



Veg. Oil Monthly Research Report

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Domestic Veg. oil Market Highlights-

- Domestic edible oil prices traded with a steady to firm bias during the month in tandem with international markets on account of low soy output concern from South American countries.
- As per Sea of India, edible oil for Feb. 2012 up by 34.67% stood at 872,293MT as compared to last year at 647,69 MT. Moreover, soy degum oil imports rose by 66.56% stood at 78,537 MT compared to previous month imports.
- Better trade margin amid narrower crush margin would likely to support the solvent extractors to liquidate their stocks at current levels in near term.
- India's palm oil products imports during the month of February rose by 30.17 percent to 665251 tons as compared to previous month – SEA of India. More refined palm oil imports noticed during the initial months of 2012 due to low Indonesian export duty on palm oil products.
- As per Solvent Extractors Association of India report, RM seed crop for 2011-12 seen at 62.7 million tons due to low acreage. Meanwhile, B.V. Mehta Executive Director, Solvent Extractors' Association of India expected lower mustard crop as much as of 15 percent drop from last year to be in between 5.8-6.2 million tons. In previous year RM seed output was 6.57 million tons
- Looking forward, edible oils are likely to trade with a steady to firm tone in the coming month on account of low RM seed crop in domestic market and low soy crop concern in South American countries would add support to the prices. Meanwhile need based demand at domestic front would curb excessive gains.

International Veg. oil Market Highlights-

- Attaché revised its Indonesian crude palm oil production estimate to 25 million tons for current MY 2011/12. Earlier estimate was 25.4 million tons due to widespread use of counterfeit seed.
- World soybean production in 2011/12 is likely to decline to 246.5 Mln T, down 8 per cent from last year. Strong demand from Asia, primarily from China, will further boost the world trade in 2011/12 to 91.7 Mln T from 91.3 Mln T last year - (IGC).
- Malaysia's February palm oil ending stocks rose 2.0 percent to 2,059,693 tons as compared to January month 2,019,005 tons on account of low palm oil export
- As per COFCO, china's rapeseed output is likely to be between 13-14 million tons for 2012. However, Oil World estimate for Chinese rapeseed crop is 11.6 million tons down from the previous year (2010-11) stood at 12.2 million tons.
- Aboive has cut Brazil's soybean output estimate to 67.1 Mln T from 69.3 Mln. T forecasted last month.
- As per China custom, China's February imported 3.83 million tons of soybean fell 16.9 percent from 4.61 million tons in January. Moreover, Chinese veg. oil imports drops 11.3 percent to 555,000 tons as compared to previous month.
- Indonesia will keep its export tax for the CPO unchanged at 16.5 percent and government also didn't changed its export tax for RBD palm olein export tax pegged at 8 percent for March.
- On the International front, good demand for palm oil from china and India would likely to support the palm oil prices. Crude soy oil in CBOT is likely to stay range bound and is likely to hover in between in the range of 53.80 cents/lb to 56.50 cents/lb.

Soy oil: Domestic Market Fundamentals

- Ref. soy oil fell from higher quotes during the month tracking bullish cues from South American soy crop.
- As per Sea of India, edible oil for Feb. 2012 up by 34.67% stood at 872,293MT as compared to last year at 647,69 MT. Moreover, soy degum oil imports rose by 66.56% stood at 78,537 MT compared to previous month imports.
- Better trade margin amid narrower crush margin would likely to support the solvent extractors to liquidate their stocks at current levels in near term.
- Market participants are bullish on upcoming US spring planting report in which soy acreage might shift to corn in next season which may drives the bulls rally. However, edible oil usage will gradually fall with rising weather temperature in days ahead this may limit excessive gains in the coming month.

