

**Domestic Veg. Oil Market Summary:**

- Domestic edible oil prices traded with a steady to firm note during the week due to better buying against limited selling in cash market.
- As per Sea of India, edible oil for Nov. 2011 up by 26.89% stood at 827,684 MT as compared to last year at 652,262 MT. moreover higher imports seen for crude palm kernel oil up by 94.02%, meanwhile soy oil imports fell by 74.98% during the year.
- Rajkot's G/N oil likely to trade with a steady to firm bias within a range of Rs 870-920 per 10 Kg in near term.
- Depreciating INR will negatively affect the edible oil imports leading to lower domestic stocks subsequently lending support to the oil prices at higher levels.

**International Veg. Oil Market Summary:**

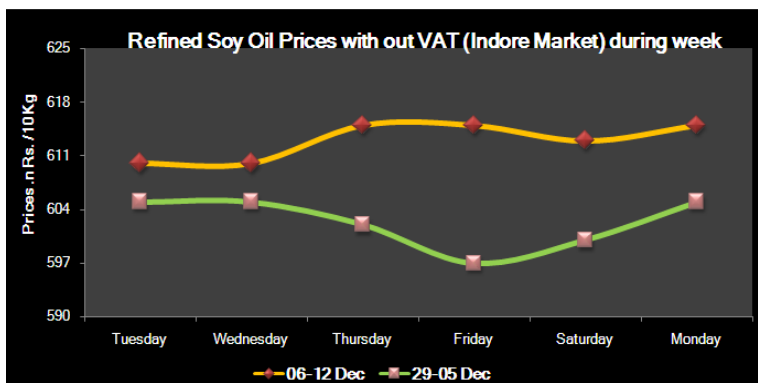
- USDA increased the world ending stocks of soybean oil by 9.5 per cent to 2.64 million tons. However Malaysia's November palm oil ending stocks fell 1.5 percent to 2,068,754 tons as compared to October month 2,100,578 tons.
- Brazil's soy crop productivity is estimated at 73.1 million tonnes down by half a million tonnes from the last month estimate-AgRural
- Malaysian palm oil products exports for the period of 1-15 December fell by 19.2 per cent stood at 649,138 million tonnes from 802,917 tonnes shipped during 1-15 November.

## Market Recap and Fundamental Analysis

### Soy oil:

#### Domestic Fundamentals:-

- Domestic market refined soyoil prices remained range bound with a weak bias during the week and prices fell by 1.77 per cent to Rs. 613 per 10 kg compared to previous week prices (average prices of week) in the indicative market Indore due to good demand amid bullish cues from international markets which kept the prices on a firm note.
- As per Sea of India, edible oil for Nov. 2011 up by 26.89% stood at 827,684 MT as compared to last year at 652,262 MT. moreover higher imports seen for crude palm kernel oil up by 94.02%, meanwhile soy oil imports fell by 74.98% during the year.
- Looking forward, we expect soy oil prices to stay steady to firm on account of seasonal demand and depreciating INR leads to imports expensive in near term.



#### International Fundamentals:-

- According to the latest estimate by the Chinese commerce ministry, China is expected to import 5.39 million tonnes of the oilseed in December which is 0.7 percent less as compared to same month a year ago. The December figure would raise the country's 2011 total imports to 52.6 million tonnes, 4 percent lower than in 2010.
- Brazil's soy crop productivity is estimated at 73.1 million tonnes down by half a million tonnes from the last month estimate forecasted by AgRural since they expects a cut in soybean planting area. AgRural forecasts 24.8 million hectares soy planting area in 2011-12 down majorly in the southern states of Parana and in the North Maranhao against its previous expected planting area 25 million hectares.

