

Domestic Veg. Oil Market Summary:

- Most of the edible oil prices witness improvement during the week ended on 15th Oct as it derived positive cues from its bench mark market of CBOT and BMD and buying support in spot due to approaching Diwali.
- Groundnut oil prices remain mixed during the week under review. As per trade sources, G/N oil might soften by Rs 30-40 per 10 Kg in near term due to arrivals and subsequent availability of seeds for crushing.
- Demand for edible oil starts picking up from different centers. Soy oil demand in central India improved while ready to use palmolein demand improved significantly from south India. Buying is expected before major festival of Diwali which is likely to lend lateral support to the prices for short term.
- We expect edible oil to trade sideways with expectation of buying at lower levels during coming couple of days.

International Veg. Oil Market Summary:

- Edible oil prices at bench mark market of CBOT and BMD rose during initial trading. CBOT soy oil futures prices up by 3.7 points to 53.81 cents/pound (Dec'11 contract). Malaysian palm oil futures prices rose from MYR 2793/MT to MYR 2906/MT during the week.
- USDA revised down the figure of ending stocks which added a bullish hue to the market sentiments. At the same time US soy oil production is kept constant along with bio-diesel production. With lower consumption to be reflected from the US balance sheet as US soy oil ending stocks projected to increase by 1.16%.
- Uncertainties continue to loom the Euro-zone financial crisis with fear of marked decline in palm/soy/canola and cottonseed oil demand from US and EU nations. However, demand is likely to surge from India, Pakistan and China which might lend underlying support to the palm oil prices for short term.

Outlook:
Soy:

CBOT soy oil futures prices are would stay range bound within a range of 51.0 to 52.5 cents/pound.

Palm:

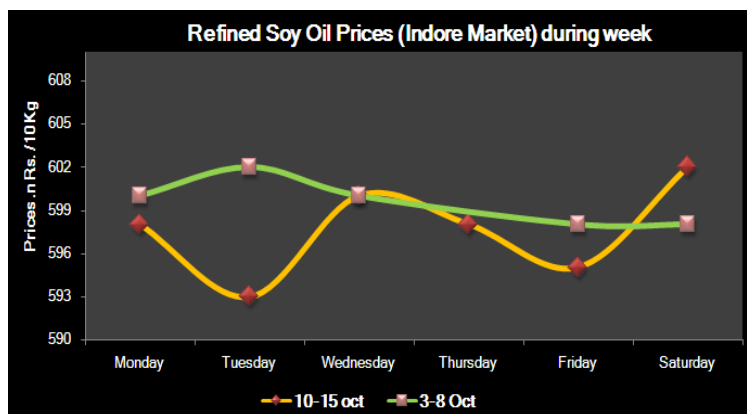
Average price spread between CSO Argentina and CPO Malaysia during the week stood at US\$ 202.25 per MT up by US\$ 36 per MT compared to previous week. High FOB quotes of CSO Argentina and marginal rise in FOB quotes for CPO Malaysia mostly maintained the spread difference to rose as compared to last week levels. Argentine FOB quotes for CSO rose by US\$ 79 per MT to US\$ 1149/MT and Malaysian FOB quotes rose by US\$ 15/MT during the week. Rising trend is in line with the historical price spread we expect spread to widen further in Oct month & imports likely to fell in medium term.

Market Recap and Fundamental Analysis

Soy oil:

Domestic Fundamentals:-

- Domestic refined soy oil remains sideways during initial trading days but spiked up during later part of the week on account of demand support.
- Spot demand for soy refine in central India was seen up with plants intended to sell the same at higher quotes. Most of the plants are having ready stocks and are likely to liquidate the same before Diwali.
- At the same time demand is expected to improve for the coming week as buying could gain momentum with approaching Diwali. Trade sources reveal demand could garner momentum during coming couple of weeks and is likely to lend underlying support to soy oil prices.
- Considering the above factors in view, we expect soy oil prices to stay range bound with intermittent spikes going ahead with the festival buying. It is evident that the plants are in marginal disparity considering the prices as on 17th Oct as the plant got seed at avg. prices of Rs 2185/Qtl, selling meal at Rs 15700 (Indore spot) and soy refine at 625/10 kg (Indore spot). Considering processing cost and other factors soy refine production cost worked out to 590/10 kg. Adding 5% VAT and 2% commission as brokerage the total cost surge to 631 which is higher when compared to the spot prices. At these price levels the plants may not be interested to liquidate their soy refine stocks and will wait for seed prices to soften further.
- Any such move by the plants shall lend support to the soy refine prices especially when festival is approaching. This shall keep domestic soy refine prices buoyant in near term.