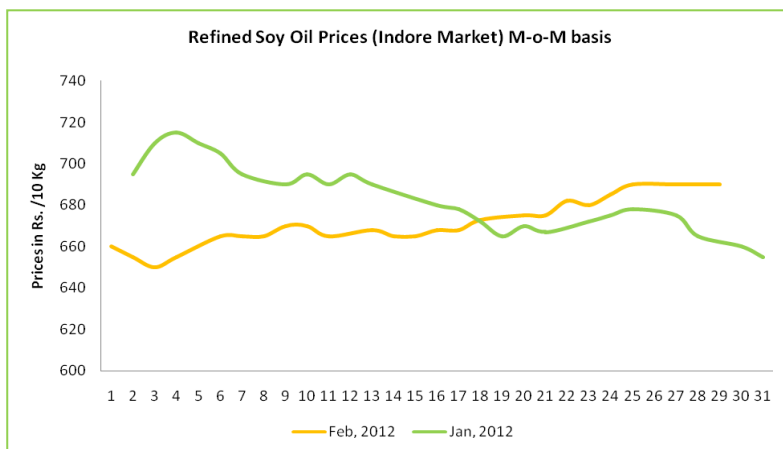
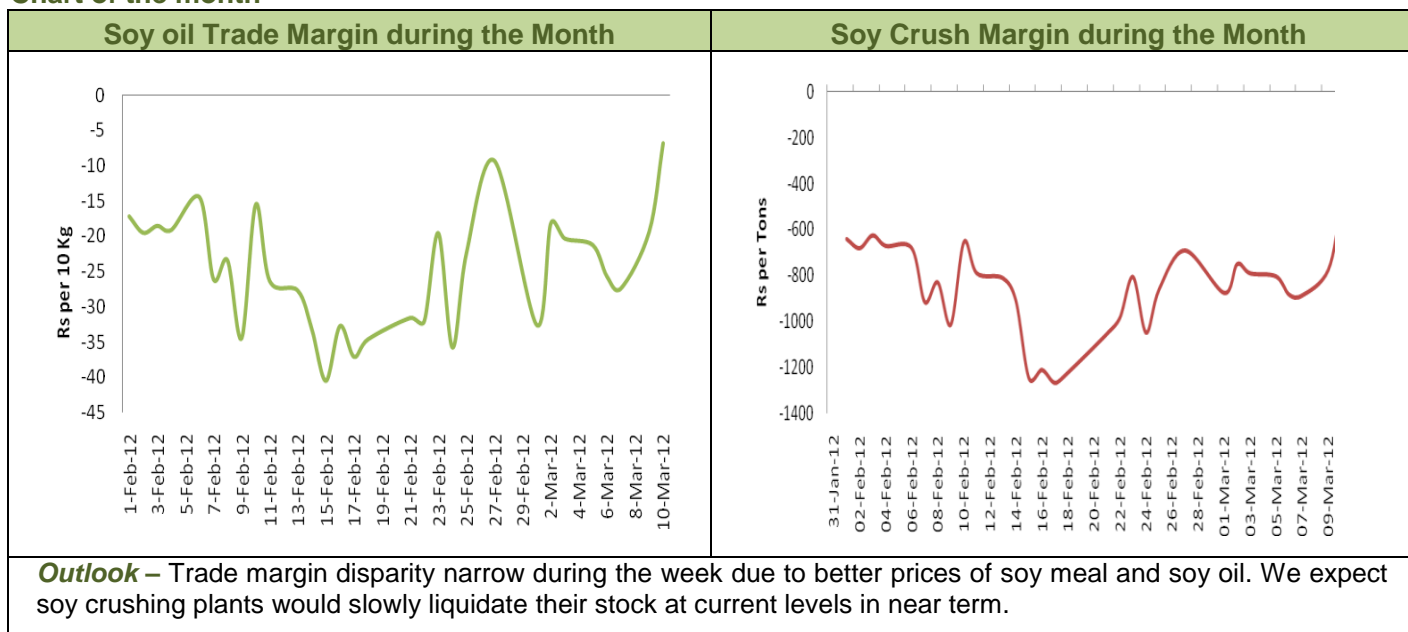


Chart of the month



*Trade and Crush margin are calculated on prices at Indore based plants.