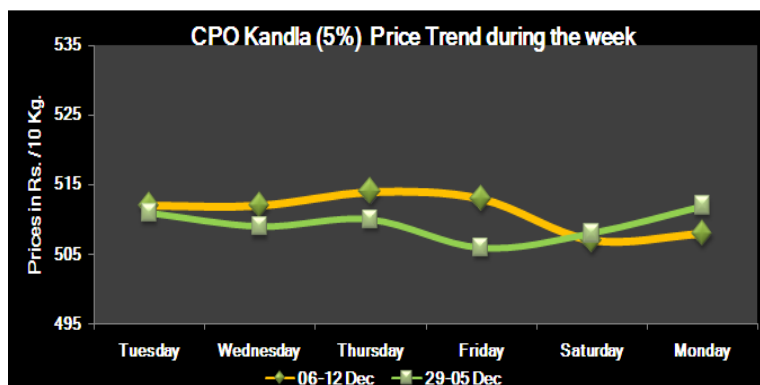
#### Soy oil parity analysis:-

Values in Rs per 10Kg	Soy oil parity on 12 Dec 2011	Avg. Soy oil parity – Nov. Month	Avg. Soy oil parity – Oct. Month	Avg. Soy oil parity – 3 Months
Indore	-19	8	37	24

Crushing plants (ex-Indore) are in disparity as on 12<sup>th</sup> Dec. Considering average plant delivery seed at Rs 2275/qtl and meal prices at Rs 15950/MT. Adding processing costs and other expenses, soy refine production cost works out to 628/10 kg. Adding 5% VAT and 0.15% commission as brokerage the total cost is approx. Rs 660.0 per 10Kg which is more compared to the prevailing spot price of 641/10 Kg on 7<sup>th</sup> Nov. This indicates plants are in disparity and might hold their oil stocks at present. We expect a tight supply of soy oil continue in near to medium term.

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

- Domestic palm oil prices traded with a steady bias during the week due to non-aggressive buying activities seen during the week.
- Looking forward, edible oils are likely to trade steady to firm note in near to medium term due to fair domestic fundamentals, meanwhile weak macroeconomic factors might cap on excessive gains.

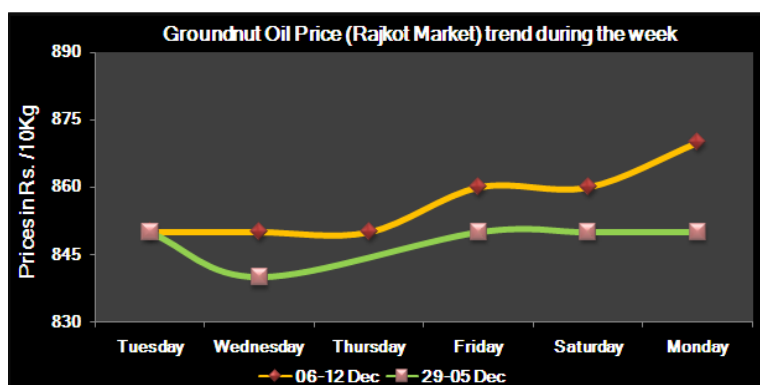

**International Fundamentals:-**

- Malaysian palm oil products exports for the period of 1-15 December fell by 19.2 per cent stood at 649,138 million tonnes from 802,917 tonnes shipped during 1-15 November. Palm oil products exports figures for 1-15 November for top major markets (Values in tonnes and 1-15 November import figures in parenthesis): China 183,850 (188,550), India 35,300 (105,150), EU 146,533 (97,080), Pakistan 55,500 (96,500) and US 29,025 (74,927)-SGS.
- Malaysian palm oil prices stay steady and futures gains after correction from higher levels on 13th Dec due to bullish MPOB report. Malaysia's November palm oil ending stocks fell 1.5 percent to 2,068,754 tons as compared to October month 2,100,578 tons on account of low palm output due to heavy rainfall, we expect lower production continues in December month which likely to support the palm oil prices in near to medium term but low exports figures amid weak macroeconomic factors might weigh on the markets. Detail of the Malaysian palm oil balance sheet is as follows:

Malaysian Palm Oil Balance Sheet (2011)			
(Quantity in tons)	Nov	Oct	% Change
Opening Stock	327124	321853	+1.64%
Production	1626668	1908422	-14.76%
Import	87198	45478	+91.74%
Export	1660402	1840405	-9.78%
Ending Stock	2068754	2100415	-1.51%

