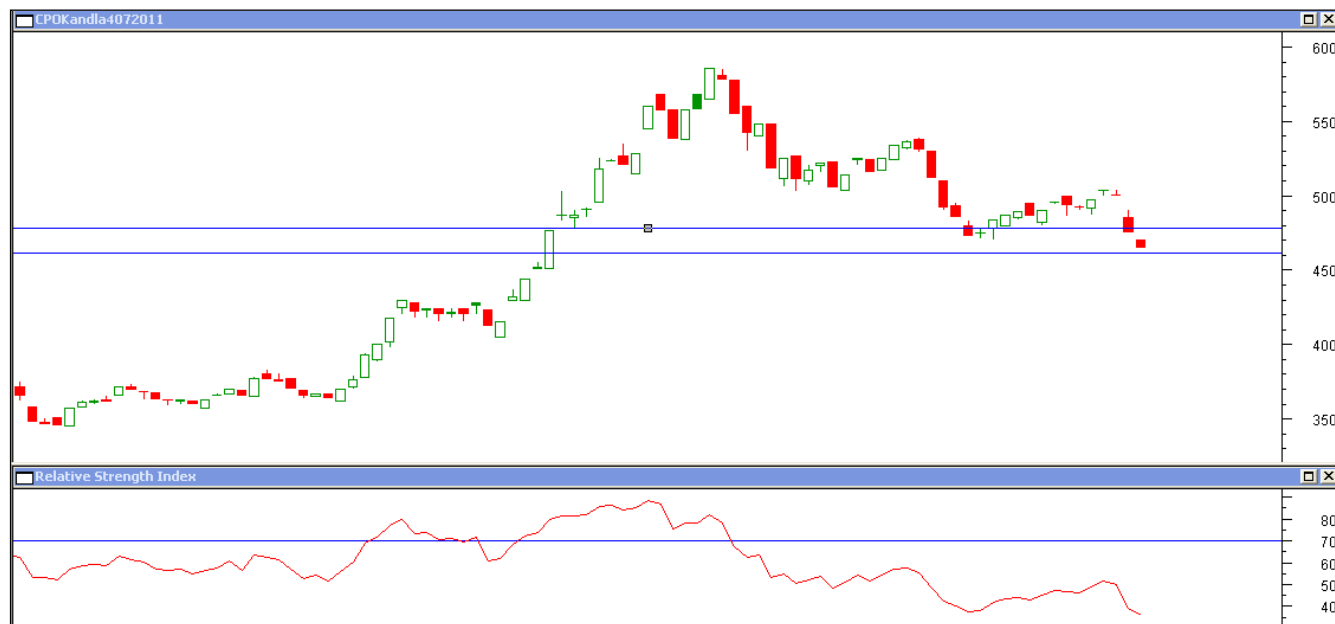


- ❖ Domestic spot market soy oil prices declined during the week.
- ❖ Immediate support level likely to be Rs 590 per 10 Kg for short term.
- ❖ Breaching the level likely lead the prices to test towards 583 levels. However, a technical bounce from its key support level shall bring the prices to test towards 615/10 kg.
- ❖ Positioning of RSI is near to neutral zone.
- ❖ Looking forward, soy oil spot prices likely to remain range bound in coming week.

Strategy: Market participants should wait for higher levels for short selling.

Technical Analysis (Spot Market Weekly Charts)

CPO (KANDLA Rs/10 Kg)



- CPO spot market candlesticks depict marked fall during the week.
- Immediate support level likely to be Rs 460 per 10 Kg for short term.
- Breaching the level likely lead to a fall up to 456.00 levels in near term.
- Positioning of RSI in chart is in-tune with the current sideways price movement.
- As indicators depicts, prices likely remain range bound with possibility of to test towards its support.

Strategy: One should wait to liquidate existing stocks in case of immediate jump. At the same time one should take care for its immediate support and breaching the same should instigate a fresh sell off in the spot market.

