



Veg. Oil Monthly Research Report

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Domestic Veg. oil Market Highlights

- Domestic edible oil prices traded with a firm bias during the month due to active buying amid bullish cues from international market kept the prices at higher level.
- 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.
- India's palm oil products imports during the month of December from Malaysia fell by 38.20 per cent to 97,500 MT compared to previous month's imports. Moreover 16.20% of palm oil product imports fell Y-o-Y basis
- As per Solvent Extractors' Association of India, RM seed output may fell by 21 % to 5.5 million metric tons in the current crop year.

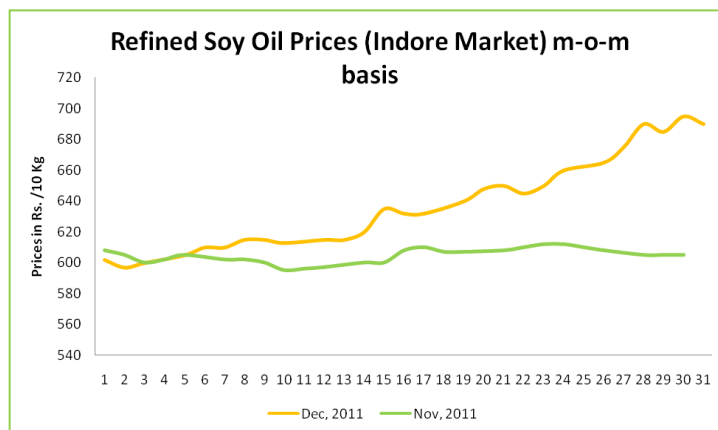
Veg. Oil Highlights:

- India's palm oil products imports during the month of December from Malaysia fell by 38.20 per cent M-o-M basis
- Palm oil products exports from Malaysia for the period of Dec. fell by 3.3 per cent 1,486,574 tonnes from 1,537,556 tonnes.
- Brazil's soybean planting in the 2011/12 season is 99% complete. Brazilian soybean exports are expected to totalize 34.5 million tons in 2012, up 6% from total shipments in 2011, of 32.5 million tons.
- Ukraine has produced 916,000 tons of sunflower oil during the September-November 2011 up by 121% as compared to September-November 2010 production.
- Edible oil prices at the bench mark market of CBOT, traded with firm tone during the month. CBOT closed to 52.09 cents/pound (Jan'12 contract) on 31 Dec. 2011. Meanwhile, Malaysian palm oil futures prices trade with a firm bias during the Month and rose by MYR 117/MT from MYR 3058/MT to MYR 3175/MT during the month. CPO futures at BMD closed to MYR 3175/ MT (Jan'12 contract) on 31th Dec. 2011

Soy oil:

Domestic Market Fundamentals

- Soy oil average prices (Indore market) rose by 5.42 per cent in Dec. as compared to previous month prices (average prices of month).Ref. soy oil traded with a firm note during the Dec. month on account of seasonal demand and dry weather concern in South American adds underlying support to the prices.
- 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. However soy degum oil imports fell by 74.98% stood at 8000 MT compared to previous year Nov. month imports were 31970 MT due to better supply from plants amid weaken INR against US dollar leads to expensive import.
- We expect soy oil likely to trade with a steady to firm bias due upcoming Hindu's festivals and ongoing marriage season may support the prices.



International Market Fundamentals

- Stressful weather has posed threat to soybean production potential in South America. Ongoing La Nina creates a high risk of below-normal rainfall also in January, which is expected to boost the international soybean prices. In Argentina most oilseed producing regions have received only 20-30% of normal rainfall during Dec 1-26. Soybean planting intentions is probably not fully carried out due to dryness.
- As per Brazilian trade ministry, soy oil exports figures surged by 55.14% in December stood at 75,400 tons against 48, 600 tons in the same month of 2011. However on M-o-M basis soy oil exports fell by 54.61per-cent.