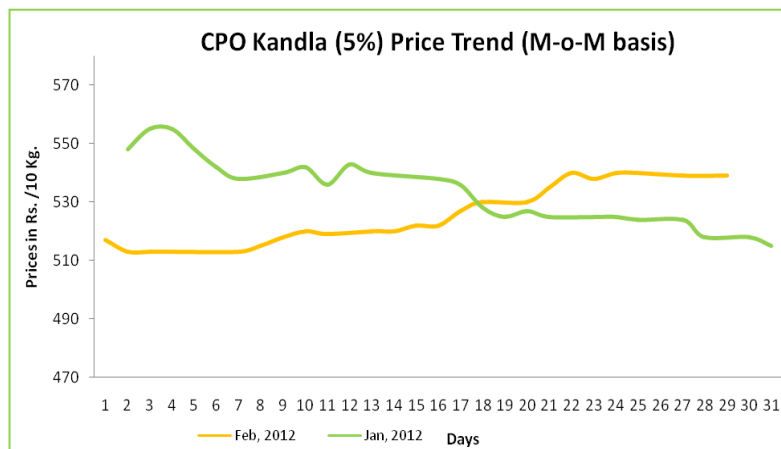
International Market Fundamentals

- World soybean production in 2011/12 is likely to decline to 246.5 Mln T, down 8 per cent from last year. Strong demand from Asia, primarily from China, will further boost the world trade in 2011/12 to 91.7 Mln T from 91.3 Mln T last year - (IGC).
- Safra & Mercado lower its Brazil's soy crop forecast to 68.2 million tons as compared to previous estimate of 70.3 million tons in February due to draught like conditions in Jan. Meanwhile, Above has cut Brazil's soybean output estimate to 67.1 Mln T from 69.3 Mln. T forecasted last month.

Price Outlook: We expect Ref. soy oil to trade in the price band of Rs 665-695 per 10 Kg.

Palm oil:
Domestic Market Fundamentals

- CPO kandla 5% prices gained during the second half of the month due to bullish cues from international palm price outlook conference in Malaysia. However, cash market volumes were thin during the month.
- India's palm oil products imports during the month of February rose by 30.17 percent to 665251 tons as compared to previous month – SEA of India. More refined palm oil imports noticed during the initial months of 2012 due to low Indonesian export duty on palm oil products.
- Looking forward, low domestic demand may weigh on the domestic palm oil prices. However bullish international markets would limit downside. Market participants eyed on upcoming Malaysian palm oil export figures in days ahead which may drive the markets in near term.


International Market Fundamentals

- Attaché revised its Indonesian crude palm oil production estimate to 25 million tons for current MY 2011/12. Earlier estimate was 25.4 million tons due to widespread use of counterfeit seed.
- RSPO seen global sustainable palm oil consumption to be double as compared to last year consumption stood at 5 percent due to good demand and increasing awareness.
- Prices are likely to hit 4000 ringgit (\$1,320) by the end of June on account of high demand from India and China and low palm oil output cycle - Dorab Mistry at Bursa Malaysian Palm Oil Conference. In addition to this Thomas Mielke, oil world looking palm oil prices would be firm in 2012 due to low global soy and rapeseed output.
- Malaysia's February palm oil ending stocks rose 2.0 percent to 2,059,693 tons as compared to January month 2,019,005 tons on account of low palm oil export. We expect prices to trade lower in the coming month on account of high ending stock amid upcoming soybean crop from south American countries might weigh on the palm oil prices. Detail of the Malaysian palm oil board figures as follows:

MPOB Figures for February (2012)			
(Quantity in tons)	Feb	Jan	% Change
Production	1,185,126	1,287,191	-7.90
Import	129,344	167,487	-22.8
Export	1,210,754	1,385,011	-12.6
Ending Stock	2,059,693	2,019,005	2.00

