

### Domestic front

- Demand improved significantly as compared to the week end which helped to sustain spot prices at higher levels.
- Better demand for RBD palmolein and palm oil products from South India and recent surge in soy oil demand from Central and Western region helped to keep palm oil buoyant.
- We expect edible oil demand to stay firm for coming week which might keep edible oil prices on encouraging note. At the same time strong bullish cues from BMD continue to lend underlying support to the edible oil prices for short term. Meanwhile, we can expect plants Maharashtra and Kota to sell soy refine at these levels due to better remuneration by selling refined soy oil at these levels while plants adjoining Indore regions are only in the marginal parity. Marginal gain by the plants near Indore might limit aggressive selling of refined soy oil in spot.

### International front

- Deepening *La-Nina* condition in equatorial Pacific region followed by expectation of lower CPO production, optimistic Malaysian palm oil export and ambiguity for Argentinean crop are the factors supportive for palm and soy.
- At the same time perception of Chinese buying which is not yet clear lends underlying support to the soy complex as a whole in CBOT. Moreover we expect crude soy oil at CBOT could stay range bound during the week starts on 15<sup>th</sup> in the range of 51.50 cents/lb to 53.00 cents/lb.

### International Veg. Oil Market Summary:

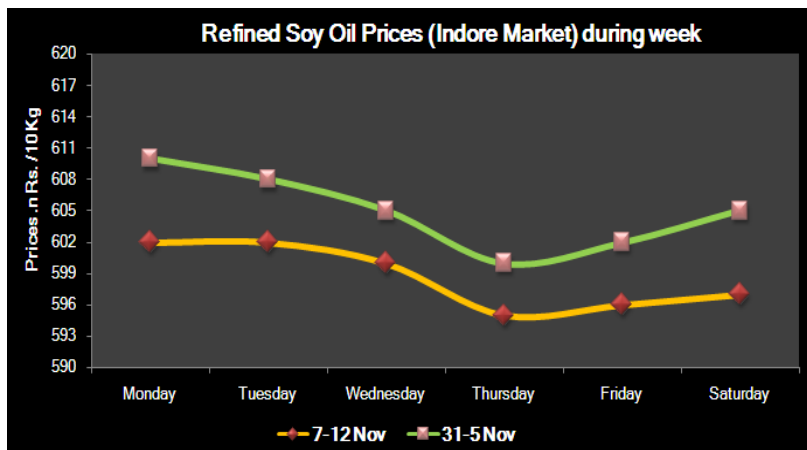
- Crude soy oil prices at the bench mark market of CBOT continue to stay in the range of 50 cents/lb on lower side while getting resistance towards 53.00 cents/lb. CBOT closed to 52.60 cents/pound (Dec'11 contract) as on 15th Nov 2011. Meanwhile, Malaysian palm oil futures stay firm during the week under consideration and rose by MYR 134 from MYR 3050/MT to MYR 3184/MT during the week.
- As per MPOB latest update, Malaysian palm oil ending stock decrease by 1.55% to 2.10 million tons offsetting the impact of increased production during October.
- SGS figure shows Malaysian palm oil products exports for the period of 1-15 November is up by 11.6% and stood at 802,917 million tonnes from 719,575 tonnes shipped during 1-15 October. India imported 105,150 tons of palm oil products during 1-15 November which is less as compared to last month import of 113,290 tons. Chinese palm oil import stay at 188,550 tons from Malaysia which is up by 4.81% as compared to same period previous month.
- 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.
- However, one need to be take cautious approach on surging crude oil prices and depreciating INR as these factors could lend lateral support to the soy complex as a whole. Global financial instability needed to be watched carefully as it might weigh on the prices in CBOT.