Soy oil parity analysis:-

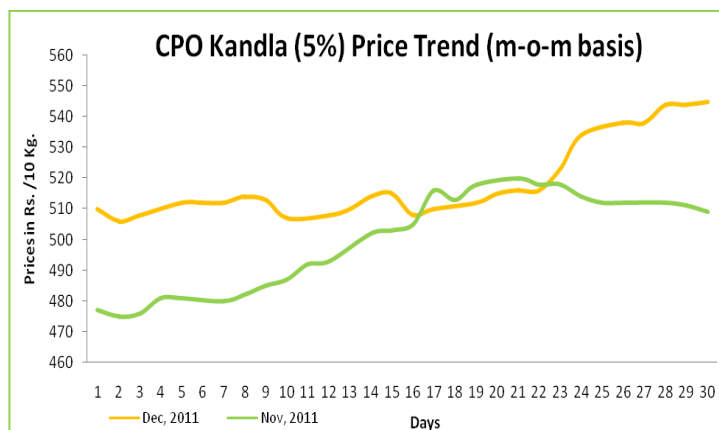
Values in Rs per 10Kg	Soy oil parity on 31 Dec 2011	Soy oil parity on 31 Dec 2010	Avg. Soy oil parity – Dec. Month 2011	Avg. Soy oil parity – Dec. Month 2010
Indore	-17	36	-13	-2

Crushing plants (ex-Indore) are in disparity as on 31th Dec. Considering average plant delivery seed at Rs 2485/qrtl and meal prices at Rs 16800/MT. Adding processing costs, other expenses and 5% VAT plus 0.15% commission as brokerage the total cost is approx. Rs 742 per 10Kg which is more compared to the prevailing spot price of 725/10 Kg on 31th Dec. This indicates plants are in disparity and might hold their oil stocks at present.

Palm oil:

Domestic Market Fundamentals

- Palm oil prices (CPO Kandla 5%) rose by 4.00 per cent m-o-m average to Rs. 517.70 per 10 kg in Dec. compared to previous month prices. Bullish cues from international market amid firm edible oil basket kept the palm oil prices at higher level, however demand from consumer was need based during the month.
- India's palm oil products imports during the month of December from Malaysia fell by 38.20 per cent to 97,500 MT compared to previous month's imports. Moreover 16.20% of palm oil product imports fell Y-o-Y basis
- Weaken INR against US dollar will negatively affect the edible oil imports leading to lower domestic stocks subsequently lending support to the oil prices in near to medium term.



International Market Fundamentals

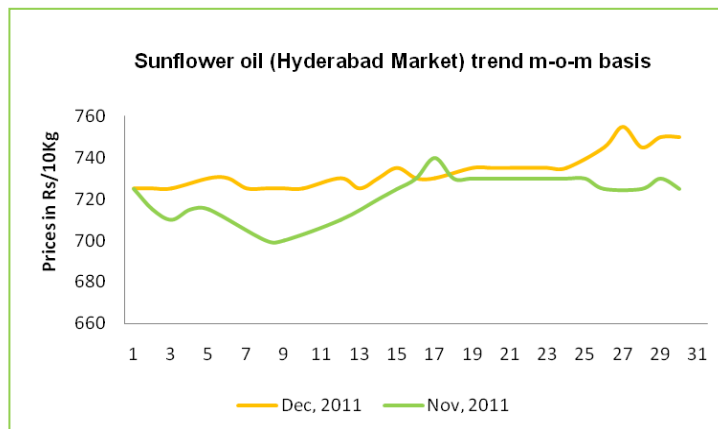
- Palm oil products exports from Malaysia for the period of Dec. fell by 3.3 per cent 1,486,574 tonnes from 1,537,556 tonnes. Palm oil products exports figures for December for top major markets (Values in tonnes and November import figures in parenthesis): China 336,980 (361,324), India 97,550 (157,853), US 122,084 (148,592), Pakistan 166,700 (188,200) and EU 295,975 (227,912) - SGS.
- Indonesia has kept its export tax for crude palm oil (CPO) at 15% for January, unchanged from the previous month. Indonesian government also left its olein palm oil products export tax for next month unchanged at 7%. As per Indonesian trade ministry, Following are details of the new palm oil base export prices and export taxes for Jan. month:

Product	Jan. month Tax Rate %	Jan. month Base Export in \$/Ton
Crude Palm Oil	15	960
Crude Palm Kernel	15	1267
RBD Palm Olein (bulk>20 Kg)	7	1054
RBD Palm Oil	5	1039
RBD Palm Stearin	5	943
Palm Fatty Acid	8	835
Biofuel	2	1099
Palm Kernel	40	377
Oil Palm Fruit	40	377

Domestic Market Fundamentals

Sunflower oil:

- Ref. sun oil traded with a steady to firm bias during the month; meanwhile lackluster buying activities from wholesalers and retailers kept the prices in a range bound.
- As per the latest report from Ministry of Agriculture, Rabi sowing of sunflower is lagging year on year. As on 30th December area under sunflower were reported at 3.50 lakh hectares down by 20.45% during the same period last year when it was seen at 4.40 lakh hectares.
- Low demand from consumer side amid limited buying kept the prices in a steady note, however upcoming Hindu's festivals amid depreciating INR against US dollar keep the prices in check. Moreover as per sources demand is likely to spur from second week of January which could provide impulse to the sun oil prices in near to medium term. We expect Ref sun oil in Hyderabad is likely to trade in the price band of Rs 730-800 per 10 Kg.



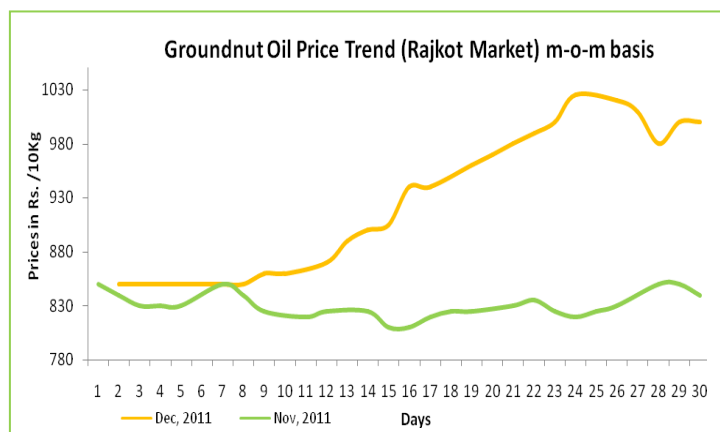
International Market Fundamentals

- Ukraine has produced 916,000 tons of sunflower oil during the September-November 2011 up by 121% as compared to September-November 2010 production. Market participants are expecting the total exports of sunflower oil could reach 1.5 million tons for September-December 2011, meanwhile over the same period last year the figure was 1.355 million tons - Ukroliaprom Association.
- Ample world sunflower seed production might led to prices for sunflower seed oil is less than for soya oil by USD 80/ton and rape oil - by USD 100/ton – Ukroliaprom Association.

Domestic Market Fundamentals

Groundnut oil:

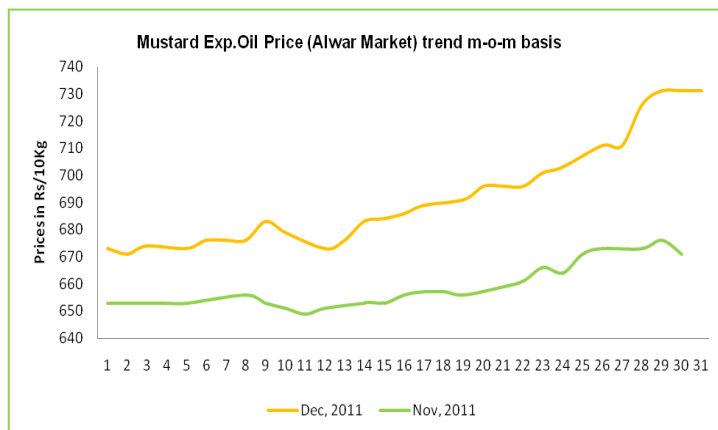
- Groundnut oil traded with a firm bias during the month on account of better buying against limited selling amid good export demand for G/N seed which kept the prices at higher levels, however demand from consumer side remain passive due to higher prices.
- As per the latest report from Ministry of Agriculture, Rabi sowing of groundnut is lagging year on year. As on 30th December area under sunflower were reported at 4.06 lakh hectares down by 2.64% during the same period last year when it was seen at 4.17 lakh hectares.
- As per IOPEPC, during 2010-11 India had exported 4.50 lakh tonnes groundnut. Meanwhile, Market participants are expecting groundnut seed exports from India is likely to be cross 5.5 lakh tons in 2011-12 MY. Tight supply of G/N seed for crushing and active buying by wholesalers and retailers in anticipation of demand might support the G/N oil prices in a coming month. We expect G/N oil in indicative Rajkot market is likely to trade in the price band of Rs 1000-1100 per 10 Kg in January month.



Domestic Market Fundamentals

Rapeseed oil:

- Rapeseed oil stood firm during the month due to slow pace of sowing amid delayed winter in RM Seed belt which could affect the yield to some extent this may lend underlying support to the RM oil and seed prices in near to medium.
- As per the latest report from Ministry of Agriculture, Rabi sowing of Rapeseed is lagging year on year. As on 30th December area under sunflower were reported at 64.55 lakh hectares down by 5.37% during the same period last year when it was seen at 68.21 lakh hectares. Slow pace of sowing witnessed in Rajasthan and Madhya Pradesh.
- As per Solvent Extractors' Association of India, RM seed output may fell by 21 % to 5.5 million metric tons in the current crop year. Unfavorable climate amid costlier dollar is likely to add spillover support to the rapeseed oil prices in a coming month. We expect Rapeseed oil in Alwar market is likely to trade in the price band of Rs 730-830 per 10 Kg.



International Market Fundamentals

- As per latest release from China Customs Statistics Information Center, China imported 70,098 tons of rapeseed oil in December fell by 6.13% as compared to last month. While total rapeseed oil imports during the January-November period were reported at 479,884 tons down by -43.28% on Y-o-Y basis. China majorly imports rapeseed oil from Canada.

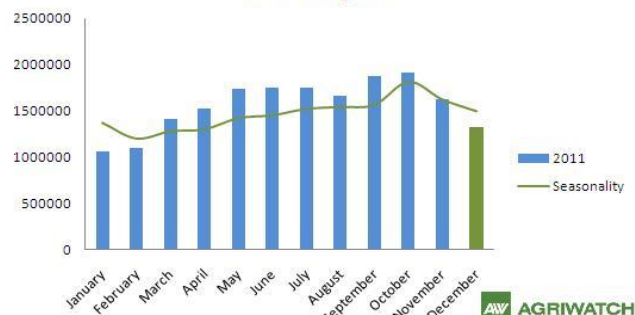
Edible oil supply and demand Analysis -:

Net edible oil supply during 2011-12 is likely to increase 7.74% backed by record Kharif edible oil production and optimistic outlook for Rabi mustard oil production for ensuing season. Considering better supply for 2011-12 marketing year and relatively higher beginning stocks we estimate total edible oil import to decline by 4.4% to 8 million tonnes. Considering prevailing higher edible oil prices, edible oil demand to improve marginally by 1.9% compared to previous year. However, consumption during 2010-11 registered sharp growth to the tune of 6% y-o-y. Sluggish growth in demand and higher supply y-o-y may lead to surge in ending stocks by 36.79% to 4.3 million tons.