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

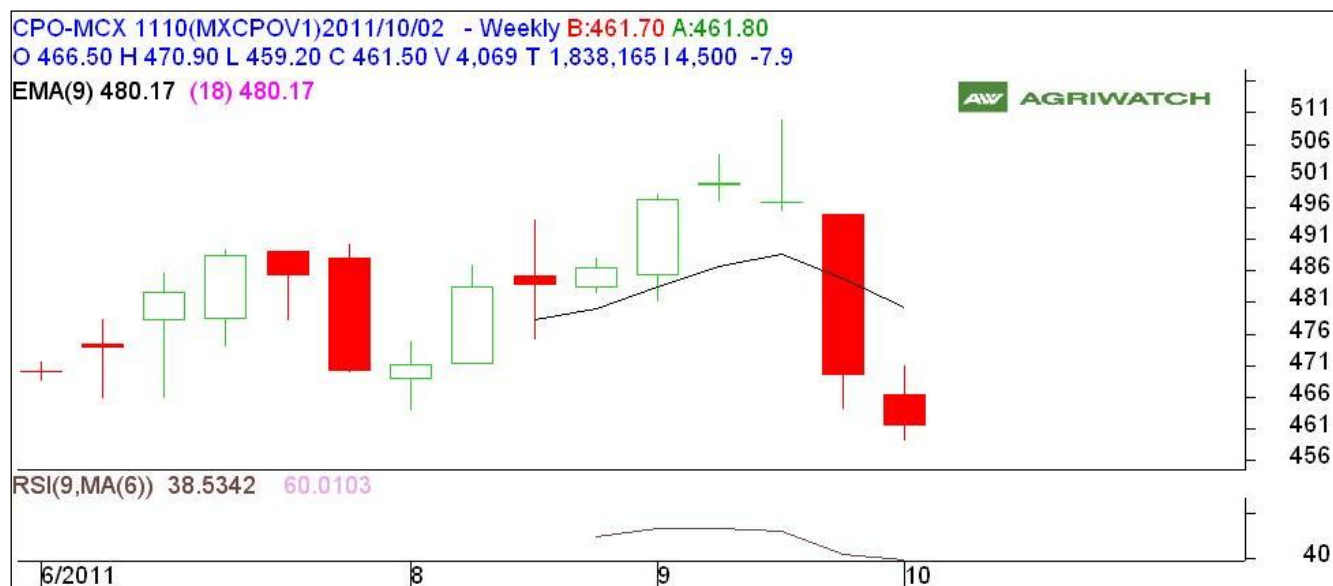


- ❖ Soy oil prices stay sideways with marginal improvement from its previous week lows during the week.
- ❖ 590 might act as strong support zone. Meanwhile, 630 might act as immediate resistance.
- ❖ However, breaching 618 levels may support the prices to take its rally up to 625 levels.
- ❖ Therefore the price is likely to keep its sideways trade intact within a broad trading zone. Breaching in either side shall define the prices for coming couple of weeks.
- ❖ Concisely we expect prices to face stiff resistance zone towards 625-630 which mean one should liquidate any long position towards its key resistance zone.

Strategy: Selling on rally is desirable towards 630-625 for a target of 600-610 with stop loss at 640. One should wait to sell at higher levels.

RSO NCDEX (Oct)

| Support & Resistance | | | | |
|----------------------|-----|-------|-----|-----|
| S2 | S1 | PCP | R1 | R2 |
| 580 | 590 | 602.6 | 618 | 625 |

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


- ❖ **Candlestick indicates weak bias movement during the week.**
- ❖ However, breaching the immediate support of 455 shall lead the prices to fall towards 450 levels during coming couple of weeks.
- ❖ Indicators stay neutral as there is no major indication from the same.
- ❖ Price is likely to remain range bound with weak bias for short term.

Strategy: Market participants are suggested to wait for short selling as a technical bounce is possible at 476-478 level with a stop loss 485.

CPO MCX (Oct)

| Support & Resistance | | | | |
|----------------------|--------|-------|-----|-----|
| S2 | S1 | PCP | R1 | R2 |
| 451 | 455.00 | 461.5 | 471 | 478 |