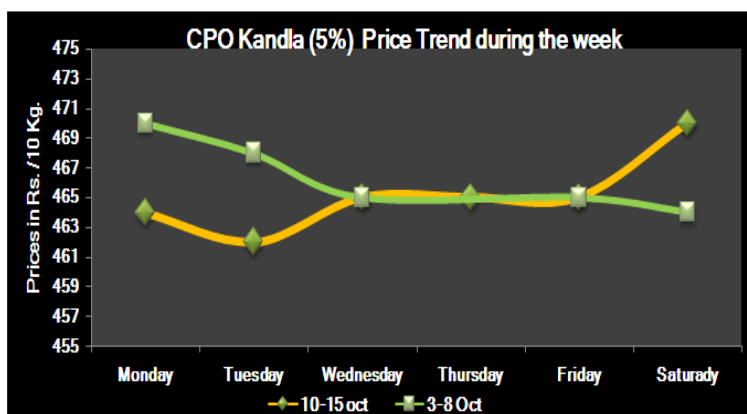
International Fundamentals:-

- Argentina CSO FOB quotes rose by 7.15 per cent to US 1155.10 per MT during the week. Meanwhile, Soy oil futures prices at CBOT rose by US c 3.7 to US c 53.81 per pound during the week.
- USDA reduced world soy oil production by 0.3 per cent to 43.11 MMT (in its October month report) compared to its earlier estimates. However, it raises its US soy oil ending stocks by 1.16 percent.
- Considering the above mention factors we expect CBOT soy oil prices to remain range bound with expectation of selling from higher levels. However, any significant buying from China shall keep entire soy complex prices on cautious note moving forward.

Palm Oil:

Domestic Fundamentals:-

- Domestic market crude palm oil (CPO Kandla 5%) trade with firm bias range bound to firm during the week and prices rose in major markets by Rs 10-15 per 10 Kg. Demand for palmolein improved during the week from South India. Ready stocks for palmolein are in good demand from Hyderabad, Chennai and other regions with approaching Diwali.
- At the same time demand for Super-Olein which is softer type of palm olein obtained by fractionation of the standard palm olein improved significantly which further added bullish hue to the market sentiments.
- Bullish cues from BMD backed by optimistic export outlook resulted spill over support to domestic palm oil prices.
- On account of approaching Hindu's festival demand likely to surge in a coming couple of week which is likely to keep palm oil prices on encouraging note moving forward.



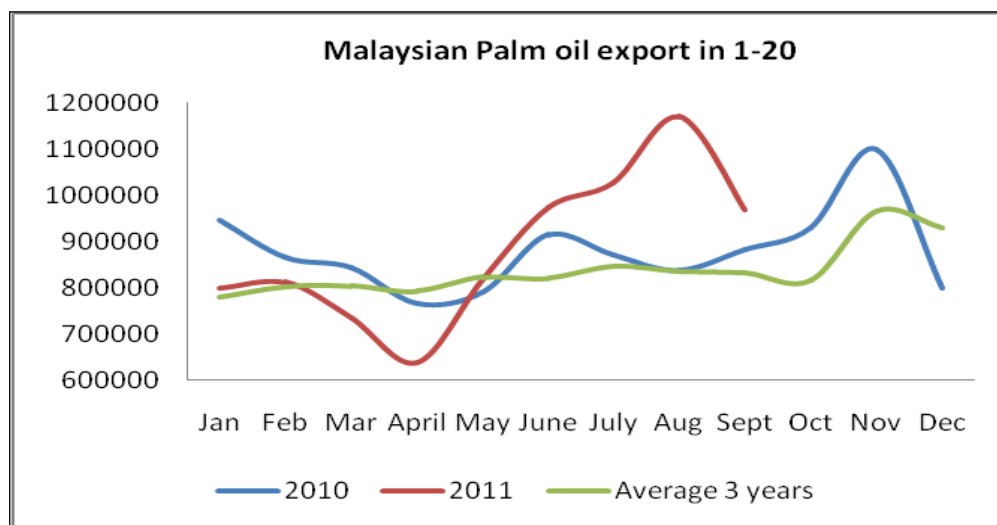
International Fundamentals:-

- As per SGS, Malaysian palm oil products exports for the period of Oct 1-15 rose by 10.2 per cent stood at 719,575 million tonnes from 652,766 tonnes shipped during Sept. 1-15.
- India and subcontinents imported 113,290 MT of palm oil products from Malaysia during 1-15 of Oct compared to Sept 1-15 imports of 56,870MT

Palm oil Products	October 1-15	September 1-15
Crude palm oil	204,570	119,250
RBD palm oil	39,988	33,324
RBD palm olein	242,913	358,572
RBD palm stearin	100,201	66,160
Crude palm kernel oil	20,316	1,300
Oleo chemicals	22,427	19,799
Source: Retuers/Agriwatch.		

