

**Domestic Veg. Oil Market Summary:**

- Steady to weak tone witnessed in edible oil basket during the week.
- Active buying by plants and large trading house are reported from MP with relatively lower arrivals y-o-y which supported soybean seed prices during the week ended on 5<sup>th</sup>.
- Surge in soybean prices lends spill over support to the refined soy oil prices in its bench mark market of Indore.
- Domestic demand for soy oil to stay stable with plants to start active crushing, we expect plants might start liquidating the physical stocks at these levels. Moreover plants are in the parity of Rs 15 per 10 Kg as on 7th Nov.

**International Veg. Oil Market Summary:**

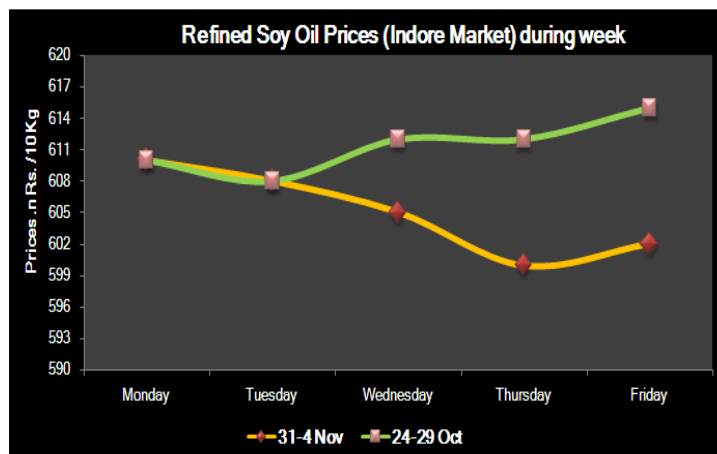
- Edible oil prices at the bench mark market of CBOT stay range bound during the week. CBOT closed to 51.61 cents/pound (Dec'11 contract) as on 4th Nov 2011. Meanwhile, Malaysian palm oil futures stay firm during the week under consideration and rose by MYR 77 from MYR 2944/MT to MYR 3021/MT during the week.
- Meanwhile, palm oil export during 1-10<sup>th</sup> Nov is expected to increase by 4-5% compared to the same period previous month when palm oil export during the period was seen at 486882 MT. Any up-ward shift from market expectations shall stand supportive to Malaysian palm oil prices for short term.
- At South American front, congenial weather conditions in Argentina facilitated farmers to complete 17% (as on 3<sup>rd</sup> Nov) planting at 18.8 million hectares of soybean. We expect soybean planting to gather momentum during the current week due to favorable soil moisture. Similarly favourable weather in Brazil sped up soybean planting during the same period. Celeres recently revised up its Brazilian production estimate to 75.5 million tons up by 2.0 million tons above USDA October estimate.
- 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.

## Market Recap and Fundamental Analysis

### Soy oil:

#### Domestic Fundamentals:-

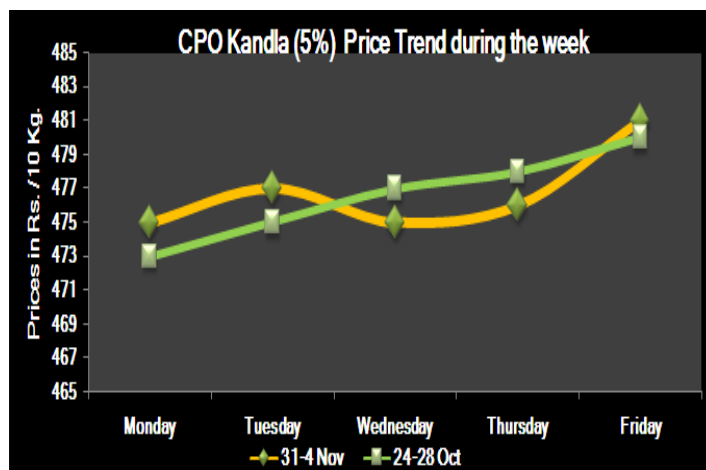
- Domestic refined soy oil softened during the week on account of higher domestic availability amid liquidation of stocks by the plants which kept refined soy oil under pressure. Spot market Ref. soy oil prices fell by 1.05 per cent to Rs. 605 per 10 kg (excluding VAT) compared to previous week average prices.
- It is evident that the plants (ex-Indore) are in parity as on 7th Nov. Considering average plant delivery seed at Rs 2190/qlt 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 7<sup>th</sup> 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 COOIT, soy bean production for the kharif 2011 projected at 115 Lac Tons which is up by 21.05% as compared to last year though it is below the SOPA production figure of 119.3 lakh tons.