Edible Oil Prices at Key Markets (Week on Week Prices)

| Commodity | Centre | Prices(Per 10 Kg) | | Change |
|-----------------------|--------------------------------|-------------------|-----------|--------|
| | | 8/10/2011 | 3/10/2011 | |
| Refined Soybean Oil | Mumbai +VAT | 611 | 617 | -6 |
| | Delhi (Loose) | 635 | 640 | -5 |
| | Indore + VAT | 598 | 600 | -2 |
| | Kota(Loose) | 610 | 625 | -15 |
| | Hyderabad+ VAT | 665 | 700 | -35 |
| | Jaipur (Loose) | 635 | 648 | -13 |
| | Rajkot (Loose) | 610 | 620 | -10 |
| | Akola (Loose) | 652 | 653 | -1 |
| | Amrawati (Loose) | 652 | 653 | -1 |
| | Haldiya Port (Loose) | 616 | - | - |
| | Jalna | 646 | 646 | 0 |
| | Kakinada | 635 | 655 | -20 |
| | Nagpur | 656 | 661 | -5 |
| | SoyDegum Kandla/Mundra+VAT | 585 | 590 | -5 |
| | Soy Degum Mumbai+VAT | 585 | 590 | -5 |
| Palm Oil | Kandla CPO (5%FFA) | 464 | 470 | -6 |
| | Kandla RBD Palmolein +VAT | 495 | 495 | 0 |
| | Chennai RBD Palmolein (Loose) | 520 | 535 | -15 |
| | Kakinada RBD Palmolein (Loose) | 509 | 526 | -17 |
| | Mumbai RBD Pamolein+ VAT | 520 | 540 | -20 |
| | Hyd. RBD Palmolein VAT | 570 | 580 | -10 |
| | Delhi RBD Palmolein (Loose) | 565 | 570 | -5 |
| Refined Sunflower Oil | Hyderabad Exp +VAT | 750 | 765 | -15 |
| | Bellary (Exp. Oil)+VAT | 636 | 641 | -5 |
| | Chellakere (Exp. Oil)+VAT | 651 | 651 | 0 |
| | Erode (Exp. Oil)+VAT | 710 | 720 | -10 |
| | Latur (Exp. Oil)+VAT | 661 | 571 | +90 |
| | Kandla/Mundra | 655 | 660 | +15 |
| | Mumbai + VAT | 730 | 740 | -10 |
| | Chennai (Loose) | 740 | 770 | -30 |
| Groundnut Oil | Hyderabad +VAT | 900 | 960 | -60 |
| | Chennai (Loose) | 830 | 860 | -30 |
| | Delhi (Loose) | 865 | 850 | +15 |
| | Gondal+VAT | 890 | - | - |

| | | | | |
|--------------------------------------|--------------------------------|-----|------|-----|
| | Jamnagar +VAT | 890 | - | - |
| | Narsarropeth+VAT | 751 | 801 | -50 |
| | Prodattour+VAT | 801 | 826 | -25 |
| | Mumbai + VAT | 915 | 870 | +45 |
| | Rajkot (Loose) | 890 | 830 | +60 |
| | | | | |
| Rapeseed Oil | Alwar (Expeller Oil)(Loose) | 623 | 629 | -6 |
| | Sri Ganga Nagar(Exp Oil-Loose) | 620 | 625 | -5 |
| | Delhi (Exp. Oil) (Loose) | 660 | 655 | +5 |
| | Jaipur (Expeller Oil) (Loose) | 625 | 628 | -3 |
| | Kota (Expeller Oil) (Loose) | 600 | 610 | -10 |
| | Mumbai (Exp. Oil) +VAT | 648 | 645 | +3 |
| | Kolkatta | - | - | - |
| | Hapur+VAT | 660 | 640 | +20 |
| | Agra (Kacchi Ghani Oil) +VAT | 657 | 662 | -5 |
| | | | | |
| Refined Cottonseed Oil | Mumbai +VAT | 627 | 638 | -11 |
| | Hyderabad (Loose) | 660 | 670 | -10 |
| | Rajkot (Loose) | 622 | 610 | +12 |
| | Delhi (Loose) | 605 | 600 | +5 |
| Sesame Oil | Delhi | 620 | 620 | 0 |
| | Mumbai | 775 | 775 | 0 |
| Rice Bran Oil (40%) | Delhi | 545 | 545 | 0 |
| | Punjab | 550 | 550 | 0 |
| Rice Bran Oil (70%) | Delhi | 415 | 415 | 0 |
| | | | | |
| Malaysia Palmolein USD/MT | FOB (Oct) | - | 985 | - |
| | CNF (Oct) - India | - | 1020 | - |
| Indonesia/Malaysia CPO USD/MT | FOB (Oct) | - | 925 | - |
| | CNF (Oct) - India | - | 960 | - |

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