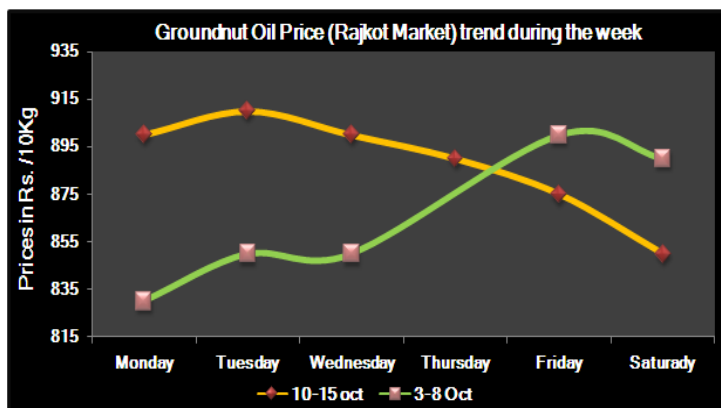
Malaysian Palm oil export in 1-20 dates :-

Malaysian palm oil export is projected to stay firm for the period of 1-20th Oct. While considering the historical export trend during the period we expect export to improve marginally moving forward. As compared with 3 years average of Malaysian palm oil in Oct 1-20 exports likely to surge by nearly 2% meanwhile in Sept 1-20, 2011 export were stood at 967859 MT.



Groundnut Oil:

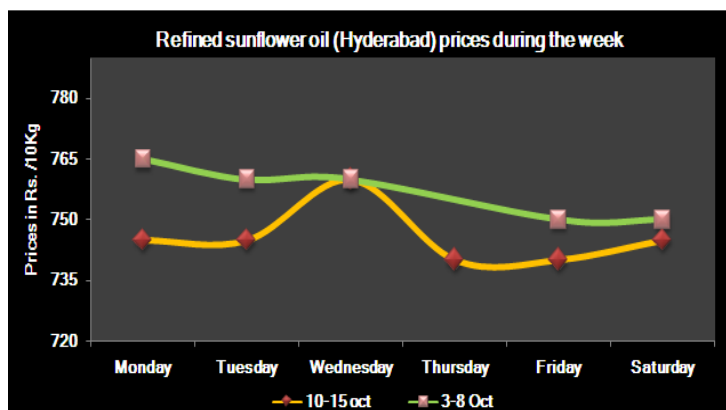
- Groundnut oil prices stay mix with weak bias in most of the centers as demand from G/N oil shifted to other oils due to price differential. New crop arrivals from major producing region and subsequent availability of GN seed added bearish hue to the market sentiment. Moving forward, we expect GN oil prices to stay range bound with marginal weakness further till the arrivals end. However, long term bullish fundamentals hold intact.
- As per the survey conducted by the Solvent Extractors Association (SEA) groundnut production in Gujarat expected to be 17.75 lakh tons.
- As per source, groundnut oil might soften by Rs 30-40 per 10 kg in near term. However in Rajkot's market, Groundnut oil likely to trade within range of Rs 815-845 per 10 Kg in near term.



Sunflower oil

Domestic Fundamentals:-

- Demand for expeller sun oil stay steady with approaching Diwali. However, some decline could be seen at higher levels and prices fell by 1.48 per cent to Rs. 746 per 10 kg compared to previous week average prices in Hyderabad market during the week.
- Anticipation of higher imports of sun oil during current oil year and subsequent greater availability continue to keep pressure on domestic sun oil prices.
- At the same time demand starts shifting to other cheaper alternative at higher price spread leading to decline in sun oil prices at spot. Moving forward, we expect prices to stay range bound with marginal weakness during coming week.



International Fundamentals:-

- At International front, Ukraine largest producer and exporter of sunflower oil is likely to produce a record 3.55 million tonnes of sun oil in the 2011-12 seasons as compared to last year it produced 3.33 million tonnes of sun oil.
- Better global supply shall ensure relatively cheaper sun oil import. 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.

WASDE Analysis:

USDA released its monthly world agricultural supply and demand report on 12th October in which harvested area, yield and production and beginning stocks are much below the trade anticipation. US soybean harvested area is projected down marginally by 0.1 million acres while yield is revised down by 0.3 bushels per acre. Minute detail of USDA data is enlisted in the following table:

Parameters	2010-11	2011-12		% Change
	Est.	Sep'11	Oct'11	
US				
Soybean planted acreage m.a.	77.4	75	75	0.00%
Soybean Harvested acreage m.a.	76.6	73.8	73.7	-0.14%
Soybean yield, in b / a	43.5	41.8	41.5	-0.72%
Beginning Stocks, in m.b.	151	225	215	-4.44%
Soybean production, in m.b.	3329	3085	3060	-0.81%
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	1415	1375	-2.83%
Residual, in m.b	38	23	32	39.13%
Soybean ending stocks, in m.b.	200	165	160	-3.03%
Soy meal production, in '000 short tons	39683	38835	38835	0.00%
Soy meal ending stocks, in '000 short tons	300	350	300	-14.29%
Soy oil production, in million lbs	19090	18670	18670	0.00%
Soy oil for Bio-diesel, in million lbs	2300	3600	3600	0.00%