## Market Recap and Fundamental Analysis

### Soy oil:

#### Domestic Fundamentals:-

- Domestic soy oil prices declined week on week as it unable to get buying support. However, soy oil demand starts improving from Monday which helped the prices to see marked improvement. Spot market Ref. soy oil prices fell by 1.05 per cent to Rs. 599 per 10 kg (excluding VAT) till Saturday compared to previous week average prices.
- It is evident that the plants (ex-Indore) are in marginal parity as on 14<sup>th</sup> Nov. Considering average plant delivery seed at Rs 2195/qtl and meal prices at Rs 15700/MT (Indore spot) and selling refined soy oil at 626.30/10 Kg, plants are getting marginal return. Adding processing costs and other expenses to the crude soy oil produced in plants in Indore region, soy refine production cost works out to 595/10 kg. Further addition of 5% VAT and 0.15% commission as brokerage brings the total cost to Rs 625.1 per 10Kg as compared to the prevailing spot price of 626.30/10 Kg as on 14<sup>th</sup> Nov. This indicates plants are in marginal parity (Rs 1.20/10 Kg) and might wait to liquidate their oil stocks at current prices.
- However Nagpur and Kota based plants are in higher parity as compared to Indore based plants. As per parity calculated on 12<sup>th</sup> of November, plants are in parity of Rs 32.50 per 10 Kg and Rs 18.30 per 10 Kg respectively for Nagpur and Kota region. Higher profit from these regions might instigate the plants to sell refined soy oil actively in the spot market. This means more supply from Nagpur based plant followed by Kota and comparative less supply from Indore. Earlier refined soy oil was supplied from MP to Maharashtra and Rajasthan. Expectation of better supply from these regions might lower the demand from MP which indicates pressure on spot refined soy oil in MP.
- However, demand for soy oil these days are relatively higher and are used for blending other high value edible oil such as RM and sun oil. This is likely to keep short term fundamentals on encouraging note.



#### International 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.
- 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.

**Palm Oil:**
**Domestic Fundamentals:-**

- Domestic palm oil prices stay firm during the week in major markets, however in Delhi and Rajkot it remained steady. Better demand for palm w-o-w from southern region of India lends underlying support to the palm oil prices. Strong bullish cues from its bench mark market of BMD futures lend additional support to the domestic palm oil prices.
- Weakening Indian currency compared to USD lends additional support to the prices as depreciation of currency shall keep imports expensive. This might get translated in the domestic market prices.
- Govt. plans to bring oil palm under MSP mechanism to bridge the domestic demand and supply gap. According to commission for agricultural costs and prices (CACP), govt. asked to prepare a report on MSP mechanism and strategies to promote palm oil cultivation in our country.
- MSP mechanism might incorporate in 12th five year plan. CACP estimate the production cost to cultivate oil palm is about Rs 44,000 per ton meanwhile landed price for imported CPO is about Rs 50,000. Currently oil palm acreage in India is about 1.75 lakh hectare as against the estimated potential of 10.3 lakh hectare.

**International Fundamentals:-**

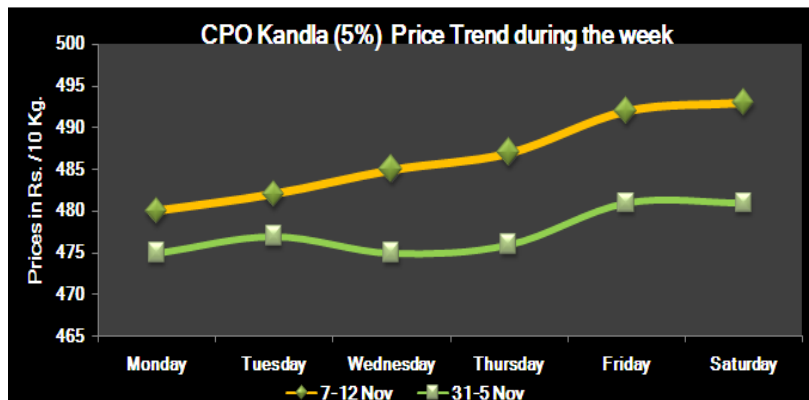
- Malaysian palm oil prices stay steady to firm and futures climbed to a three month high on 10th Nov after a surprise decline in ending stocks. At the same time focus on prospects of erratic weather later this year bring fear of sharp production decline.
- Malaysian Palm Oil Board (MPOB) reported a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