**Groundnut Oil:**
**Domestic Fundamentals:-**

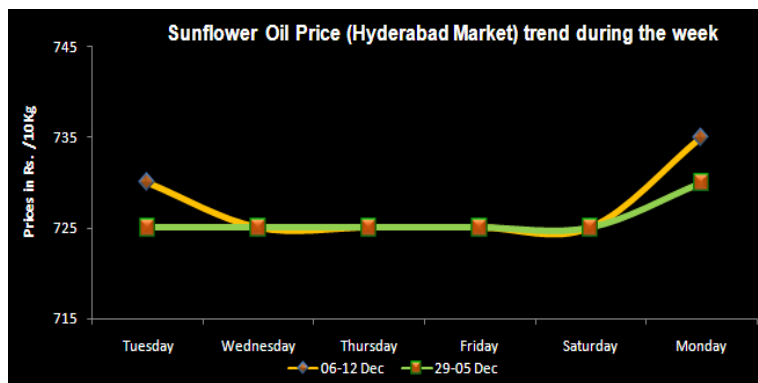
- Domestic groundnut oil prices traded with a firm bias on account of aggressive buying during the week.
- Resellers and stockiest actively participate in buying activities during the week in anticipation of demand in a coming week.
- Sown area for Rabi groundnut seed stood at 2.98 lakh hectares as on December 9<sup>th</sup>, 2011 which is up by 3.47% as compared to last year's 2.88 lakh hectares during the same period.
- Good demand amid low arrivals in major markets likely to support the groundnut oil prices in near to medium term. As per sources, Rajkot's G/N oil likely to trade with a steady to firm bias within a range of Rs 870-920 per 10 Kg in near term.



### Sunflower oil

#### Domestic Fundamentals:-

- Sun oil prices traded with a steady bias in major markets due to lack of price driven factor amid low demand from consumer side keep the sun oil prices in a range bound during the week.
- As per the latest report from Ministry of Agriculture, Rabi sowing of sunflower is lagging year on year. As on 9<sup>th</sup> December area under sunflower were reported at 3.08 lakh hectares down by 9.68% during the same period last year when it was seen at 3.41 lakh hectares.
- Slow pace of sowing amid good supply in international markets keep the Ref. sun oil in a soft note in near to medium term. However depreciating INR coupled with seasonal demand might support the prices. We expect Ref sun oil likely to trade in the price band of Rs 715-745 per 10 Kg.



#### USDA's WASDE Report Analysis:-

Parameters	2009-10	2010-11 Est.	2011-2012		% Change
			Nov'11	Dec'11	
US origin					
Soybean planted acreage m.a.	77.5	77.4	75	75	0.00%
Soybean Harvested acreage m.a.	76.4	76.6	73.7	73.7	0.00%
Soybean yield, in b / a	44.0	43.5	41.3	41.3	0.00%
Beginning Stocks, in m.b.	138	151	215	215	0.00%
Soybean production, in m.b.	3359	3329	3046.00	3046.00	0.00%
Soybean imports, in m.b	15	15	15	15	0.00%
Soybean crush, in m.b.	1752	1650	1635	1625	-0.61%
Soybean exports, in m.b.	1501	1520	1325	1300	-1.89%
Residual, in m.b	18	38	32	32	0.00%
Soybean ending stocks, in m.b.	151	200	195	230	17.95%
Soy meal production, in '000 short tons	41707	39683	38835	38685	-0.39%
Soy meal ending stocks, in '000 short tons	302	300	300	300	0.00%
Soy oil production, in million lbs	19615	19090	18670	18700	0.16%
Soy oil for Bio-diesel, in million lbs	1680	2300	3600	3600	0.00%
Soy oil ending stocks, in million lbs	3406	2871	2080	2280	9.62%
At other origins					
Soybean production in Argentina, in m.t.	54.5	49.5	52	52	0.00%
Argentina soybean beginning stock m.t.	16.59	22.28	22.88	22.88	0.00%
Soybean production in Brazil, in m.t.	69	74.5	75	75	0.00%
Brazil soybean beginning stock m.t.	12.04	15.84	22.31	22.22	-0.40%