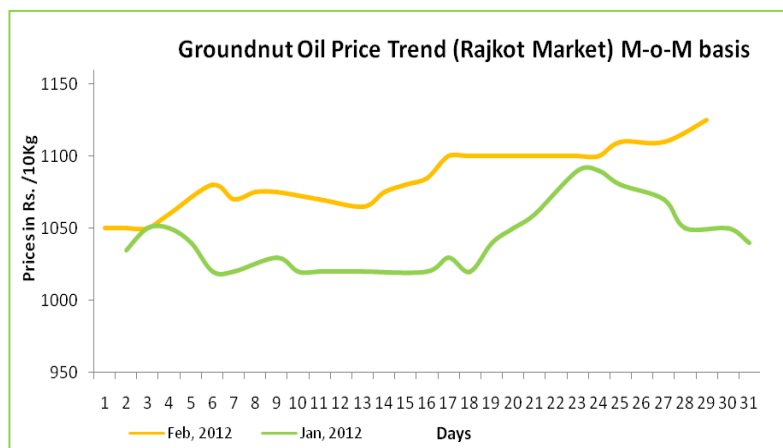
Price Outlook:

We expect CPO Kandla 5% to trade in the price band of Rs 530-570 per 10 Kg.

Domestic Market Fundamentals

Groundnut oil:

- Groundnut oil traded with a firm bias during the month on account of better buying amid low availability of G/N seed kept the prices at higher quotes.
- As per Sea of India, Rabi acreage for groundnut increased by 5.6 percent to 8.83 lakh tons as on 01 March 2012 as compared to last year's 8.36 lakh hectares during the same period.
- According to IOPEPC, 4.19 lakh tons of groundnuts were exported in 2010/11. Market participants are expecting 10 to 15 percent higher export this year as compared to previous year due to good demand for groundnut seed from china and South East Asian countries.
- As per trade sources, re-packers were reluctant to buy G/N oil at current higher quotes. Moreover, retail demand was on the lean side. Moreover, new crop arrivals of G/N seed from Sothern Indian states would likely to come in days ahead which may weigh on the G/N seed and G/N oil prices in the coming month.



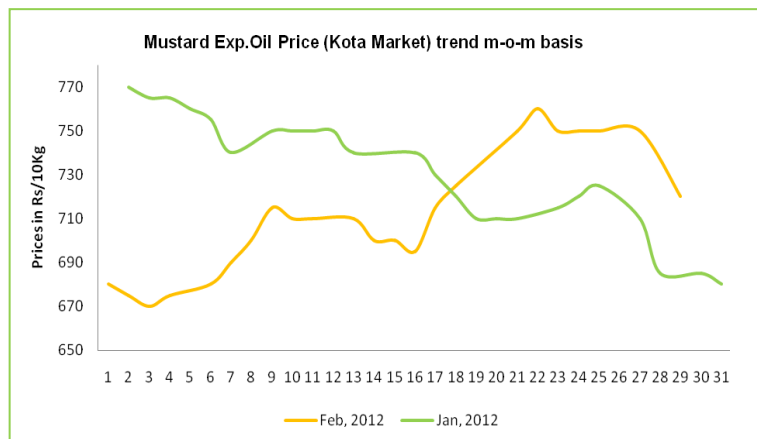
Price Outlook:

We expect groundnut oil to trade in the price band of Rs 1120-1200 per 10 Kg.

Domestic Market Fundamentals

Rapeseed oil:

- Rapeseed oil traded with a firm bias during the month on account of better buying amid low acreage in current year support the prices. However, we expect new crop arrivals would likely to weigh on the RM seed oil prices in the coming month.
- As per Solvent Extractors Association of India report, RM seed crop for 2011-12 seen at 62.7 million tons due to low acreage. Meanwhile, B.V. Mehta Executive Director, Solvent Extractors' Association of India expected lower mustard crop as much as of 15 percent drop from last year to be in between 5.8-6.2 million tons. In previous year RM seed output was 6.57 million tons
- We estimate average yield to mustard in India to stay near 910 kg/hect compared to 985 kg/hect previous year which is down by 7.6%. As on 16th Feb RM seed sowing area was reported at 65.9 lakh hectares (Ministry of Agriculture). Considering the above factors RM seed production for 2011-12 is projected at 60 lakh ton which is lower than our early estimates of 65 lakh tons.