<b>Malaysian Palm Oil Balance Sheet (2011)</b>			
<b>(Quantity in tons)</b>	<b>Sep</b>	<b>Oct</b>	<b>% Change</b>
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.
- At the same time narrowing spread (FOB CSO Argentina vs CPO Malaysia) between soy and palm from current USD 88/MT towards USD 60/MT could tilt demand towards soy from palm during Dec – Jan. For a short period we expect Malaysian palm oil prices to stay steady to firm which might keep domestic palm oil prices buoyant in the short to medium term.
- As per SGS, Malaysian palm oil products exports for the period of 1-15 November is up by 11.6 per cent stood at 802,917 million tonnes from 719,575 tonnes shipped during 1-15 October. Palm oil products imports by different countries are China 188,550 (previous month during same period 179,989), India 105,150(113,290), EU 97,060 (154,879), Pakistan 96,500 (44,500), US 74,927 (46,825).

### **Groundnut Oil:**

- Domestic groundnut oil prices stay firm w-o-w as it got buying support at lower price levels. At the same time spill over support from other edible oil leads to marginal improvement till week end. However marginal weakness was seen during the week which starts from 15<sup>th</sup> Nov.
- Rabi groundnut sowing is also seen lagging after it sluggish starts. Sown area for groundnut seed stood at 1.34 lakh as on November 11, 2011 which is down by 15.7% as compared to last year 1.59 lakh hectare during same period.
- As per source, G/N oil likely to trade with a weak bias in coming week as low exports of HPS from Rajkot might weigh on the G/N oil prices. In Rajkot market, G/N oil likely to trade with a range of Rs 780 to 820 per 10 Kg in near term.