Soy oil ending stocks, in million lbs	2871	2146	2171	1.16%
At other origins				
Soybean production in Argentina, in m.t.	49.5	53	53	0.00%
Argentina soybean ending stock m.t.	22.28	22.7	23.58	3.88%
Soybean production in Brazil, in m.t.	74.5	73.5	73.5	0.00%
Brazil soybean ending stock m.t.	15.84	19.36	19.49	0.67%
Soybean import in China, in m.t.	52	56.5	56.5	0.00%
Chinese soybean ending stock, in m.t.	14.21	12.91	12.91	0.00%
Global soybean ending stocks in m.t.	65.88	62.55	63.01	0.74%
Global soy oil ending stocks, in m.t.	3.07	2.49	2.58	3.61%
Global veg oil ending stocks in m.t.	11.23	10.26	10.79	5.17%
Global soy meal ending stocks in m.t.	6.57	7.17	8.01	11.72%
b / a – Bushels per acre; m.b. – Million bushels; m. t. – Million tons ; m.a. - Million acres				

There are few interesting observations in the monthly USDA report. Though USDA lowers harvested acreage and yield and both of these factors were expected to increase in Oct report by various group. Considering crop progress report, crop condition is relatively better compared to previous week when G/E is improved to 56% with an improvement of 2%. At the same time considering the historical yield and crop condition and it was staying above 41.5 bushels/acre for most of the time except for 2008. During 2008 major flooding happens in US Mid-West especially in Iowa, Illinois, Indiana and Ohio River valley which is the major soybean producing region of US.

Contrary to this there were no major impact in the principal US soybean growing states and sowing was delayed in eastern and southern states of US such as Ohio, Kentucky, Mississippi and Louisiana. Considering other indicators for crop yield such as % leaf dropping and progressive harvesting we expect US soybean final yield to stay higher compared to Oct projection. Any up-ward revision of US soybean yield would mean higher production which will be added to the ending stocks. Overall scenario looks optimistic for US soybean crop with better production estimates.

Where the beginning stock has gone?

US lower its beginning stocks by 10 million bushels down by 4.4% from Sep estimates with no revision of previous year data such as crush and export. Marked reduction of beginning stocks with no major supportive justification except for higher residual use for 2010-11 raised concern for its validity.

Downward Revision of Export

Marked decline in US soybean export could be seen line with the trade expectation. Lowering of export projection is mainly attributed to the EU debt crisis and recent announcement by China for lower imports and stiff completion from Argentina and Brazil.

October US monthly data seems to be adjusted as USDA might get trade benefit especially when 51% harvest is completed. US for most of the time adjust its balance sheet by adjusting residual use. Considering US harvested acreage at 73.7 million acres and final US soy yield to stay close to 41.8 acres/bushel production is worked out close to 3080 million bushels which is up by nearly 20 million bushels. If materialize then can raised US soybean ending stocks by 20 million bushels to 180 million bushels from Oct projection of 160 considering other factors such as residual use and beginning stocks constant.

At other destinations, Argentina and Brazil ending stock is projected up by 3.88 and 0.67% respectively indicating US export could face stiff completion from Argentina and Brazil. Despite marginal lower global soybean production projection, world soybean ending stocks could be up by 0.74% to 63.01 million tonnes indicating sufficient stocks. Higher availability of soybean oil, meal and seed might keep long term fundamentals on soft note moving forward.

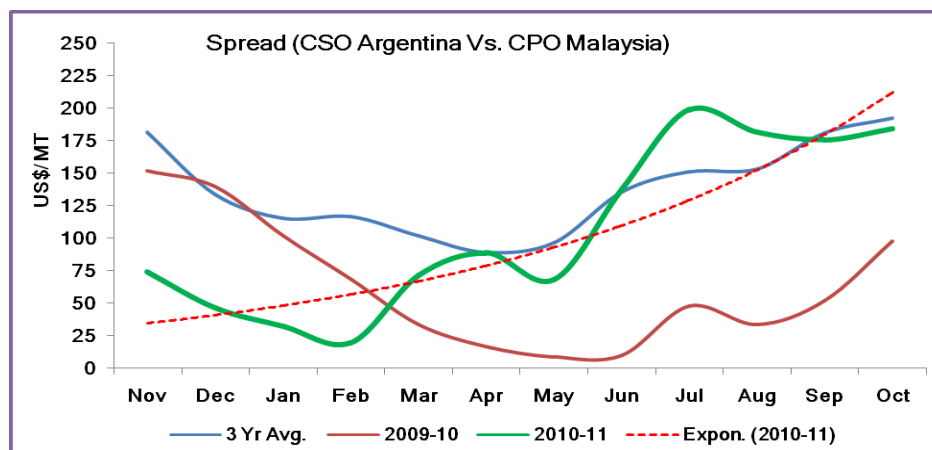
Impact on Indian Soy prices

Indian soy market is already discounted the bullish impact as market didn't reacted as it was expected after release of USDA monthly report. Domestic soy complex is likely to follow its own fundamentals as peak arrivals yet to start. Since the data in USDA monthly report is bullish though adjusted it might limit any significant decline for short term. However, spot market may see pressure once arrivals to peak during 25th Oct onwards. This might put pressure on domestic soybean prices till Oct end.