International Fundamentals:-

- As per COFCO, china's rapeseed output is likely to be between 13-14 million tons for 2012. However, Oil World estimate for Chinese rapeseed crop is 11.6 million tons down from the previous year (2010-11) stood at 12.2 million tons.

Price Outlook:

We expect Rapeseed oil (Kota) to trade in the price band of Rs 710-740 per 10 Kg.

Edible oil supply and demand Analysis -:

Net edible oil supply during 2011-12 is likely to decrease as compared to our previous estimate to 8.28 Million MT due to low RM seed production is expected in current season. We expect RM seed production for 2011-12 is projected at 60 lakh ton this would facilitate edible oil imports to rise by 5.14% to 8.80 Million MT to meet the domestic consumption.

Balance sheet of Indian Edible Oil	2009-2010	2010-11	2011-12 (P)	% Change
Value in million tons				
Beginning Stock	0.52	0.67	0.52	-22.39
Production	7.33	7.98	8.28	3.75
Imports	8.82	8.37	8.80	5.14
Total Supply	16.67	17.02	17.60	3.40
Exports
Total Demand(Consumption)	16.00	16.50	17.00	3.03
Ending Stock	0.67	0.52	0.60	15.17

Edible oil Shipments at Indian Ports during Feb. month (2012)

Product	February Shipments (tonnes)	January Shipments (tonnes)	% Change
Crude Soybean Oil	34350	7973	+330%
Crude Palm Oil	764806.9	884785.12	-13.5%
RBD Palm olein	39700	18099.88	+119.3
Palm Oil	196053	112033	+74.9
Crude Sunflower Oil	83286.6	38000	+119.75
PALM FATTY ACID
Total edible oils	1118196.5	1,060,891	
Source: Ben Line Agencies(India) Pvt. Ltd.			

Theme of the Month – USDA's WASDE Report Analysis-

Key Parameters	2010-11	2011-2012		% Change
	Est.	Feb'12	March'12	
US				
Soybean planted acreage m.a.	77.4	75	75	0.00%
Soybean Harvested acreage m.a.	76.6	73.6	73.6	0.00%
Soybean yield, in b / a	43.5	41.5	41.5	0.00%
Beginning Stocks, in m.b.	151	215	215	0.00%
Soybean production, in m.b.	3329	3056.00	3056.00	0.00%
Soybean imports, in m.b	15	15	15	0.00%
Soybean crush, in m.b.	1650	1615	1615	0.00%
Soybean exports, in m.b.	1520	1275	1275	0.00%
Residual, in m.b	38	32	34	5.88%
Soybean ending stocks, in m.b.	200	275	275	0.00%
Soy meal production, in '000 short tons	39683	38685	38885	0.51%
Soy meal ending stocks, in '000 short tons	300	300	300	0.00%
Soy oil production, in million lbs	19090	18605	18605	0.00%
Soy oil for Bio-diesel, in million lbs	2300	3600	3600	0.00%
Soy oil ending stocks, in million lbs	2871	2315	2415	4.14%
At other origins				
Soybean production in Argentina, in m.t.	49.5	48	46.5	-3.23%
Argentina soybean beginning stock m.t.	22.28	22.85	22.85	0.00%
Soybean production in Brazil, in m.t.	74.5	72	68.5	-5.11%
Brazil soybean beginning stock m.t.	15.84	22.19	22.19	0.00%
Soybean import in China, in m.t.	52	55.5	55	-0.91%
Chinese soybean ending stock, in m.t.	14.21	12.76	12.76	0.00%
Global soybean ending stocks in m.t.	65.88	60.28	57.3	-5.20%
Global soy oil ending stocks, in m.t.	3.07	2.68	2.73	1.83%
Global veg oil ending stocks in m.t.	11.23	12.32	12.44	0.96%
Global soy meal ending stocks in m.t.	6.57	8.31	8.97	7.36%
b / a – Bushels per acre; m.b. – Million bushels; m. t. – Million tons ; m.a. - Million acres				

