
Veg. Oil Monthly Research Report

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Outlook:

- Seasonal demand coupled with low arrivals of soybean in the market keep the soy oil prices to remain firm in a coming month. Plants are in parity with Rs 15 per 10 Kg currently and plants might liquidate their stocks
- Harvesting is almost complete in all major soy growing regions in India though arrivals are slow as market participants are holding the seeds and waiting for higher prices. We expect soy bean and soy oil to trade with a firm bias.
- On the International front, crude soy oil in CBOT is likely to stay range bound during the month and is likely to stay in the range of 49 cents/lb to 53 cents/lb for the coming month. Malaysian palm oil futures market likely to trade with a steady to firm bias as La Nina pattern seen over South East Asian countries which might support palm oil prices in the medium term, while investors remain cautious of Euro debt zone which might cap on excessive gains.

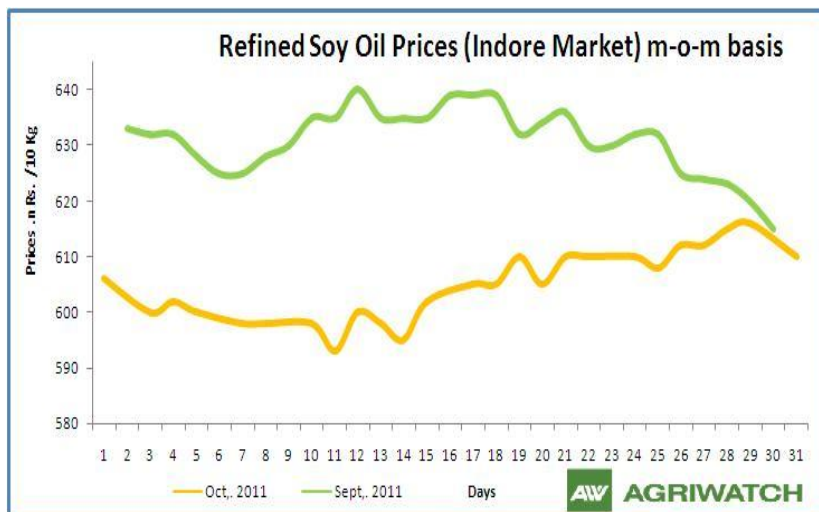
Veg. Oil Highlights:

- According to COOIT, Indian soybean production stood at 115 lakh tonnes which is up by 21.05% compared to last year. Meanwhile, soybean production figure is much below SOPA soy bean production estimates (119.3 lakh tons).
- As per the notification from Ministry of Commerce & Industry, ban on export of edible oil is further extended up to September 30, 2012. Meanwhile, government has provided an exemption for branded edible oil packs with a ceiling of 10,000 tonnes from November 1, 2011 to October 31, 2012. As per notification of 2008, export of fish oil continues to be free.
- Edible oil prices at the bench mark market of CBOT, traded with steady to firm tone during the month. CBOT closed to 51.17 cents/pound (Dec'11 contract) on 31Oct 2011. Meanwhile, Malaysian palm oil futures prices trade with a firm bias during the Month and rose by from MYR 2904/MT to MYR 2944/MT during the month.
- U.S. soybean harvesting is complete by 92 percent compared to 5 year average of 88% but lagging previous year harvest which was 96% complete by this time.
- Good weather conditions over soy growing region of South America helped to boost soybean planting in Brazil. Soybean planting in Brazil is reported to complete by 25% compared to 9% during the same period last year.

Domestic Market Fundamentals

Soy oil:

- Soy oil average prices (Indore market) declined by 4.16 per cent to Rs. 604.72 per 10 kg in Oct as compared to previous month prices (average prices of month). During the Oct month soy oil traded with a weak bias for the first fifteen days prices and then moved up due to Hindu's festivals which supported the soy oil prices at the end of the month.