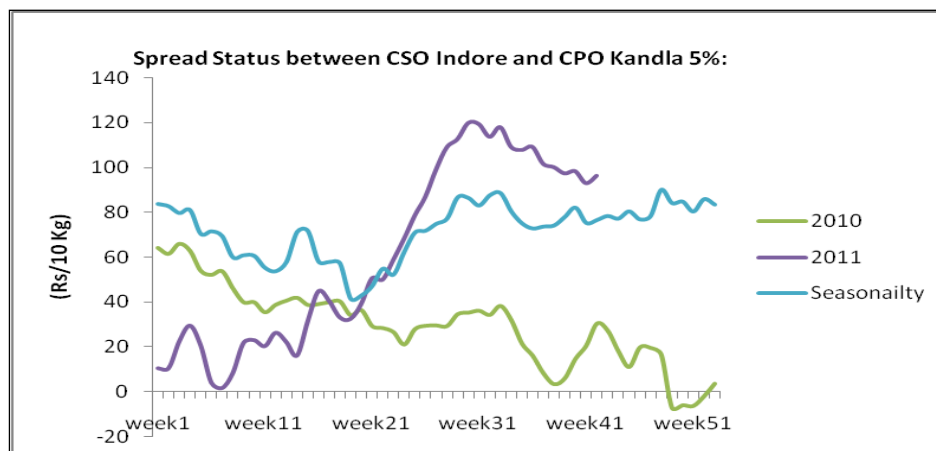
Edible oil Shipments at Indian Ports during Oct. month (1-15 Oct 2011)

<i>Product</i>	<i>Shipments (tonnes)</i>
Crude Soybean Oil	35613
Crude Palm Oil	476617.8
RBD Palm olein	9000
Palm Oil	59298
Crude Sunflower Oil	20120
PALM FATTY ACID	3999.99
Total edible oils	604,649
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 stood at US\$ 202.25 per MT up by US\$ 36 per MT compared to previous week average of US\$ 166.25 per MT. High FOB quotes of CSO Argentina and marginal rise in FOB quotes for CPO Malaysia mostly maintained the spread difference to rise as compared to last week levels. Argentine FOB quotes for CSO rose by US\$ 79 per MT to US\$ 1149/MT and Malaysian FOB quotes rose by US\$ 15/MT during the week. Rising trend is in line with the historical price spread we expect to widen further in Oct month & imports likely to fell in medium term.

Spread Status between CSO Indore and CPO Kandla 5%: (Rs/10 Kg)


Average price spread between CSO Indore and CPO Kandla 5% during the week stood at Rs 96 per MT up by Rs 3 per 10 Kg compared to previous week average of Rs 93 per 10 Kg. Marginal rise in CSO Indore & CPO Kandla prices were noticed during the week. Spread likely to widen further in Oct month as inline festivals might support the prices of CSO Indore meanwhile palm oil usage shall be reduced in Nov which indicates further widening of spread in medium term.