Soybean import in China, in m.t.	50.34	52	56.5	56.5	0.00%
Chinese soybean ending stock, in m.t.	13.26	14.21	13.26	13.26	0.00%
Global soybean ending stocks in m.t.	59.35	65.88	63.56	64.54	1.54%
Global soy oil ending stocks, in m.t.	3.18	3.07	2.41	2.64	9.54%
Global veg oil ending stocks in m.t.	12.93	11.23	11.76	12.01	2.13%
Global soy meal ending stocks in m.t.	6.12	6.57	8.75	8.28	-5.37%
b / a – Bushels per acre; m.b. – Million bushels; m. t. – Million tons ; m.a. - Million acres					

### USA Origin

USDA released its monthly world agricultural supply and demand report on 9<sup>th</sup> Dec in which USDA kept harvest area and soybean yield unchanged. Soybean production pegged at 3046 million bushels in Dec. estimates unchanged. Soybean export figure for current year fell by 1.89% and stood at 1300 Million bushel.

USDA reduced world soy oil production by 0.37 per cent to 42.91 MMT (in its December month report) compared to 43.07 MMT productions in November month projections. The US soybean production stay at 3060 million bushels meanwhile increased the US ending stocks of soybean oil by 9.62 per cent to 2280 billion bushel which might weigh on CBOT soy oil prices in near to medium term.

### Other Origin

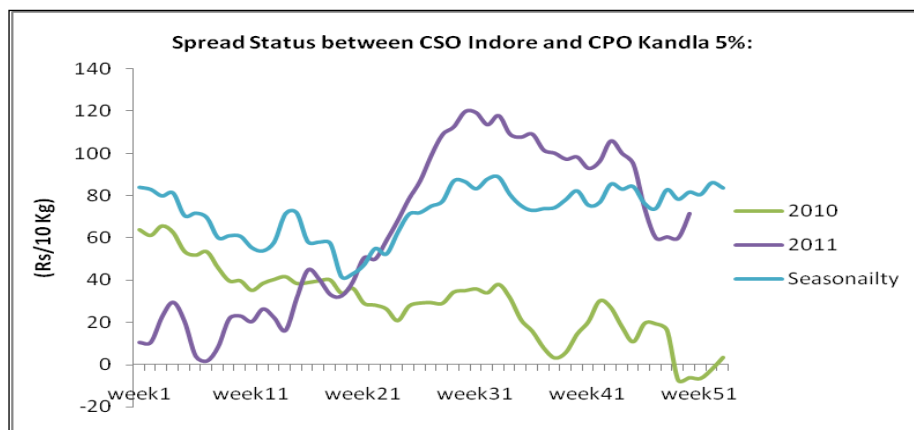
Due to low overseas demand global soy oil ending stock rose by 9.54% stood 2.64 million tons however, beginning soybean stocks in Argentina remain unchanged as compared to November month estimates. Meanwhile, Weather conditions for soybean in Latin America are to be seen as a major uncertainty. Below-normal rains and above-normal temperatures lead to reduction in soil moisture in southern Brazil in the recent days. This might leads to lower soy production in South America if unfavorable persists. Higher soy oil ending stocks on global front keep the soy oil prices to trade with a soft note meanwhile high imports from china for upcoming Chinese new year might lend underlying support to the soy oil prices in near to medium term.

### Impact on Indian Soy prices

The price impact of this month's USDA report is to be bearish for both soy oil and soy beans. The December estimates for soy beans in South America has remained unchanged from November estimates, however higher than expected global ending stocks for soy beans and soy oil amid gloomy EU debt crisis could weigh on the prices. Meanwhile depreciating INR might support the soy oil prices in medium term.

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

Product	December Shipments (tons)	November Shipments (tons)	% Change
Crude Palm Oil	465651.8	476617.8	-2.30%
Palm Oil	75232	59298	+26.87%
Palm Fatty Acid	2000	3999.99	-50.00%
Crude soy oil	-	-	-
RBD Palm olein	20000	9000	+122.22%
Crude Sunflower Oil	25000	20120	+24.25%
Total edible oils	587,884	569,036	+3.31%
Source: Ben Line Agencies(India) Pvt Ltd.			