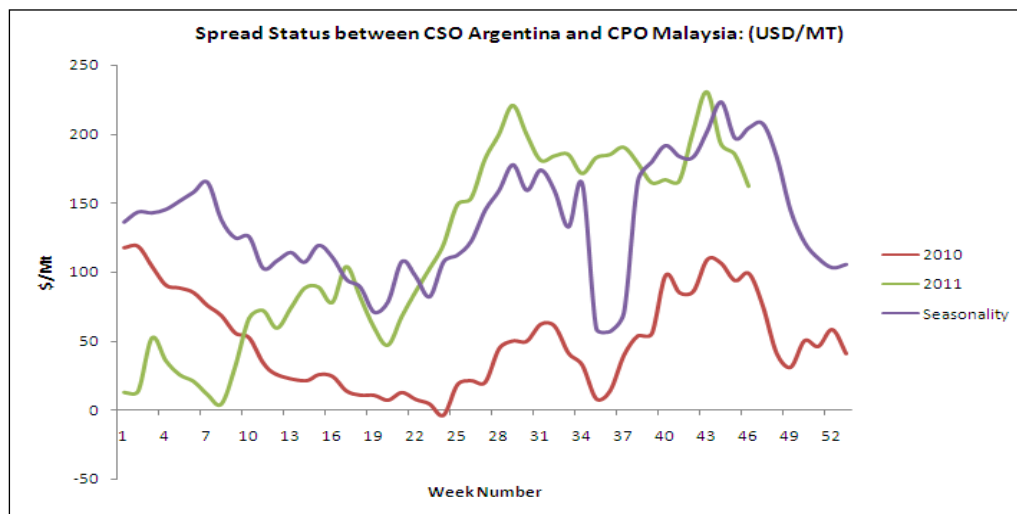
### **Sunflower oil**

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

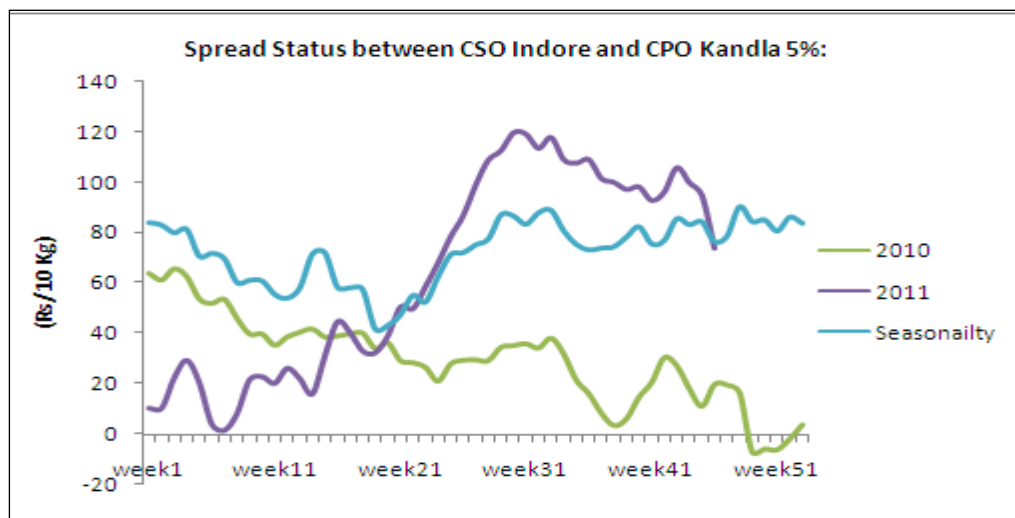
- Sun oil stay steady to weak during the week under review as demand is shifted to low price edible oils. However relatively expensive imports amid depreciation of INR and spill over support from other major oils might lend support the prices of Ref. Sun oil in near term.
- As per source, India might import 25000 to 30000 tons of sun oil in coming months. Given the fact of depreciation of currency further we expect expensive imports during coming couple of weeks. This might lend spill over support to domestic refined sunflower oil.
- Rabi sowing of sunflower is lagging year on year. As on 11<sup>th</sup> Nov area under sunflower were reported at 1.76 lakh hectares down by 23.10% during the same period last year when it was seen at 2.29 lakh hectares.

#### **International Fundamentals:-**

- Ukraine completed sunflower seed harvesting from of 4.6 million hectares with production is reported at 8.8 million tons. According to the Ministry of Agrarian Policy and Food, the general production of sunflower in 2010 was 7.1 million tons throughout the areas of 4.4 million ha. This means Ukraine can add to the global supply which might offer discount y-o-y though the amount of discount is not yet clear.

**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\$ 162.60 per MT, a fall of US\$ 23.20 per MT compared to previous week average of US\$ 185.80 per MT as anticipated. Spread is likely to narrow further considering seasonality and strong palm oil fundamentals amid fear of low production of CPO during coming couple of weeks. Expectation of relatively stable palm oil prices at higher levels and comparative prevailing lower prices of CSO at Argentina would lead spread to narrow further. We expected spread to rise by US\$ 15-20/MT during coming week.

**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 74/10 Kg down by Rs 19 per 10 Kg w-o-w. Decline in spread between the two is due to softening of CSO prices in Indore and surge in CPO Kandla. Looking forward, we expect spread to narrow further by Rs 8-10/10 Kg towards Rs 64-66 during the week under consideration. Given the strong fundamentals of palm oil with expectation of prices to stay firm followed by expectation of lower soy oil prices amid higher availability the spread is likely to un-wind further. We recommend market participants take the opportunity to buy crude soy oil at lower level in coming week and wait to sell palm at higher levels.

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

Landed Cost Calculation as on 14/11/2011	CSO Argentina	CSO Brazil	CSO US
FOB USD per ton	1133	1138	1190.00
Freight (USD/MT)	65	55	50
C & F	1198.0	1193.0	1240.0
Weight loss (0.25% of FOB)	2.83	2.85	2.98
Finance charges (0.4% on CNF)	4.53	4.55	4.76
Insurance (0.3% of C&F)	4	4	4
CIF (Indian Port - Kandla)	1209	1204	1251
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	50	50	50
Landed cost without customs duty in INR per ton	60448	60199	62573
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	60884	60635	63009
Domestic Market price INR per ton Soy Degum Kandla	60200	60200	60200
Total landed cost USD per ton	1218	1213	1260
Domestic Market price USD per ton Soy Degum Kandla	1204	1204	1204
Parity INR/MT (Domestic - Landed)	-684	-435	-2809
Parity USD/MT (Domestic - Landed)	-13.68	-8.70	-56.18