- rushing plants (ex-Indore) are in parity as on 7th Nov. Considering average plant delivery seed at Rs 2190/qtl and meal prices at Rs 15850/MT plants are getting good return from both CSO and RSO. Adding processing costs and other expenses, soy refine production cost works out to 586/10 kg. Adding 5% VAT and 0.15% commission as brokerage the total cost is approx. Rs 615.0 per 10Kg which is less compared to the prevailing spot price of 632/10 Kg on 7th Nov. This indicates plants are in parity and might liquidate their oil stocks at current prices. This might ease spot refined soy oil prices for short term.
- As per SOPA, soy bean production Second Estimate for the kharif 2011 stood at 119.395 Lac Tons up by 2.4% as compared to the First Estimate though market participants feel that soy bean production for the kharif 2011 is likely to be more than SOPA estimates.
- If we consider soy bean estimate of 12 million tons for the kharif 2011 then we expected 0.81 to 1.24 MT of soy oil likely to import for the 2011-12 MY.

Expected soy oil imports in MY 2011-12

Soy bean Production in INDIA	12 million tons	
Farmer's retention	1.5	1.8
After Retention	10.5	10.2
Soy bean left for crushing	10.5	10.2
Oil meal	8.4	8.1
Crude Soy oil Production	1.89	1.46
Total Consumption of Soy oil in India	2.7	2.7
Expected soy oil imports in 2011-12 MY	0.81 MT	1.24 MT

International Market Fundamentals

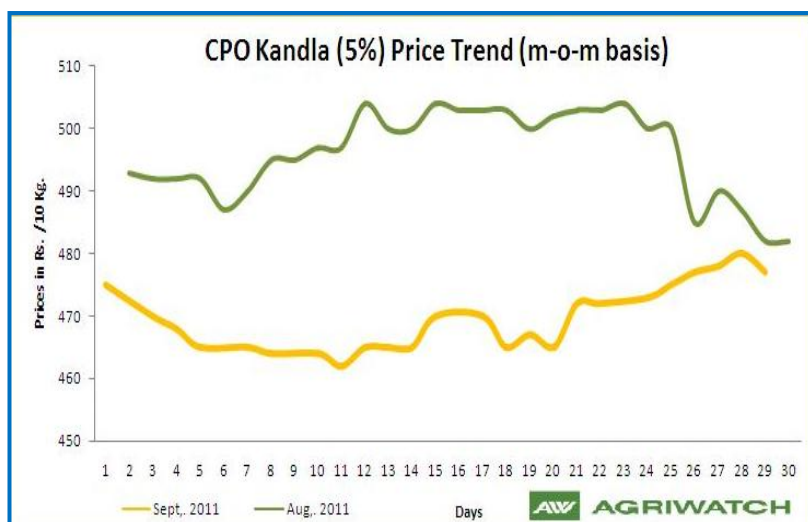
- USDA released its monthly world agricultural supply and demand report on 9th Nov in which USDA kept harvest area unchanged while lowered soybean yield by 0.2 bushel to 41.3 bushel/acre which resulted in lower production estimates. Soybean production pegged at 3046 million bushels in Nov estimates down by 14 million.
- With production estimates lower by 14 million to 3046 million bushels, USDA also lowered its soybean export figure for current year. Considering slack export demand week on week as China shifted to Brazil and Argentina due to competitive prices, US lowered its export projection from 1375 million to 1325 million bushels with a decline of 50 million bushels.

- On the other destinations, USDA lowered beginning stocks, production and ending stocks for Argentina. Relatively higher overseas demand, beginning soybean stocks in Argentina were lowered by 4.79% to 22.88 million tons compared to its Oct estimates. Meanwhile, strengthening La-Nina conditions in the Pacific region increases the possibility of drought in Argentina. This leads US to lower Argentina soybean production estimate by 1 million tons to 52 million tons from its earlier estimates. Considering lower beginning stocks and production soybean ending stocks was pegged down by 2.76% to 22.93 million tons.
- World soy oil ending stock projection was reduced by USDA backed by decline in US soybean production. However, better global production of other oilseeds helped to increase global veg oil ending stocks. Lower soy oil ending stocks in US in specific and on global front shall lend underlying support to the soy oil prices at subdued levels.

Domestic Market Fundamentals

Palm oil:

Palm oil prices (Indore market) declined m-o-m average by 5.30 per cent to Rs. 469.76 per 10 kg in Oct compared to previous month prices (average prices of month). During the Oct month palm oil traded with a weak bias in tandem with the Malaysian palm oil futures market which fell by 4.4% as compared to previous month prices (average prices of month). Active demand noticed for ready to use palm olein during the festivities whereas market participants were reluctant to buy crude palm oil as current costing for refining is much higher than ready to use palm olein.