**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 71.6/10 Kg up by Rs 11.6 per 10 Kg w-o-w. Marked uptrend witnessed in spread as crude soy oil traded with a firm note during the week while crude palm oil kandla 5% stayed steady on account of weak exports figures from Malaysia keeps the palm oil to trade with a steady bias. Looking forward, we expect spread to hover between Rs 80-90/10Kg range in the coming week.

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

Landed Cost Calculation as on 07/12/2011	CSO Argentina	CSO Brazil	CSO US
FOB USD per ton	1137	1124	1101.85
Freight (USD/MT)	65	55	50
C & F	1201.7	1178.9	1151.9
Weight loss (0.25% of FOB)	2.84	2.81	2.75
Finance charges (0.4% on CNF)	4.55	4.50	4.41
Insurance (0.3% of C&F)	4	4	3
CIF (Indian Port - Kandla)	1213	1190	1162
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	51.44	51.44	51.44
Landed cost without customs duty in INR per ton	62381	61200	59797
Customs duty %	0%	0%	0%
Base import price	580	580	580
Fixed exchange rate by customs department	52.60	52.60	52.60
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	62817	61636	60233
Domestic Market price INR per ton Soy Degum Kandla	61500	61500	61500
Total landed cost USD per ton	1221	1198	1171
Domestic Market price USD per ton Soy Degum Kandla	1196	1196	1196
Parity INR/MT (Domestic - Landed)	-1317	-136	1267
Parity USD/MT (Domestic - Landed)	-25.60	-2.65	24.62

Source: Agriwatch/ Reuters

### 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. However we expect market likely to move in a range bound in near to medium term.
- ❖ Breaching the immediate resistance level is likely to test towards 644.00. Meanwhile breaching the immediate support level prices might test 623.00 levels in near term.

**Strategy:** Market participants can liquidate their Ref. soy oil (INDORE Rs/10 Kg without VAT) stocks at current levels in a coming week.

Support & Resistance				
S2	S1	PCP	R1	R2
623.00	627.00	635.00	641.00	644.00

### Technical Analysis (Spot Market Weekly Charts)

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



- ❖ Candlesticks depicts marginal rise in CPO prices during the week. It is likely to stay steady for coming week.
- ❖ Breaching the immediate resistance level is likely to test towards 524.00. Meanwhile breaching the immediate support level prices might test 500.00 levels in medium term.
- ❖ Any near term impulse from the current level prices could lead prices to test the resistance level of 520-522 zones in near to medium term.

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

Support & Resistance				
S2	S1	PCP	R1	R2
500.00	507.00	515.00	520.00	524.00

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



**Outlook - Soy oil traded with a firm note during the week. We expect prices stay firm in a coming week, however any technical dip from current level might act as a buying opportunity for a short term.**

- ❖ Any close below 656.10 in weekly chart shall change the sentiments and might bring the prices in bearish phase again.
- ❖ EMA continue to act as a good support while oscillators remain in tune with the prices showing minimal divergence.
- ❖ Expected price band for next week is 665.10-679.60 level in near to medium term.

**Strategy:** We recommend investors to go long in NCDEX (Jan contract) at dip levels towards 665.10-666.10 for a target of 679.60 and then 680.20 with a stop loss at 658.20 on closing basis.

**RSO NCDEX (Jan)**

Support & Resistance				
S2	S1	PCP	R1	R2
650.30	656.10	672.50	683.60	687.60

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



**Outlook -** We expect prices likely to be in range bound for a coming week, however any technical dip from current level might act as a buying opportunity for a short term.

- ❖ Candlestick chart pattern reveals a consolidation in the market.
- ❖ 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 505-516 level in near to medium term.

**Strategy:** Buy CPO in MCX (Jan. contract) at dip levels towards 504-505 for a target of 516.50 and second target of 517.60 with a stop loss at 499.00 on closing basis.