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

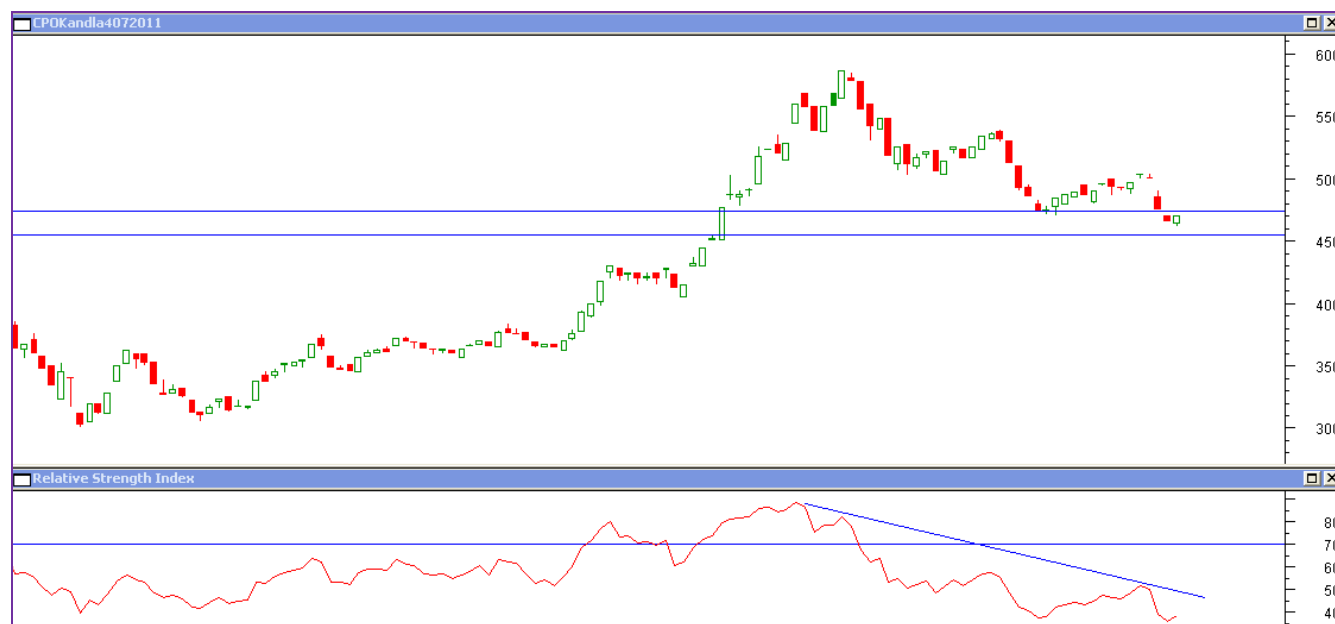
Landed Cost Calculation as on 14/10/2011	CSO Argentina	CSO Brazil	CSO US
FOB USD per ton	1149	1144	1146
Freight (USD/MT)	65	55	50
C & F	1214.0	1199.2	1196.4
Weight loss (0.25% of FOB)	2.87	2.86	2.87
Finance charges (0.4% on CNF)	4.60	4.58	4.59
Insurance (0.3% of C&F)	4	4	4
CIF (Indian Port - Kandla)	1225	1210	1207
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	49.06	49.06	49.06
Landed cost without customs duty in INR per ton	60113	59383	59246
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	60549	59819	59682
Domestic Market price INR per ton Soy Degum Kandla	59500	59500	59500
Total landed cost USD per ton	1234	1219	1216
Domestic Market price USD per ton Soy Degum Kandla	1213	1213	1213
Parity INR/MT (Domestic - Landed)	-1049	-319	-182
Parity USD/MT (Domestic - Landed)	-21.38	-6.51	-3.70

Source: Agriwatch/ Reuters

Surge in soy oil prices at sourcing destinations lead to import disparity in India. Argentina and Brazil crude soy oil FOB quotes rose by US\$ 79/MT respectively during the week lead to disparity with widening disparity could be seen from Argentina origin soy oil followed by Brazil and US. US being the cheapest source of soy oil when compared to other destinations.. Due to current disparity we expect sluggish booking during the week. At the same time improvement in domestic crushing going ahead might keep importers on caution to go for aggressive imports.

Technical Analysis (Spot Market Weekly Charts)

SOYOIL REFINED (INDORE Rs/10 Kg)