Outlook :-

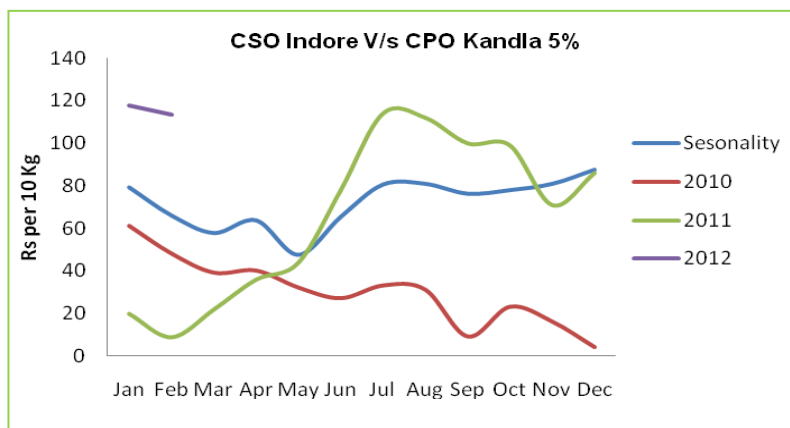
Low output from south American countries as compared to previous year and low acreage of rapeseed crop in India would support the domestic edible oil basket in days ahead. Market participants eyed on the upcoming report on spring planting and expecting shift of soybean acreage to corn in US which may support the prices in medium term.

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

Landed Cost Calculation as on 12/03/2012	CSO Argentina	CSO Brazil	CSO US
FOB USD per ton	1199.00	1162.50	1146.39
Freight (USD/MT)	65	55	50
C & F	1264.0	1217.5	1196.4
Weight loss (0.25% of FOB)	3.00	2.91	2.87
Finance charges (0.4% on CNF)	4.80	4.65	4.59
Insurance (0.3% of C&F)	4	4	4
CIF (Indian Port - Kandla)	1276	1229	1207
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	49.94	49.94	49.94
Landed cost without customs duty in INR per ton	63703	61362	60299
Customs duty %	0%	0%	0%
Base import price	580	580	580
Fixed exchange rate by customs department	49.40	49.40	49.40
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	64139	61798	60735
Domestic Market price INR per ton Soy Degum Kandla	66000	66000	66000
Total landed cost USD per ton	1284	1237	1216
Domestic Market price USD per ton Soy Degum Kandla	1322	1322	1322
Parity INR/MT (Domestic - Landed)	1861	4202	5265
Parity USD/MT (Domestic - Landed)	37.27	84.15	105.42
Source: Agriwatch/ Reuters , Argentina prices - Ministry of Agriculture			

Outlook:-

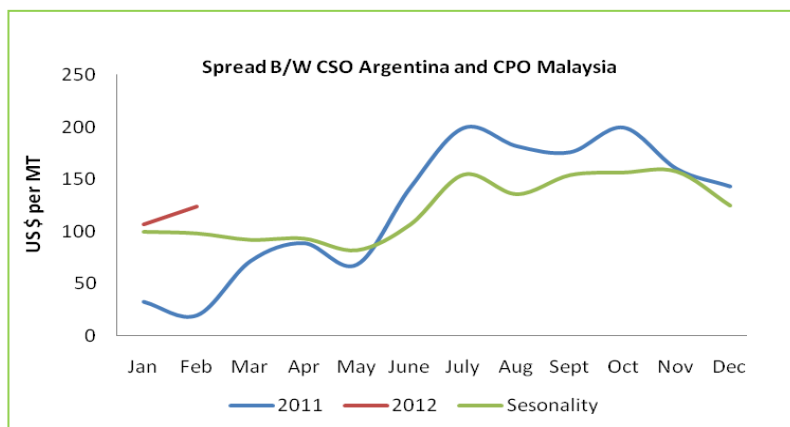
Higher Import parity seen as compared to previous week due to appreciating INR against US dollar. Import parity for crude soy oil is in positive side on account of higher domestic prices as compared to international prices. We expect import parity continue to be on the positive side in the coming month.