#### CPO MCX (Jan. contract)

Support & Resistance				
S2	S1	PCP	R1	R2
491.20	496.00	509.70	523.90	528.90

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

Commodity	Centre	Prices(Per 10 Kg)		Change
		13/12/2011	6/11/2011	
Refined Soybean Oil	Kota(Loose)	630	625	+5
	Rajkot (Loose)	640	635	+5
	Jaipur (Loose)	642	640	+2
	Hyderabad+ VAT	631	-	-
	Delhi (Loose)	660	655	+5
	Kakinada	-	-	-
	Mumbai +VAT	635	624	+11
	Indore	615	610	+5
	Soy Degum Mumbai+VAT	612	612	Unch
	SoyDegum Kandla/Mundra+VAT	615	616	-1
	Haldiya Port (Loose)	-	-	
	Akola (Loose)	651	639	+12
	Amrawati (Loose)	651	639	+12
	Jalna	656	645	+11
	Nagpur	651	637	+14
Palm Oil	Chennai RBD Palmolein (Loose)	580	570	+10
	Hyd. RBD Palmolein VAT	610	605	+5
	Delhi RBD Palmolein (Loose)	600	600	Unch
	Kandla CPO (5%FFA)	510	512	-2
	Kakinada RBD Palmolein (Loose)	566	561	+5
	Mumbai RBD Pamolein+ VAT	582	580	+2
	Kandla RBD Palmolein +VAT	557	560	-3
Refined Sunflower Oil	Mumbai + VAT	710	700	+10
	Kandla/Mundra	650	640	+10
	Erode (Exp. Oil)+VAT	715	705	+10
	Hyderabad Exp +VAT	725	730	-5
	Chennai (Loose)	715	710	+5
	Bellary (Exp. Oil)+VAT	656	-	-
	Latur (Exp. Oil)+VAT	656	651	+5
	Chellakere (Exp. Oil)+VAT	651	641	+10
Groundnut Oil	Rajkot (Loose)	890	850	+40

	Chennai (Loose)	880	880	Unch
	Delhi (Loose)	870	855	+15
	Hyderabad Exp +VAT	910	900	+10
	Mumbai + VAT	890	850	+40
	Gondal+VAT	900	-	-
	Jamnagar +VAT	900	-	-
	Narsarropeth+VAT	821	816	+5
	Prodattour+VAT	851	866	-15
Rapeseed Oil	Mumbai (Exp. Oil) +VAT	702	695	+7
	Alwar (Expeller Oil)(Loose)	676	676	Unch
	Kota (Expeller Oil) (Loose)	664	665	-1
	Jaipur (Expeller Oil) (Loose)	684	675	+9
	Delhi (Exp. Oil) (Loose)	710	725	-15
	Sri Ganga Nagar(Exp Oil-Loose)	688	686	+2
	Hapur+VAT	735	740	-5
	Kolkatta	-	-	-
	Agra (Kacchi Ghani Oil) +VAT	712	720	-8
Refined Cottonseed Oil	Mumbai +VAT	617	605	+12
	Rajkot (Loose)	610	622	-12
	Delhi (Loose)	600	605	-5
	Hyderabad (Loose)	625	620	+5
Sesame Oil	Delhi	770	760	+10
	Mumbai	775	775	Unch
Rice Bran Oil (40%)	Delhi	525	535	-10
	Punjab	550	550	Unch
Rice Bran Oil (70%)	Delhi	415	430	-15
Malaysia Palmolein USD/MT	FOB (Dec)	1070	1090	-20
	CNF (Dec) - India	1105	1125	-20
Indonesia/Malaysia CPO USD/MT	FOB (Dec)	948	970	-22
	CNF(Dec) - India	983	1005	-22
<b>Argentina FOB (\$/MT)</b>		<b>12/12/2011</b>	<b>5/12/2011</b>	<b>Change</b>
Crude Soybean Oil Ship (Nov)		1106	1130	-24
Refined Soy Oil (Bulk) Ship (Nov)		1144	1169	-25
Sunflower Oil Ship (Nov)		1060	-	-
Cottonseed Oil Ship (Nov)		1086	1110	-24



Refine Linseed Oil(Bulk) Ship (Nov)	1126	1150	<b>-24</b>
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