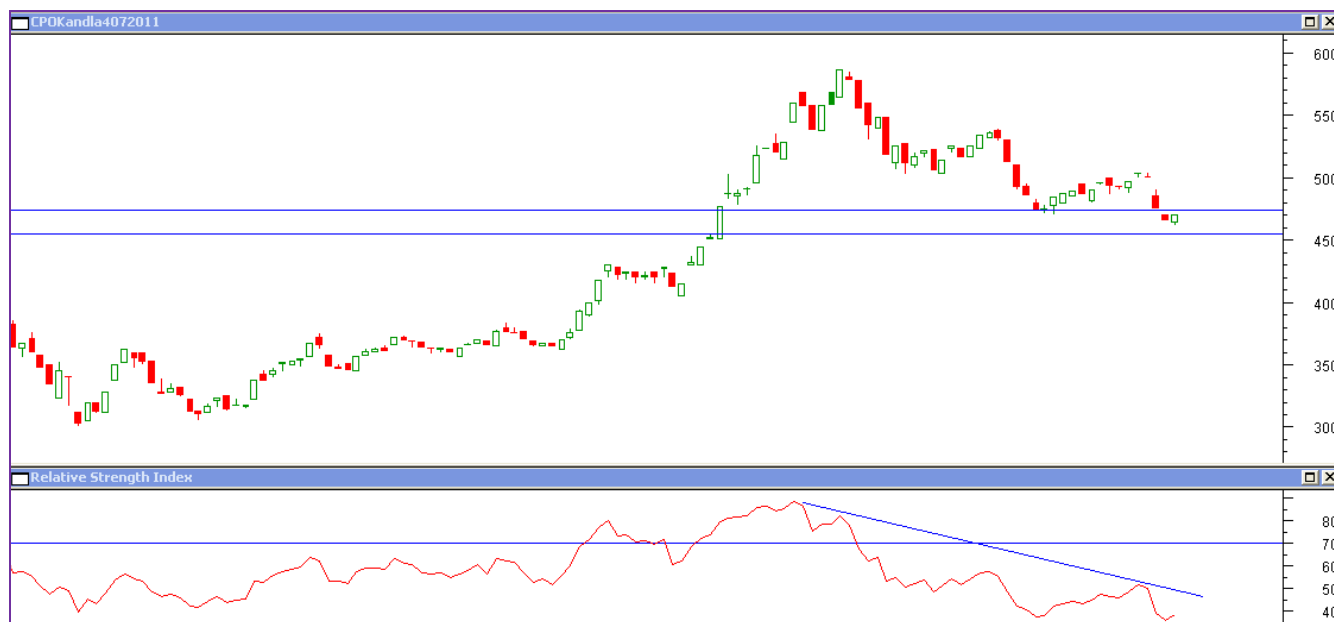


- ❖ Domestic spot market soy oil prices marginally rose during the week.
- ❖ Immediate support level likely to be Rs 592.70 per 10 Kg for short term.
- ❖ Breaching the level is likely to test towards 604. Meanwhile technical bounce is expected in near term from current level likely to trade with steady to firm tone.
- ❖ Positioning of RSI is in neutral zone however soy oil spot prices likely to remain range bound with firm tone in coming week.

Strategy: Market participants should wait for higher levels for to liquidate their stocks.

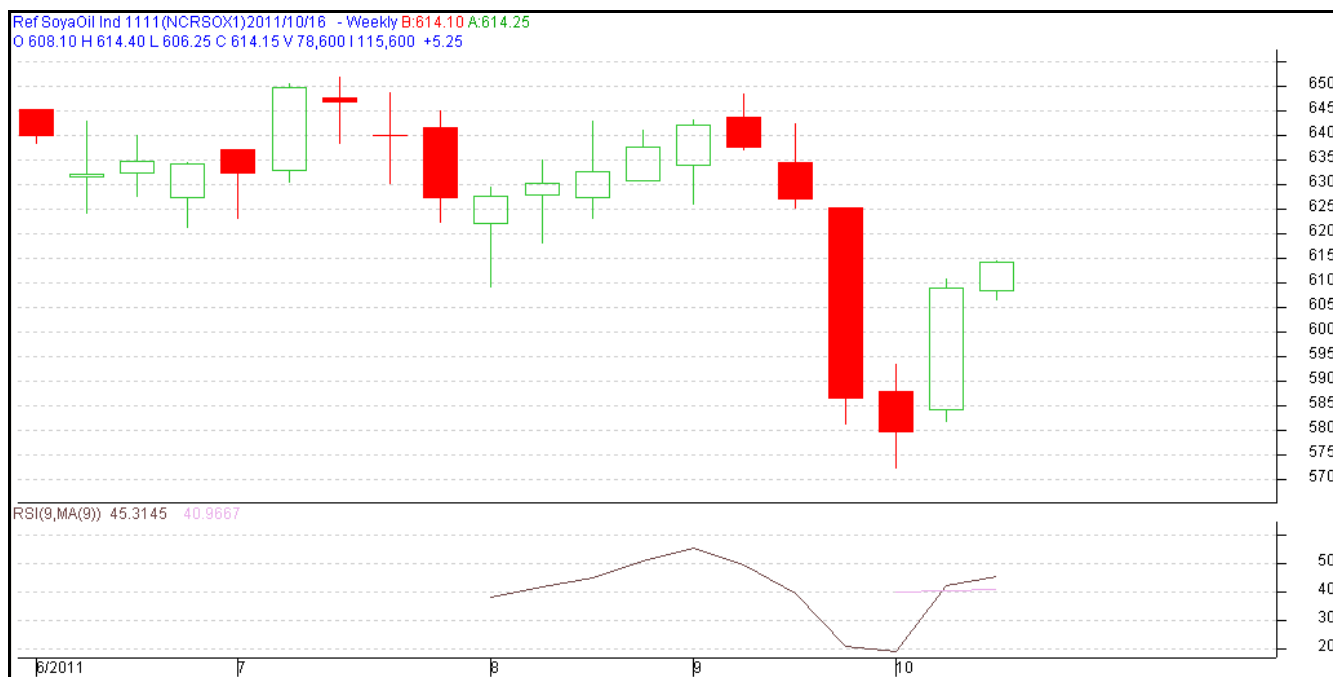
Technical Analysis (Spot Market Weekly Charts)

CPO (KANDLA Rs/10 Kg)



- Candlesticks depicts marginal rise during the week.
- Immediate support level likely to be Rs 458.0 per 10 Kg for short term.
- Breaching the level likely lead to a fall up to 455.0 levels in near term however prices likely to test towards its immediate resistance of 475.
- Positioning of RSI in chart is in-tune with the current sideways price movement.
- As indicators depicts, prices likely remain range bound in coming week.

Strategy: Market likely to trade with range bound in near term. Market participants should wait to sell their stocks at higher levels meanwhile should take care of support levels.