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


February month average price spread between CSO Indore and CPO Kandla 5% stood at Rs 113.56 per 10Kg which narrower by Rs 3.89 per 10 Kg as compared to Jan. month on average basis. Considering seasonality index of price spread between CSO Indore and CPO Kandla 5%, we expect spread to hover in between Rs 92-107 per 10Kg.

Outlook and Strategy :-

We expect CPO prices are likely to fall relative to CSO prices in the coming month. Market participants can liquidate Crude soy oil Indore at 650-655 level, if needed.

Seasonality vs. Current year Spread difference between CSO Argentina and CPO Malaysia


Average price spread between CSO Argentina and CPO Malaysia during the month stood at US\$ 124 per MT, a rise of US\$ 17 per MT compared to previous month average of US\$ 107 per MT. FOB quotes of CSO Argentina rose relative higher than CPO Malaysia.

Outlook and Strategy :-

We expect spread likely to narrow in the coming month as Malaysian CPO prices would likely to trade with a higher quotes as compared to CSO Argentina prices due to upcoming soy crop from Argentina may weigh on the crude soy oil prices. Spread likely to move in the range of US\$ 108-120 per MT.

International Market Dynamics

China

As per China custom, China's February imported 3.83 million tons of soybean fell 16.9 percent from 4.61 million tons in January. Moreover, Chinese veg. oil imports drops 11.3 percent to 555,000 tons as compared to previous month.

As per Reuters survey, china's February palm oil stocks seen at 950,000 tons over eight months more than double 400,000 tonnes as compared to last June 2011.

China bought 165,000 tonnes of US soybean for 2012/13 delivery from private exporters reported US Agriculture Department. Besides in another deal Taiwan's Breakfast Soybean Procurement Association (BSPA) has bought 60,000 tonnes of soybean of Brazilian origin in a tender closed on Thursday (8th Mach 2012).

MALAYSIA

Palm oil products exports from Malaysia for the period of Feb. fell by 9.5 per cent to 1,170,698 tonnes from 1,293,078 tonnes shipped during Jan-SGS.

INDONESIA

Indonesia will keep its export tax for the CPO unchanged at 16.5 percent and government also didn't changed its export tax for RBD palm olein export tax pegged at 8 percent for March.

Ukraine

Ukraine's sunflower planting may rise by 3.77 percent to 5.5 Mln. ha this year as compared to previous estimate due to winter crop condition and forecast for spring crop reseeding – Ukragroconsult.

Brazil

Revised soy crop Estimation for 2011/12

Industry Groups	Revised Estimate	Old Estimate
Safras & Mercado	68.2	70.3
Abiove	69.5	71.9
Celeres	69.8	72.0
USDA	68.5	72.0
Abiove	67.1	69.9
Informa	68.0	70.0

* Values in Mln. Tons

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



Outlook - Soy oil traded with a steady to firm note during the month. We expect prices to stay firm in the coming month.

- ❖ Any close below 708.50 in monthly 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 721-740 level in near to medium term.

Strategy: We recommend market participants to go long in NCDEX (Mar. contract) at 721-723 for a target of 732 and then 736 with a stop loss at 716 on closing basis.

RSO NCDEX (April)

Support & Resistance				
S2	S1	PCP	R1	R2
697.00	708.00	729.50	748.00	760.00

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



Outlook - We expect prices likely to move with a high volatile for a coming month, however we expect prices to stood firm in the coming month.

- ❖ Any close below 556 in monthly chart shall change the sentiments and might bring the prices in bearish phase.
- ❖ RSI is in between neutral and oversold zone 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 562-578 level in medium term.

Strategy: We recommend investors to go long in MCX (April. contract) at 562-564 for a target of 573 and second target of 578 with a stop loss at 556 on closing basis.