### Palm Oil:

#### Domestic Fundamentals:-

- Domestic palm oil prices stayed range bound with RBD palmolein staying firm in South India while it softened in Mumbai.
- Better buying interest in major south Indian markets on account of good demand coupled with winter rainfall in TN and other states kept RBD demand buoyant. At the same time bullish cues from BMD futures added bullish hue to the market sentiments.
- We expect palm oil to stay steady to firm as seasonal demand keeps palm oil prices at the higher levels in major consumption centers of South India.



#### International Fundamentals:-

MPOB monthly data release is due with USDA release and market expects Malaysian palm oil ending stock for the month of Oct. might increase by 4.72% at 2.22 MT compared to Sept month ending stock of 2.12 MT. Malaysian palm oil exports during Oct could see a rise of 42.3% which is likely to keep Malaysian palm oil prices steady to firm.

Meanwhile, palm oil export during 1-10<sup>th</sup> Nov is expected to increase by 4-5% compared to same period previous month when palm oil export during the period was seen at 486882 MT. Any up-ward shift from market expectations shall stand supportive to Malaysian palm oil prices for short term.

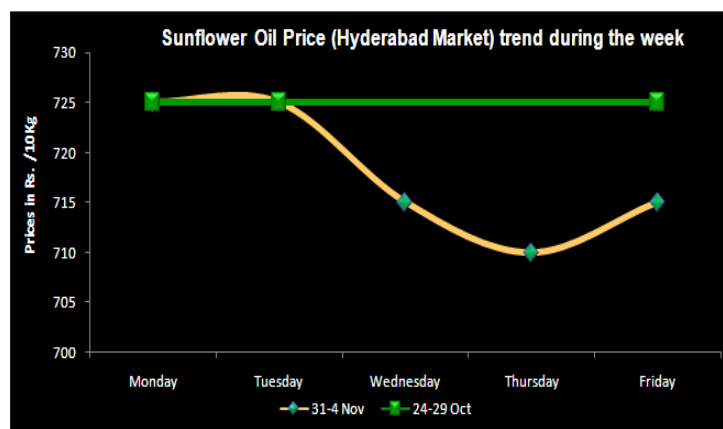
### **Groundnut Oil:**

- Domestic market groundnut oil prices stayed steady due to inactive buying interest as Re-packers bought huge quantities before the festivals. They are now not in a hurry as they wait for prices to decline in spot to re-enter into buying.
- Groundnut oil prices in Rajkot market was seen in the range of Rs 830 to 850/ 10Kg during the week under review. We expect marginal decline in GN oil price tracking other major edible oils.
- COOIT pegged Kharif groundnut production to stay near 41.75 lakh tons (in shell) which is 1.83% higher y-o-y. Despite decline in production from Gujarat, AP and Maharashtra overall Kharif groundnut production increases due to better crops in TN and other states. With optimistic outlook of GN production in TN we expect GN oil prices to ease in South due to higher supply y-o-y.

### **Sunflower oil**

#### **Domestic Fundamentals:-**

- Sun oil traded with weak bias during the week as ref. sun oil couldn't sustain at higher prices as demand switched to competitive edible oils. We expect sun oil prices in domestic trading centers might ease for short period.
- Considering weak demand from refiners and stiff competition of imported sun oil, expeller units are finding it difficult to liquidate the crude sun oil stocks. They now offering a discount of Rs 5-10/10 to attract refiners. This also resulted into negative disparity of processing sun seed into expeller oil.
- Peak productions of sun oil in black sea region and Ukraine intention to export more during the MY 2012-13 after a record crop might add to the global supply. At the same time fairly good supply from Argentina continues to keep pressure on global sun oil prices. We expect global sun oil prices might soften for short term which might get reflected in the domestic sun oil prices.