International Market Fundamentals

Malaysian palm oil prices stay steady to firm and futures climbed to a three month high on 10th Nov after a surprise decline in ending stocks. At the same time focus on prospects of erratic weather later this year bring fear of sharp production decline.

Malaysian Palm Oil Board (MPOB) reported a 1.55 percent decline in stocks on the back of strong exports offsetting output, reinforcing concerns that supply will get tighter when monsoon season and La-Nina rains curb harvesting in the last quarter. Detail of the Malaysian palm oil balance sheet is as follows:

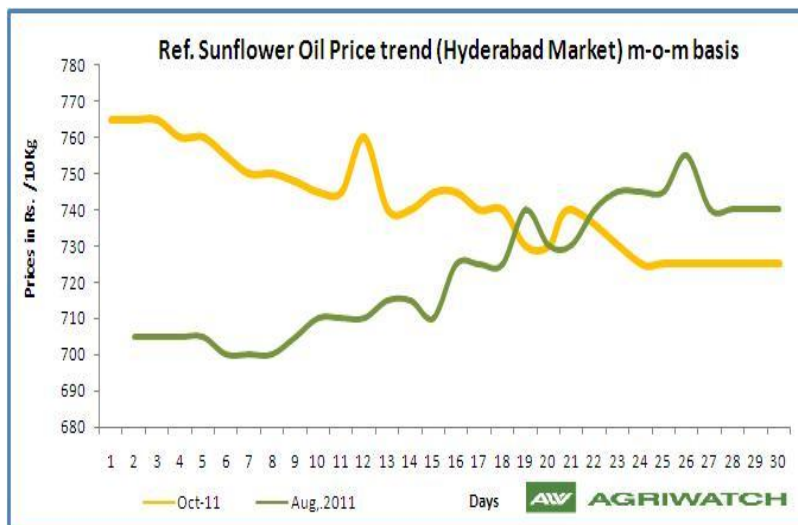
Malaysian Palm Oil Balance Sheet (2011)			
(Quantity in tons)	Sep	Oct	% Change
Opening Stock	339535	325282	-4.20%
Production	1869175	1908422	2.10%
Import	74746	45478	-39.16%
Export	1545997	1840405	19.04%
Ending Stock	2133516	2100415	-1.55%

Lower than anticipated ending stocks of palm oil in Malaysia might keep palm oil prices steady to firm. However export from Malaysia needs to be watched closely as any drop in palm oil exports due to off-season and global financial uncertainty shall keep palm oil volatile.

Domestic Market Fundamentals

Sunflower oil:

Ref. sun oil traded with a weak bias during the month, as prices couldn't sustain at higher levels when demand shifted to other edible oils. Sunflower Rabi crop sowing as on (4th Nov, 2011) stood at 1.42 lakh ha which is down by 27.9 per cent compared to same period previous year. Peak production of sun oil in black sea region coupled with weak demand from local markets keep the prices to trade with a soft note in near term to medium term. Moving forward, we expect prices to stay range bound during the coming couple of weeks meanwhile seasonal demand might support the prices.



International Market Fundamentals

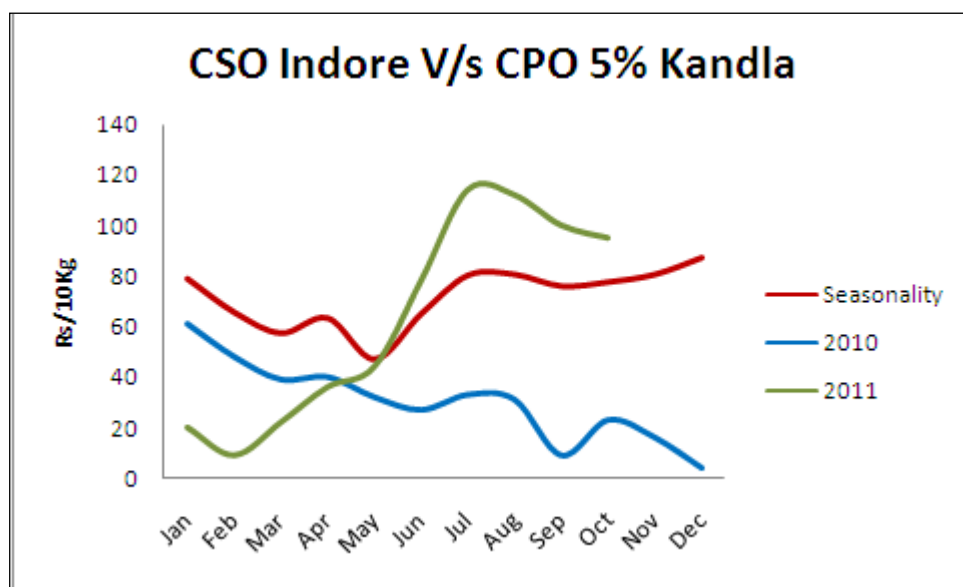
As per UkrAgroConsult, Ukraine is likely to produce a record 3.55 million tons of sun oil in the 2011/12 season. Ukraine is likely to harvest sunflower seed of up to 8 million tons this year as compared to last year's 7.86 million due to an increased planting area. As per source, Ukraine is likely to reduce its sun oil exports to 2.43 million tons in 2010/11 from 2.65 million tons