CPO MCX (April. contract)

Support & Resistance				
S2	S1	PCP	R1	R2
547.00	553.00	571.70	585.00	590.00

Monthly spot price comparison

Commodity	Centre	Prices(Per 10 Kg)		
		1.3.2012	31-1-2012	31/12/2011
Refined Soybean Oil	Kota(Loose)	690	660	710
	Rajkot (Loose)	675	665	700
	Jaipur (Loose)	708	675	-
	Hyderabad+ VAT	-	-	-
	Delhi (Loose)	720	695	735
	Kakinada	-	-	-
	Mumbai +VAT	682	660	685
	Indore	675	655	690
	Soy Degum Mumbai+VAT	650	630	660
	SoyDegum Kandla/Mundra+VAT	655	630	660
	Haldiya Port (Loose)	686	661	703
	Akola (Loose)	716	685	723
	Amrawati (Loose)	716	685	723
	Jalna	706	681	713
	Nagpur	711	686	726
Palm Oil	Chennai RBD Palmolein (Loose)	575	555	605
	Hyd. RBD Palmolein VAT	-	-	-
	Delhi RBD Palmolein (Loose)	630	610	640
	Kandla CPO (5%FFA)	534	515	548
	Kakinada RBD Palmolein (Loose)	576	549	593
	Mumbai RBD Pamolein+ VAT	578	562	604
	Kandla RBD Palmolein +VAT	575	555	590
Refined Sunflower Oil	Mumbai + VAT	700	685	720
	Kandla/Mundra	640	605	655
	Erode (Exp. Oil)+VAT	700	670	720
	Hyderabad Exp +VAT	666	-	
	Chennai (Loose)	695	690	735
	Bellary (Exp. Oil)+VAT	628	-	656
	Latur (Exp. Oil)+VAT	641	636	661
	Chellakere (Exp. Oil)+VAT	641	621	656
Groundnut Oil	Rajkot (Loose)	1125	1040	1025
	Chennai (Loose)	1005	970	930

	Delhi (Loose)	1130	1025	1015
	Hyderabad Exp +VAT	1041	-	
	Mumbai + VAT	1090	1030	990
	Gondal+VAT	-	1045	1040
	Jamnagar +VAT	-	1050	1040
	Narsarropeth+VAT	1041	851	906
	Prodattour+VAT	1041	931	906
Rapeseed Oil	Mumbai (Exp. Oil) +VAT	755	725	792
	Alwar (Expeller Oil)(Loose)	731	746	731
	Kota (Expeller Oil) (Loose)	705	680	760
	Jaipur (Expeller Oil) (Loose)	730	710	-
	Delhi (Exp. Oil) (Loose)	780	725	790
	Sri Ganga Nagar(Exp Oil-Loose)	771	721	763
	Hapur+VAT	778	710	780
	Kolkatta	-	-	-
	Agra (Kacchi Ghani Oil) +VAT	770	745	800
Refined Cottonseed Oil	Mumbai +VAT	638	615	658
	Rajkot (Loose)	618	605	670
	Delhi (Loose)	620	600	655
	Hyderabad (Loose)	-	-	
Sesame Oil	Delhi	785	750	790
	Mumbai	780	780	780
Rice Bran Oil (40%)	Delhi	560	530	555
	Punjab	510	510	535
Rice Bran Oil (70%)	Delhi	470	430	435
Malaysia Palmolein USD/MT	FOB (Dec)	1123	1060	1075
	CNF (Dec) - India	1125	1065	1110
Indonesia/Malaysia CPO USD/MT	FOB (Dec)	1075	1010	1000
	CNF(Dec) - India	1095	1030	1035
Argentina FOB (\$/MT)		29.2.2012	30-1-2012	29/12/2011
Crude Soybean Oil Ship (Nov)		1210	1116	1127
Refined Soy Oil (Bulk) Ship (Nov)		1252	1155	1166
Sunflower Oil Ship (Nov)		1140	-	1045
Cottonseed Oil Ship (Nov)		1190	1096	1107
Refine Linseed Oil(Bulk) Ship (Nov)		1230	1136	1147



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