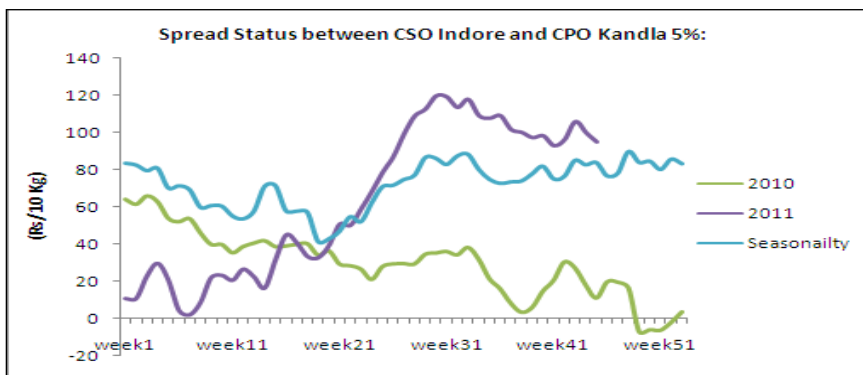
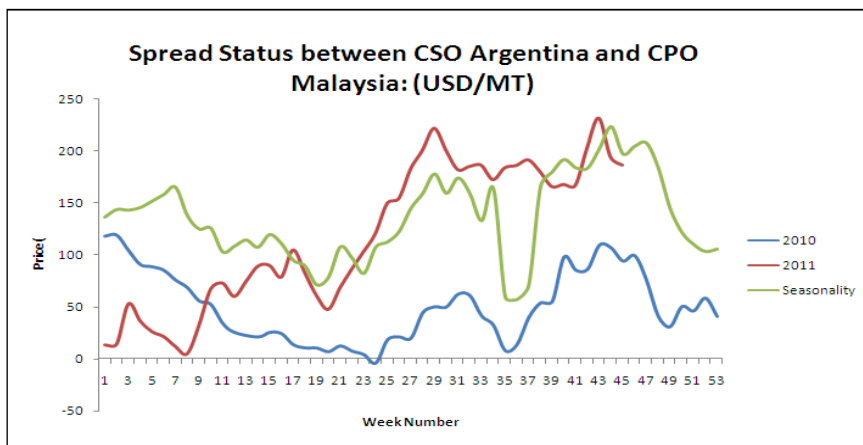


### **Edible oil Shipments at Indian Ports during Nov. month (till 5<sup>th</sup> Nov 2011)**

Product	Shipments (tonnes)
Crude Palm Oil	347401.5
Palm Oil	43500
Crude Sunflower Oil	15750
<b>Total edible oils</b>	<b>406,652</b>
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\$ 185.8 per MT, a fall of US\$ 7.70 per MT compared to previous week average of US\$ 193.50 per MT as anticipated. Spread is likely to narrow in the near term as higher availability of soy oil will continue to weigh on soy oil prices while relatively stable palm oil prices in Malaysia might narrow the spread. We expected spread to fall by US\$ 4-5/MT during coming week. Keeping in view the narrowing of spread PEC could look forward to book CSO from Argentina or Brazil and wait to buy palm from Malaysia and Indonesia.


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


Domestic weekly average spread between CSO Indore and CPO Kandla (5%) stood at Rs 95/10 Kg and fell by Rs 5 per 10 Kg during the week. Decline in spread between the two is due to softening of CSO prices in Indore. Looking forward, we expect spread to narrow by Rs 4-7/10 Kg towards Rs 88-92 till 3<sup>rd</sup> week of November due to higher availability of domestic crude soy oil as crushing is likely to gain momentum during the coming couple of weeks. We recommend PEC to take the opportunity to buy crude soy oil at lower level in coming week and wait to buy palm at these levels.