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


- ❖ Soy oil prices marginal rose from its previous week close during the week.
- ❖ 594 might act as strong support zone. Meanwhile, 623.50 might act as immediate resistance.
- ❖ However, breaching resistance level may support the prices to take its rally up to 627.50 levels.
- ❖ Therefore the price likely to trade with firm bias. Breaching 623.50 level selling pressure Concisely we expect prices to face stiff resistance zone towards 623.50-627.50 which mean one should liquidate any long position towards its key resistance zone.

Strategy: Selling on rally is desirable towards 623.50-625 for a target of 615 with stop loss at 630. One should wait to sell at higher levels.

RSO NCDEX (Nov)

Support & Resistance				
S2	S1	PCP	R1	R2
596.50	600.00	614.10	629.50	633.00

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


- ❖ CPO prices marginal fell from its previous week close during the week.
- ❖ However, breaching the immediate support of 463.00 shall lead the prices to fall towards 460.00 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 between – 466.60-478.30 in near term.

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

CPO MCX (Oct)

Support & Resistance				
S2	S1	PCP	R1	R2
459.00	463.00	470.00	478.80	482.00

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

Commodity	Centre	Prices(Per 10 Kg)		Change
		15/10/2011	10/10/2011	
Refined Soybean Oil	Mumbai +VAT	626	612	14
	Delhi (Loose)	645	635	10
	Indore + VAT	602	598	4
	Kota(Loose)	620	610	10
	Hyderabad+ VAT	680	660	20
	Jaipur (Loose)	630	625	5
	Rajkot (Loose)	625	610	15
	Akola (Loose)	661	651	10
	Amrawati (Loose)	661	651	10
	Haldiya Port (Loose)	631	608	23
	Jalna	651	646	5
	Kakinada	640	620	20
	Nagpur	673	656	17
	SoyDegum Kandla/Mundra+VAT	605	585	20
	Soy Degum Mumbai+VAT	605	585	20
Palm Oil	Kandla CPO (5%FFA)	470	464	6
	Kandla RBD Palmolein +VAT	495	495	0
	Chennai RBD Palmolein (Loose)	530	520	10
	Kakinada RBD Palmolein (Loose)	521	506	15
	Mumbai RBD Pamolein+ VAT	526	520	6
	Hyd. RBD Palmolein VAT	565	550	15
	Delhi RBD Palmolein (Loose)	580	565	15
Refined Sunflower Oil	Hyderabad Exp +VAT	745	745	0
	Bellary (Exp. Oil)+VAT	621	626	-5
	Chellakere (Exp. Oil)+VAT	641	641	0

	Erode (Exp. Oil)+VAT	700	715	-15
	Latur (Exp. Oil)+VAT	651	656	-5
	Kandla/Mundra	655	650	5
	Mumbai + VAT	720	720	0
	Chennai (Loose)	730	730	0
Groundnut Oil	Hyderabad +VAT	830	900	-70
	Chennai (Loose)	810	830	-20
	Delhi (Loose)	910	865	45
	Gondal+VAT	855	-	-
	Jamnagar +VAT	855	-	-
	Narsarropeth+VAT	731	741	-10
	Prodattour+VAT	801	801	0
	Mumbai + VAT	900	915	-15
	Rajkot (Loose)	850	900	-50
Rapeseed Oil	Alwar (Expeller Oil)(Loose)	636	629	7
	Sri Ganga Nagar(Exp Oil-Loose)	630	625	5
	Delhi (Exp. Oil) (Loose)	670	660	10
	Jaipur (Expeller Oil) (Loose)	630	630	0
	Kota (Expeller Oil) (Loose)	615	600	15
	Mumbai (Exp. Oil) +VAT	657	650	7
	Kolkatta	-	-	
	Hapur+VAT	665	660	5
	Agra (Kacchi Ghani Oil) +VAT	665	655	10
Refined Cottonseed Oil	Mumbai +VAT	642	630	12
	Hyderabad (Loose)	665	655	10
	Rajkot (Loose)	640	630	10
	Delhi (Loose)	625	600	25

Sesame Oil	Delhi	635	620	15
	Mumbai	775	775	0
Rice Bran Oil (40%)	Delhi	545	540	5
	Punjab	550	550	0
Rice Bran Oil (70%)	Delhi	420	415	5
Malaysia Palmolein USD/MT	FOB (Oct)	992	970	22
	CNF (Oct) - India	955	1005	-50
Indonesia/Malaysia CPO USD/MT	FOB (Oct)	925	925	0
	CNF (Oct) - India	960	960	0
Argentina FOB (\$/MT)		14-10-2011	11-10-2011	Change
Crude Soybean Oil Ship(Oct)		1170	1150	20
Refined Soy Oil (Bulk) Ship(Oct)		1211	1190	21
Sunflower Oil Ship(Oct)		1120	-	
Cottonseed Oil Ship(Oct)		1150	1130	20
Refine Linseed Oil(Bulk) Ship(Oct)		1190	1170	20

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>
 © 2005 Indian Agribusiness Systems Pvt Ltd.