Source: Agriwatch/ Reuters

**Edible oil Shipments at Indian Ports during Nov. month (till 14<sup>th</sup> Nov 2011)**

Product	Nov. Shipments (tonnes)	Oct. Shipments (tonnes)	% Change
Crude Palm Oil	560750	476617.8	+17.7
Palm Oil	128800	59298	+117.2
Palm Fatty Acid	50000	3999.99	+1150
RBD Palm olein	6000	9000	-33.3
Crude Sunflower Oil	27750	20120	+37.9
<b>Total edible oils</b>	<b>773,300</b>	<b>569.036</b>	<b>+35.9</b>
Source: Ben Line Agencies(India) Pvt Ltd.			

### Technical Analysis (Spot Market Weekly Charts)

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



- ❖ Domestic spot market soy oil prices trade with a positive note during the week ended on 15<sup>th</sup> Nov. However, during beginning of the week prices recover from its support breaching its key levels.
- ❖ Breaching the immediate resistance level is likely to test towards 625.0. Meanwhile breaching the immediate support level prices might test 591.0 levels in near term.
- ❖ We expect prices likely to trade with a steady to firm in near term.
- ❖ **Strategy: Market participants can start liquidating physical stocks of Soy Refine if any around Rs 625/10 Kg**

Support & Resistance				
S2	S1	PCP	R1	R2
591.00	595.00	608.00	620.00	625.00



### Technical Analysis (Spot Market Weekly Charts)

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



- Candlesticks depicts marked rise in CPO prices during the week. It is likely to stay firm for short term.
- CPO prices could test the resistance level of 515 in near term. As the secondary trend indicates bullish sentiments.
- 495 could act as an immediate support; meanwhile RSI is in neutral zone.
- We expect prices to stay firm. Any near term impulse from the current level prices could lead prices to test towards 519 in near term.

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

Support & Resistance				
S2	S1	PCP	R1	R2
489.00	495.00	503.00	515.00	519.00



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



- ❖ Soy oil prices stay firm note during the week. Prices able to breach its key resistance zone of 650.20 in medium term. Sustaining above the same can lead prices to test towards its resistance zone near 655-656.
- ❖ However, down side potential below the levels can be seen towards 629.80 and 625.20 from where it is expected to trend line support for short turn. Any close below 629.80 in weekly chart shall change the sentiments and might bring the prices in consolidative phase again.
- ❖ EMA continue to act as a good support while oscillators remain in tune with the prices showing minimal divergence.
- ❖ We may expect a marginal decline initially primarily attributed to profit booking at these levels but may regain the buying support at any near term dips.

**Strategy:** we recommend market participants to go long in NCDEX (Dec contract) at dip levels towards 636.50-637.80 for a target of 644 and then 648 with a stop loss at 633.60 on closing basis.

**RSO NCDEX (Dec)**

Support & Resistance				
S2	S1	PCP	R1	R2
625.20	629.80	640.70	650.20	656.30

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


- ❖ Candlestick chart pattern reveal falling trend line break out above 495 in the technical chart indicating possible reversal of the falling trend. However, it needs to sustain above the same for consecutive two weeks for deciding the further trend.
- ❖ Volume remains thin around break out levels which need to be watched closely. Any near term increase in volume which is expected might stand supportive for the expected bull-run.
- ❖ RSI and other indicators stand supportive for the prices and remain in tune with the price direction indicating minimal divergence as of now. This might lead to extend the gains further for short term.
- ❖ Expected price band for CPO is 511.0-520.0 level in near to medium term.

**Strategy:** Buy CPO in MCX (Nov contract) at dip levels towards 511.0-513.0 for a target of 520 with a stop loss at 506.30 on closing basis.