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

Product	October Shipments (tonnes)	September Shipments (tonnes)
Crude Soybean Oil	61961	28,405
Crude Palm Oil	649805.1	353,047
RBD Palm olein	19739.7	15290
Palm Oil	96798	134420
Crude Sunflower Oil	52370	40627
PALM FATTY ACID	3999.99	-
Total edible oils	884,674	586,289
Source: Ben Line Agencies(India) Pvt. Ltd.		

Seasonality vs. Current year Spread difference between CSO Indore and CPO Kandla 5%

Oct. month average price spread between CSO Indore and CPO Kandla 5% stood at Rs 99 per 10Kg which narrowed by Rs 1 per 10 Kg as compared to Aug. month on average basis. Considering seasonality index of price spread between CSO Indore and CPO Kandla 5%, we expect spread difference remains range bound with marginal weakness for coming month of Nov. and likely to stay between (Rs 87-92 per 10 Kg). We expect CPO Kandla prices likely to trade with a firm bias in near term which keeps the spread in a narrow range however it is likely to stay at higher side when compared with its seasonality.

**International Market Dynamics****China**

As per China National Grain and Oils Information Centre (CNGOIC), Soy processing capacity this year is likely to increase by 17.5 million tons, which can either process soybean or rapeseed. Meanwhile China is also planning on expanding soy crushing capacity by 12.5 million tons in 2012 to 125 million tons, good demand of soy bean from china coupled with deficient in country's production we expect soy bean import likely to spur in medium term which keeps the prices of soy bean in a firm tone in medium term

INDONESIA

- Indonesian Palm oil Association withdrew its membership from Roundtable on Sustainable Palm Oil (RSPO). Indonesian government will implement its own sustainable palm oil regulations and penalize those who do not follow the OPOA standards. Market participants still feel that RSPO is an international sustainability benchmark.
- Indonesian government lowered the crude palm oil export tax by 1.5% to 15% for November month as compared to last month due to declining global prices during the last couple of months.
- As per Indonesian trade ministry, new base export prices and export taxes on different palm products for the November Month as follows:-

Product	Tax rate	New Base export prices in \$/tons	Old Base export prices in \$/tons
Crude Palm Oil	0.15	938	1001
Crude Palm Kernel Oil	0.15	999	1301
RBD Palm Olein	0.07	980	1121
RBD Palm Oil	0.05	965	1104
RBD Palm Stearin	0.05	824	870
Palm Fatty Acid Distillate	0.08	808	838
Palm Kernel	0.40	375	395

Technical Analysis (Futures)

RSO (Refined Soybean Oil): Monthly Chart



- ❖ Soy oil prices traded with a firm bias during the month. We expect prices stay positive in the coming month.
- ❖ It is likely to find support towards 626.20. Breaching this level price likely to move towards 620.50 in medium term.
- ❖ We expect a technical dip from current levels for a short term. This will be a buying opportunity for market participants to go for long and pullback likely to occur from the 637.0-638.0 levels.

Strategy: Market participants can buy soy ref in NCDEX at dip levels towards 637.0-638.0 for a target of 648.80 and second target of 650.10 and with a stop loss at 631.0 on closing basis.