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

Landed Cost Calculation as on 04/11/2011	CSO Argentina	CSO Brazil	CSO US
FOB USD per ton	1152	1146	1190.00
Freight (USD/MT)	65	55	50
C & F	1217.0	1201.4	1240.0
Weight loss (0.25% of FOB)	2.88	2.87	2.98
Finance charges (0.4% on CNF)	4.61	4.59	4.76
Insurance (0.3% of C&F)	4	4	4
CIF (Indian Port - Kandla)	1228	1212	1251
CVD	0	0	0
Duty USD per ton	0	0	0
CVD value USD per ton	0	0	0
Cess (2% on duty) USD per ton	0	0	0
Exchange rate	49	49	49
Landed cost without customs duty in INR per ton	60179	59410	61321
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	60615	59846	61757
Domestic Market price INR per ton Soy Degum Kandla	60200	60200	60200
Total landed cost USD per ton	1237	1221	1260
<b>Domestic Market price USD per ton Soy Degum Kandla</b>	<b>1229</b>	<b>1229</b>	<b>1229</b>
<b>Parity INR/MT (Domestic - Landed)</b>	<b>-415</b>	<b>354</b>	<b>-1557</b>
<b>Parity USD/MT (Domestic - Landed)</b>	<b>-8.47</b>	<b>7.22</b>	<b>-31.78</b>
Source: Agriwatch/ Reuters			

### Technical Analysis (Spot Market Weekly Charts)

#### SOYOIL REFINED (INDORE Rs/10 Kg without VAT)



- ❖ Domestic spot market soy oil prices soften during the week. However, it could get buying support near 600-610.
- ❖ Breaching the immediate support level is likely to test towards 592-595 where it is likely to get buying support. Technically triggered buying might find strong resistance towards 620-625 which is likely to keep refined soy oil spot prices range bound.
- ❖ **Strategy: Market participants can wait to buy soy oil from spot or can liquidate physical stocks if any towards its resistance in case of a technical bounce.**

Support & Resistance				
S2	S1	PCP	R1	R2
592	595	602.00	620	625

### Technical Analysis (Spot Market Weekly Charts)

#### CPO (KANDLA Rs/10 Kg)



- Candlesticks depicts marginal rise in CPO prices during the week though sideways trend remains intact. It is likely to extend its sideways trend in the short term.
- CPO prices might face channel line resistance towards 490-492 and might limit aggressive gains. Failing to close above the same might bring CPO prices to test its near term support.
- 475 could act as an immediate support and could test the second support level from where we expect a technical bounce.
- We expect prices to stay range bound. Any near term impulse from the current level prices could lead prices to test towards 487.00

**Strategy:** Market participants can wait to buy CPO at lower levels in cash market.

Support & Resistance				
S2	S1	PCP	R1	R2
470.00	475.00	480.00	487.00	492.00

### Technical Analysis (Futures) RSO (Refined Soybean Oil): Weekly Chart



- ❖ Soy oil prices stay range bound during the week. We expect initial decline in prices followed by a technical bounce.
- ❖ It is likely to test its support towards 615.00 and 612 in short term. However, technical buying is expected at lower price levels which might lead the prices to test towards its resistance.
- ❖ Moreover refined soy oil price is likely to stay range bound during coming week and buying towards its support level is desirable.

**Strategy:** we recommend investors to go long in NCDEX (Dec contract) at dip levels towards 612 - 614 for a target of 622 and second target of 626 with a stop loss at 608.00 on closing basis.

**RSO NCDEX (Dec)**

Support & Resistance				
S2	S1	PCP	R1	R2
612.20	615.20	623.60	631.00	633.00



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


- ❖ Weekly candlestick indicates firmness and able to close above its 9 –week EMA. This might lead the prices to touch towards its immediate resistance zone of 490 and 495.
- ❖ Any near term decline could find immediate support towards 473.00 and could instigate buying around the level.
- ❖ Closing above 18-week EMA in near term could start a bull run during coming couple of weeks.
- ❖ Expected price range for CPO is 478.00-486.00 level in near to medium term.

**Strategy:** Buy CPO in MCX (Nov contract) at dip levels towards 477 - 479 for a target of 485 with a stop loss at 474.00 on closing basis