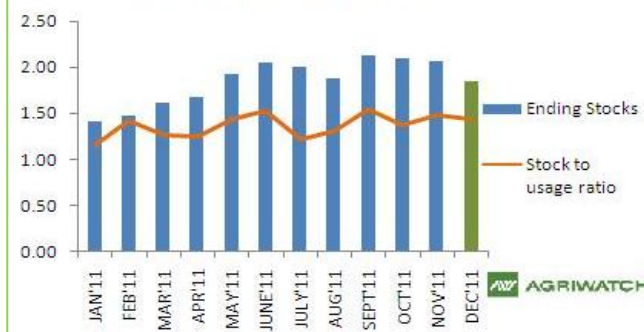
Balance sheet of Indian Edible Oil	2009-2010	2010-11 Estimated	2011-12 Projected
Value in million tons			
Beginning Stock	1.23	2.58	3.35
Production	7.33	7.90	9.16
Imports	8.82	8.37	8.00
Total Supply	17.38	18.85	20.51
Exports
Total Demand(Consumption)	14.80	15.70	16.00
Ending Stock	2.58	3.35	4.31

Despite surge in edible oil ending stocks we do not expect any immediate fall in edible oil prices as the domestic edible oil price is determined by international factors.

Theme of the Month – Malaysian Palm oil
SGS Export Fig. M-o-M Basis

CPO Output


Marginal decrease in Malaysian palm ending stocks from a month ago levels is expected due to better than expected palm oil products export and heavy rainfall disrupt harvesting during the month. Malaysian palm ending stocks might hover in the range of 1.80-1.90 MT. We expect 12-15% of palm output is likely to decrease for a December month, moreover palm output is likely to decrease further in a coming month this may support the CPO at BMD in near to medium term. Stock to usage ratio might hover in between 1.41 to 1.44 MT

Stock to usage ratio

Bottom line –

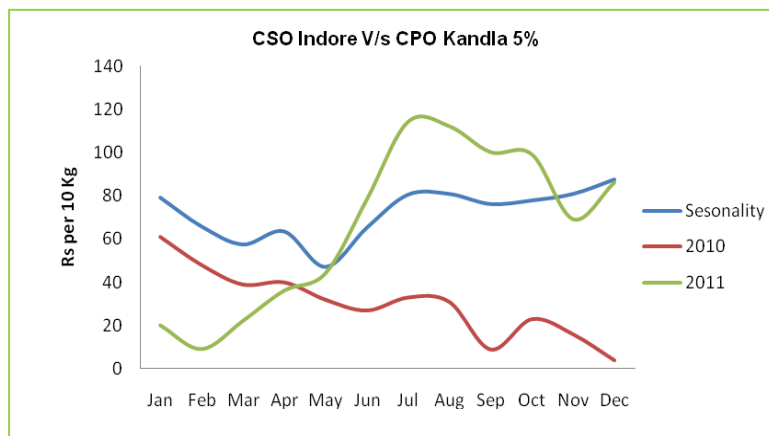
Malaysian Palm Exports figures	Palm oil products exports from Malaysia for the period of Dec. fell by 3.3 per cent. Moreover Palm oil product exports figures surged by 17.92% in December stood at 1486574 tons against 1260713 tons in the same month of 2010.
Palm Output	Low palm output is expected for Dec. and Jan. Month
Economic Analysis	High Volatile due to EU debt Zone

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

<i>Product</i>	<i>December Shipments (tonnes)</i>	<i>November Shipments (tonnes)</i>	<i>% Change</i>
Crude Soybean Oil	7973	8000	-0.34
Crude Palm Oil	884931.83	601405.5	+47.14
RBD Palm olein	27500	6000	+358.33
Palm Oil	118600	128800	-7.92
Crude Sunflower Oil	60500	38250	+58.17
PALM FATTY ACID	2000	61500	-96.75
Total edible oils	1,101,505	843,956	+30.52
Source: Ben Line Agencies(India) Pvt. Ltd.			