**CPO MCX (Nov)**

Support & Resistance				
S2	S1	PCP	R1	R2
499.30	504.00	513.00	525.00	529.30

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

Commodity	Centre	Prices(Per 10 Kg)		Change
		15/11/2011	8/11/2011	
Refined Soybean Oil	Kota(Loose)	632	622	+10
	Rajkot (Loose)	630	623	+7
	Jaipur (Loose)	638	635	+3
	Hyderabad+ VAT	670	660	+10
	Delhi (Loose)	640	640	Unch
	Kakinada	-	630	-
	Mumbai +VAT	620	616	+4
	Indore	600	605	-5
	Soy Degum Mumbai+VAT	600	595	-5
	SoyDegum Kandla/Mundra+VAT	605	597	+8
	Haldiya Port (Loose)	651	633	+18
	Akola (Loose)	629	631	-2
	Amrawati (Loose)	629	631	-2
	Jalna	631	630	+1
	Nagpur	631	626	+5
Palm Oil	Chennai RBD Palmolein (Loose)	575	535	+40
	Hyd. RBD Palmolein VAT	605	570	+35
	Delhi RBD Palmolein (Loose)	595	580	+15
	Kandla CPO (5%FFA)	503	481	+22
	Kakinada RBD Palmolein (Loose)	563	531	+32
	Mumbai RBD Pamolein+ VAT	560	531	+29
	Kandla RBD Palmolein +VAT	550	525	+25
Refined Sunflower Oil	Mumbai + VAT	685	680	+5
	Kandla/Mundra	625	620	+5
	Erode (Exp. Oil)+VAT	680	678	+2
	Hyderabad Exp +VAT	725	715	+10
	Chennai (Loose)	695	685	+10
	Bellary (Exp. Oil)+VAT	631	624	+7
	Latur (Exp. Oil)+VAT	646	641	+5
	Chellakere (Exp. Oil)+VAT	631	626	+5
Groundnut Oil	Rajkot (Loose)	810	830	-20
	Chennai (Loose)	820	800	+20
	Delhi (Loose)	865	860	+5
	Hyderabad Exp +VAT	825	800	+25
	Mumbai + VAT	840	840	Unch
	Gondal+VAT	815	845	-30
	Jamnagar +VAT	820	845	-25
	Narsarropeth+VAT	811	771	+40
	Prodattour+VAT	821	771	+50
Rapeseed Oil	Mumbai (Exp. Oil) +VAT	682	672	+10
	Alwar (Expeller Oil)(Loose)	682	653	+29
	Kota (Expeller Oil) (Loose)	653	650	+3
	Jaipur (Expeller Oil) (Loose)	660	660	Unch
	Delhi (Exp. Oil) (Loose)	668	685	-17
	Sri Ganga Nagar(Exp Oil- Loose)	695	654	+41

	Hapur+VAT	670	680	<b>-10</b>
	Kolkatta	700	-	-
	Agra (Kacchi Ghani Oil) +VAT	-	690	-
<b>Refined Cottonseed Oil</b>	Mumbai +VAT	602	616	<b>-14</b>
	Rajkot (Loose)	605	635	<b>-30</b>
	Delhi (Loose)	590	605	<b>-15</b>
	Hyderabad (Loose)	625	630	<b>-5</b>
<b>Sesame Oil</b>	Delhi	665	650	<b>+15</b>
	Mumbai	775	775	<b>Unch</b>
<b>Rice Bran Oil (40%)</b>	Delhi	550	555	<b>-5</b>
	Punjab	550	550	<b>Unch</b>
<b>Rice Bran Oil (70%)</b>	Delhi	425	425	<b>Unch</b>
<b>Malaysia Palm olein USD/MT</b>	FOB (Nov)	1085	1035	<b>+50</b>
	CNF (Nov) - India	1120	1070	<b>+50</b>
<b>Indonesia/Malaysia CPO USD/MT</b>	FOB (Nov)	995	945	<b>+50</b>
	CNF (Nov) - India	1030	980	<b>+50</b>
<b>Argentina FOB (\$/MT)</b>		<b>14/11/2011</b>	<b>4/11/2011</b>	<b>Change</b>
Crude Soybean Oil Ship (Nov)		1140	-	-
Refined Soy Oil (Bulk) Ship (Nov)		1179	-	-
Sunflower Oil Ship (Nov)		-	-	-
Cottonseed Oil Ship (Nov)		1120	-	-
Refine Linseed Oil(Bulk) Ship (Nov)		1160	-	-

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