**CPO MCX (Nov)**

Support & Resistance				
S2	S1	PCP	R1	R2
470.00	473.00	480.00	490.00	495.00

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

Commodity	Centre	Prices(Per 10 Kg)		Change
		4/11/2011	29/10/2011	
Refined Soybean Oil	Kota(Loose)	620	635	-15
	Rajkot (Loose)	620	Closed	----
	Jaipur (Loose)	635	645	-10
	Hyderabad+ VAT	660	665	-5
	Delhi (Loose)	640	650	-5
	Kakinada	630	630	Unch
	Mumbai +VAT	618	630	-12
	Indore + VAT	602	616	-14
	Soy Degum Mumbai+VAT	600	602	-2
	SoyDegum Kandla/Mundra+VAT	602	605	-3
	Haldiya Port (Loose)	631	629	+2
	Akola (Loose)	629	649	-20
	Amrawati (Loose)	629	649	-20
	Jalna	631	648	-17
	Nagpur	626	648	-22
Palm Oil	Chennai RBD Palmolein (Loose)	535	535	Unch
	Hyd. RBD Palmolein VAT	570	565	+5
	Delhi RBD Palmolein (Loose)	580	580	Unch
	Kandla CPO (5% FFA)	481	477	+4
	Kakinada RBD Palmolein (Loose)	533	529	+4
	Mumbai RBD Pamolein+ VAT	532	537	-5
	Kandla RBD Palmolein +VAT	525	527	-2
Refined Sunflower Oil	Mumbai + VAT	680	725	-45
	Kandla/Mundra	620	655	-35
	Erode (Exp. Oil)+VAT	678	695	-27
	Hyderabad Exp +VAT	715	725	-10
	Chennai (Loose)	685	690	-5
	Bellary (Exp. Oil)+VAT	626	626	Unch
	Latur (Exp. Oil)+VAT	636	646	-10
	Chellakere (Exp. Oil)+VAT	626	631	-5
Groundnut Oil	Rajkot (Loose)	830	Closed	----
	Chennai (Loose)	800	760	+40
	Delhi (Loose)	860	875	-15
	Hyderabad Exp +VAT	800	800	Unch
	Mumbai + VAT	835	860	-25

	Gondal+VAT	830	-	----
	Jamnagar +VAT	830	-	----
	Narsarropeth+VAT	771	741	<b>+30</b>
	Prodattour+VAT	771	771	<b>Unch</b>
<b>Rapeseed Oil</b>	Mumbai (Exp. Oil) +VAT	672	678	<b>-6</b>
	Alwar (Expeller Oil)(Loose)	653	656	<b>-3</b>
	Kota (Expeller Oil) (Loose)	650	660	<b>-10</b>
	Jaipur (Expeller Oil) (Loose)	660	665	<b>-5</b>
	Delhi (Exp. Oil) (Loose)	685	690	<b>-5</b>
	Sri Ganga Nagar(Exp Oil-Loose)	655	658	<b>-3</b>
	Hapur+VAT	680	680	<b>Unch</b>
	Kolkatta	-	-	----
	Agra (Kacchi Ghani Oil) +VAT	687	695	<b>-8</b>
<b>Refined Cottonseed Oil</b>	Mumbai +VAT	618	647	<b>-29</b>
	Rajkot (Loose)	630	Closed	----
	Delhi (Loose)	605	625	<b>-20</b>
	Hyderabad (Loose)	630	670	<b>-40</b>
<b>Sesame Oil</b>	Delhi	650	660	<b>-10</b>
	Mumbai	775	775	<b>Unch</b>
<b>Rice Bran Oil (40%)</b>	Delhi	555	565	<b>-10</b>
	Punjab	550	550	<b>Unch</b>
<b>Rice Bran Oil (70%)</b>	Delhi	425	435	<b>-10</b>
<b>Malaysia Palmolein USD/MT</b>	FOB (Nov)	1025	1040	<b>-15</b>
	CNF (Nov) - India	1060	1075	<b>-15</b>
<b>Indonesia/Malaysia CPO USD/MT</b>	FOB (Nov)	950	955	<b>-5</b>
	CNF (Nov) - India	985	990	<b>+5</b>
<b>Argentina FOB (\$/MT)</b>		<b>3/11/2011</b>	<b>28/10/2011</b>	<b>Change</b>
Crude Soybean Oil Ship(Oct)		1149	1144	<b>+5</b>
Refined Soy Oil (Bulk) Ship(Oct)		1189	1184	<b>+5</b>
Sunflower Oil Ship(Oct)		-	1140	----
Cottonseed Oil Ship(Oct)		1129	1224	<b>-95</b>
Refine Linseed Oil(Bulk) Ship(Oct)		1169	1164	<b>+5</b>

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