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

Landed Cost Calculation as on 30/12/2011	CSO Argentina	CSO Brazil	CSO US
FOB USD per ton	1112.02	1103.20	1142.86
Freight (USD/MT)	65	55	50
C & F	1177.0	1158.2	1192.9
Weight loss (0.25% of FOB)	2.78	2.76	2.86
Finance charges (0.4% on CNF)	4.45	4.41	4.57
Insurance (0.3% of C&F)	4	3	4
CIF (Indian Port - Kandla)	1188	1169	1204
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	53.26	53.26	53.26
Landed cost without customs duty in INR per ton	63261	62253	64118
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	63697	62689	64554
Domestic Market price INR per ton Soy Degum Kandla	66000	66000	66000
Total landed cost USD per ton	1196	1177	1212
Domestic Market price USD per ton Soy Degum Kandla	1239	1239	1239
Parity INR/MT (Domestic - Landed)	2303	3311	1446
Parity USD/MT (Domestic - Landed)	43.24	62.17	27.15
Source: Agriwatch/ Reuters			

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


December month average price spread between CSO Indore and CPO Kandla 5% stood at Rs 86 per 10Kg which widens by Rs 17 per 10 Kg as compared to Nov. month on average basis. Considering seasonality index of price spread between CSO Indore and CPO Kandla 5%, we expect spread likely to hover in between Rs 85-120 per 10Kg due to fair demand in cash market amid strong cues from international market keep the domestic edible oil prices in firm tone. Investors can liquidate Crude soy oil Indore at 675.0-685.00 level.

International Market Dynamics
China

As per latest release from China Customs Statistics Information Center, China imported 76,889 tons of soy oil in November fell by 38.68% as compared to last month. While total imports during the January-November period were reported at 1,052,495 tons of soy oil down by 12.08% on Y-o-Y basis. Moreover rapeseed oil fell by 6.13 percent stood at 70,098 tons meanwhile, palm oil imports rose by 19.05% during the Nov. month.

INDONESIA

Indonesia has kept its export tax for crude palm oil (CPO) at 15% for January, unchanged from the previous month. Indonesian government also left its olein palm oil products export tax for next month unchanged at 7%.

As per Indonesian Palm Oil Association, Indonesia's CPO output is likely to rise by 6 percent to 25 Mln. ton in 2012 against 23.5 Mln. Ton in 2011. Moreover CPO exports will surge by as much as 9 percent in 2012 to 17.5-18 million tonnes.

South America

Argentina – According to the latest government's crop progress report, Farmers have planted 77 percent (14.68 million ha) out of 19 million hectares forecasted for soy this season up by 5% as compared to previous year. Moreover 99% (1.67 million ha) sun seed has planted of the forecasted 1.69 million ha.

Brazil – Brazil's soybean planting in the 2011/12 season is 99% complete. As per Brazilian trade ministry, soy oil exports figures surged by 55.14% in December stood at 75,400 tons against 48,600 tons in the same month of 2011. However on M-o-M basis soy oil exports fell by 54.61 per-cent.

Technical Analysis (Futures) RSO (Refined Soybean Oil): Monthly Chart



Outlook - Soy oil traded with a firm note during the month. We expect prices to correct from higher levels, however primary trend remain firm, any technical dip from current level might act as a buying opportunity for a short term.

- ❖ Any close below 697.00 in weekly chart shall change the sentiments and might bring the prices in bearish phase.
- ❖ 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 716.00-762.00 level in near to medium term.

Strategy: We recommend investors to go long in NCDEX (Jan contract) at dip levels towards 716.00-720.00 for a target of 755.00 and then 762.00 with a stop loss at 697.00 on closing basis.

RSO NCDEX (Jan)

Support & Resistance				
S2	S1	PCP	R1	R2
640.00	667.00	737.70	786.00	806.00

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



Outlook - We expect prices likely to move with a high volatile 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.
- ❖ Expected price band for CPO is 523.00-560.00 level in near to medium term.

Strategy: Buy CPO in MCX (Jan. contract) at dip levels towards 523.00-528.00 for a target of 555.00 and second target of 560.00 with a stop loss at 509.00 on closing basis.