RSO NCDEX (Dec. contract)

Support & Resistance				
S2	S1	PCP	R1	R2
620.50	626.20	640.10	660.00	669.50

Technical Analysis (Futures)
CPO (Crude palm oil): Monthly Chart


- ❖ **Crude palm oil prices stay range bound during the month. We expect prices to trade with firm bias in a coming month.**
- ❖ Breaching 486.50 level prices might test the second support level; meanwhile oscillators are likely to come in positive zone in near to medium term.
- ❖ We expect a technical dip from current levels for a short term; this will be a buying opportunity for market participants to go for long and pullback likely to occur from the 507-508 levels.

Strategy: Market participants can buy CPO in MCX at dip levels towards 507-508 for a target of 521.00 and second target 524.20 with a stop loss at 499.50 on closing basis.

MCX CPO (Dec. Contract)

Support & Resistance				
S2	S1	PCP	R1	R2
477.50	486.50	513.20	536.00	544.20

Commodity	Centre	Prices(Per 10 Kg)		
		31- 10- 2011	30- 09- 2011	31- 08- 2011
Refined Soybean Oil	Mumbai +VAT	628	645	638
	Delhi (Loose)	650	667	668
	Indore (Loose)	608	635	635
	Kota(Loose)	625	645	641
	Hyderabad+ VAT	645	710	715
	Jaipur (Loose)	620	655	650
	Rajkot (Loose)	620	635	620
	Akola (Loose)	646	679	682
	Amrawati (Loose)	646	679	682
	Haldiya Port (Loose)	629	651	636
	Jalna	646	680	677
	Nagpur	646	678	676
	Soy Degum Kandla/Mundra+VAT	602	620	606
	Soy Degum Mumbai+VAT	600	620	606
Palm Oil	Kandla CPO (5%FFA)	475	490	489
	Kandla RBD Palmolein +VAT	529	545	515
	Chennai RBD Palmolein (Loose)	530	565	555
	Kakinada RBD Palmolein (Loose)	529	660	546
	Mumbai RBD Pamolein+ VAT	535	557	554
	Hyd. RBD Palmolein VAT	565	610	590
	Delhi RBD Palmolein (Loose)	580	585	580
Refined Sunflower Oil	Hyderabad Exp +VAT	725	755	765
	Bellary (Exp. Oil)+VAT	626	643	643
	Chellakere (Exp. Oil)+VAT	631	666	671
	Erode (Exp. Oil)+VAT	687	715	715
	Latur (Exp. Oil)+VAT	646	661	666
	Kandla/Mundra	645	658	655
	Mumbai + VAT	705	705	655

	Chennai (Loose)	695	740	735
Groundnut Oil	Hyderabad +VAT	800	995	990
	Chennai (Loose)	760	880	890
	Delhi (Loose)	875	1050	980
	Gondal+VAT	..	1050	995
	Jamnagar +VAT	..	1050	955
	Narsarropeth+VAT	741	841	801
	Prodattour+VAT	771	901	861
	Mumbai + VAT	860	1000	965
	Rajkot (Loose)	850	1040	950
Rapeseed Oil	Alwar (Expeller Oil)(Loose)	653	635	641
	Sri Ganga Nagar(Exp Oil-Loose)	657	630	627
	Delhi (Exp. Oil) (Loose)	688	660	655
	Jaipur (Expeller Oil) (Loose)	655	635	640
	Kota (Expeller Oil) (Loose)	650	625	625
	Mumbai (Exp. Oil) +VAT	680	662	667
	Hapur+VAT	681	680	670
	Agra (Kacchi Ghani Oil) +VAT	695	677	-
Refined Cottonseed Oil	Mumbai +VAT	632	658	658
	Hyderabad (Loose)	650	690	680
	Rajkot (Loose)	635	665	665
	Delhi (Loose)	622	645	648
Malaysia Palmolein USD/MT	FOB (Oct)	1030	1160	1165
	CNF (Oct) - India	1065	1195	1200
Indonesia/ Malaysia CPO USD/MT	FOB (Oct)	950	1070	1070
	CNF (Oct) - India	985	1105	1105
Argentina FOB (\$/MT)		31-10-2011	30-09-2011	31-08-2011

Soybean Oil Ship	1133	1308	1242
Refined Soy Oil (Bulk) Ship	1172	1353	1285
Sunflower Oil Ship	...	1220	1280
Cottonseed Oil Ship	1113	1288	1222
Refine Linseed Oil(Bulk) Ship	1153	1328	1262

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