CPO MCX (Jan. contract)

Support & Resistance				
S2	S1	PCP	R1	R2
480.00	498.00	544.00	582.00	595.00

Monthly spot price comparison

Commodity	Centre	Prices(Per 10 Kg)		
		31/12/2011	30-11-2011	31-10-2011
Refined Soybean Oil	Kota(Loose)	710	620	625
	Rajkot (Loose)	700	630	620
	Jaipur (Loose)	-	635	645
	Hyderabad+ VAT	-	-	665
	Delhi (Loose)	735	645	650
	Kakinada	-	-	640
	Mumbai +VAT	685	621	628
	Indore	690	605	610
	Soy Degum Mumbai+VAT	660	610	600
	SoyDegum Kandla/Mundra+VAT	660	612	602
	Haldiya Port (Loose)	703	646	629
	Akola (Loose)	723	631	646
	Amrawati (Loose)	723	631	646
	Jalna	713	640	646
	Nagpur	726	631	646
Palm Oil	Chennai RBD Palmolein (Loose)	605	570	530
	Hyd. RBD Palmolein VAT		605	565
	Delhi RBD Palmolein (Loose)	640	595	580
	Kandla CPO (5%FFA)	548	509	475
	Kakinada RBD Palmolein (Loose)	593	561	529
	Mumbai RBD Pamolein+ VAT	604	570	535
	Kandla RBD Palmolein +VAT	590	555	527
Refined Sunflower Oil	Mumbai + VAT	720	695	705
	Kandla/Mundra	655	630	645
	Erode (Exp. Oil)+VAT	720	700	687
	Hyderabad Exp +VAT		725	725
	Chennai (Loose)	735	715	695
	Bellary (Exp. Oil)+VAT	656	651	626
	Latur (Exp. Oil)+VAT	661	646	646
	Chellakere (Exp. Oil)+VAT	656	636	631
Groundnut Oil	Rajkot (Loose)	1025	840	850
	Chennai (Loose)	930	860	760
	Delhi (Loose)	1015	820	875

	Hyderabad Exp +VAT		820	800
	Mumbai + VAT	990	850	860
	Gondal+VAT	1040	840	-
	Jamnagar +VAT	1040	840	-
	Narsarropeth+VAT	906	821	741
	Prodattour+VAT	906	851	771
Rapeseed Oil	Mumbai (Exp. Oil) +VAT	792	694	680
	Alwar (Expeller Oil)(Loose)	731	671	653
	Kota (Expeller Oil) (Loose)	760	670	650
	Jaipur (Expeller Oil) (Loose)	-	675	655
	Delhi (Exp. Oil) (Loose)	790	710	688
	Sri Ganga Nagar(Exp Oil-Loose)	763	678	657
	Hapur+VAT	780	745	681
	Kolkatta	-	-	-
	Agra (Kacchi Ghani Oil) +VAT	800	710	695
Refined Cottonseed Oil	Mumbai +VAT	658	600	632
	Rajkot (Loose)	670	605	635
	Delhi (Loose)	655	580	622
	Hyderabad (Loose)		625	650
Sesame Oil	Delhi	790	725	650
	Mumbai	780	775	775
Rice Bran Oil (40%)	Delhi	555	535	560
	Punjab	535	550	550
Rice Bran Oil (70%)	Delhi	435	430	425
Malaysia Palmolein USD/MT	FOB (Dec)	1075	1080	1030
	CNF (Dec) - India	1110	1115	1065
Indonesia/Malaysia CPO USD/MT	FOB (Dec)	1000	965	950
	CNF(Dec) - India	1035	1000	985
Argentina FOB (\$/MT)		29/12/2011	30/11/2011	31/10/2011
Crude Soybean Oil Ship (Nov)		1127	1112	1133
Refined Soy Oil (Bulk) Ship (Nov)		1166	1151	1172
Sunflower Oil Ship (Nov)		1045	1072	-
Cottonseed Oil Ship (Nov)		1107	1092	1113
Refine Linseed Oil(Bulk) Ship (Nov)		1147	1132	1153



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