



Veg. Oil Monthly Research Report

Contents

- ❖ Domestic Veg. Oil Highlights
- ❖ International Veg. Oil Highlights
- ❖ Domestic Market Fundamentals-
 - Soybean oil
 - Palm oil
 - Groundnut oil
 - RM Seed oil
- ❖ International Market Dynamics
- ❖ Technical Analysis (Futures Market)
- ❖ Monthly spot price comparison

Domestic Veg. Oil Highlights:

- Domestic refined soy oil prices remained higher during the month as it derived positive cues from its benchmark market of CBOT. Bullish Malaysian palm oil products export figures also support the domestic spot markets. However, retail demand was need based.
- As per SEA of India, edible oil imports for Feb. 2012 was 872,293MT, up by 34.67% as compared to previous month stood at 647,69 MT.
- In budget 2012/13, no tariff value has been changed for edible oil imports. Tariff value for RBD Palm olein stood at US\$ 484 per metric ton and crude palm oil import tariff value would be US\$ 447 per metric ton remain unchanged.
- Groundnut acreage fell by 11 per cent to 5.19 million ha. during 2011/12 due to drought like conditions in major groundnut producing states, lack of marketing infrastructure and price fluctuations –Sharad Pawar
- We expect edible oil prices may correct from higher levels in April due to ongoing soybean harvesting in South American countries and RM seed arrivals pressure in domestic market. However, low global soybean output would limit excessive downside. On the International front, soy oil in CBOT is likely to stay range bound and is likely to hover between 52.30 cents/lb to 58.20 cents/lb.

International Veg. Oil Highlights:

- As per Solvent Extractors' Association of India, Rabi oilseed production in India for 2011/12 fell by 6.7 percent to 90.69 lakh ha as compared to previous year.
- Palm oil products exports from Malaysia for the period of first twenty five days of March rose by 6.6 per cent to 1,055,071 tons from 989,868tons shipped during first twenty days of February-SGS.
- US Soybean growers estimated to plant 73.9 million acres in 2012, down 1 percent as compared to last year – USDA crop intention report.
- Oil World cuts its Brazil's soybean crop output estimates by 1.5 million tonnes to 66.5 million tonnes compared with 75.3 million tonnes in 2011 due to drought and damage from Asian Rust fungus.
- Chinese March soy imports are likely to import 5.1 million tons, up by 33 percent as compared to previous month figures on account of good demand for soy meal and better margin would support the Chinese soy imports. – MOFCOM
- Agroconsult cut 2.8 million tons Brazil's soy crop output estimate for 2011/12 to 67.1 million tons, previous estimate was 69.9 million tons.
- Canadian agriculture department raised its estimate for canola acreage by 3 percent to 20.4 million acres. Earlier estimate was 19.8 million acres. Canola production seen at 15.4 million tons up by 0.4 Mln. T from previous month estimates.

Soy oil: Domestic Market Fundamentals

- Ref. soy oil prices gained during the month on strong international soybean fundamentals and low Rabi oilseed crop.
- As per SEA of India, edible oil imports for Feb. 2012 was 872,293MT, up by 34.67% as compared to previous month stood at 647,69 MT.
- Cash markets volumes were thin due to non aggressive buying from stockiest and re-packers. Largely market driven by positive cues from international markets.
- Bullish USDA soy crop intention report and low soybean output from South American countries would likely to support domestic edible oil markets for short term. However, prices are expected to ease in medium term due to decline in usage in line with the consumption pattern.

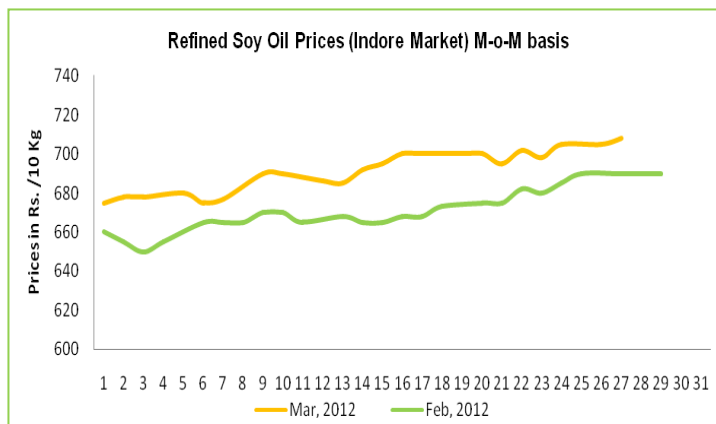
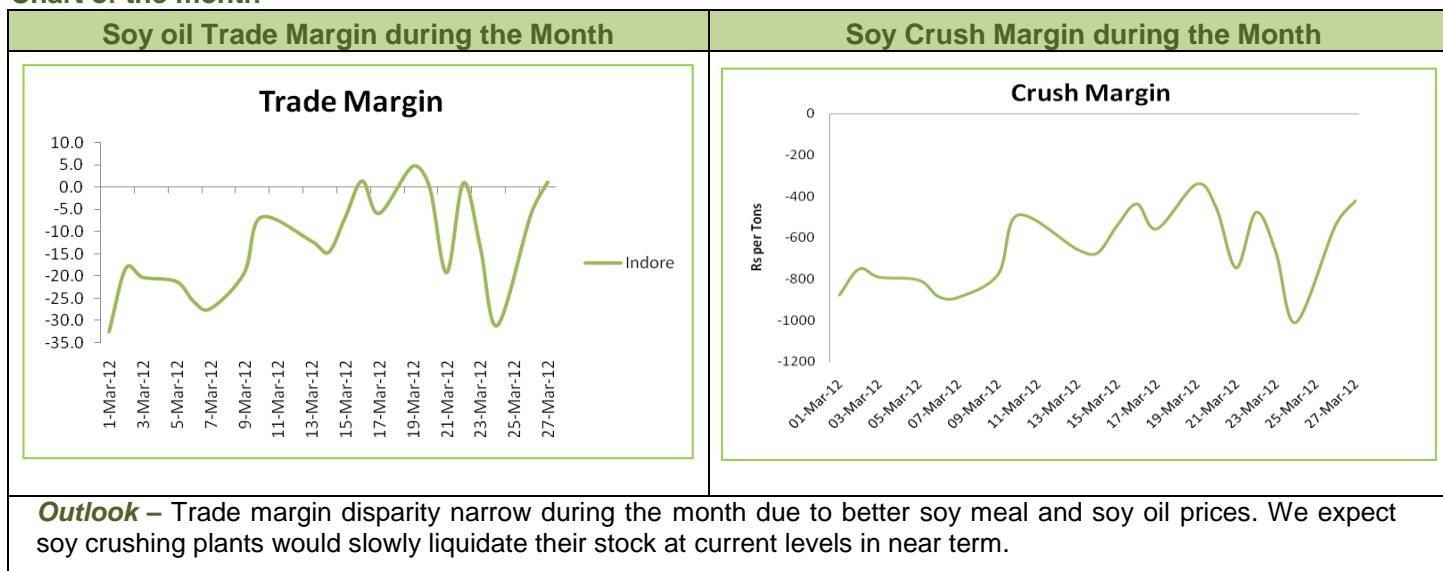


Chart of the month



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

International Market Fundamentals

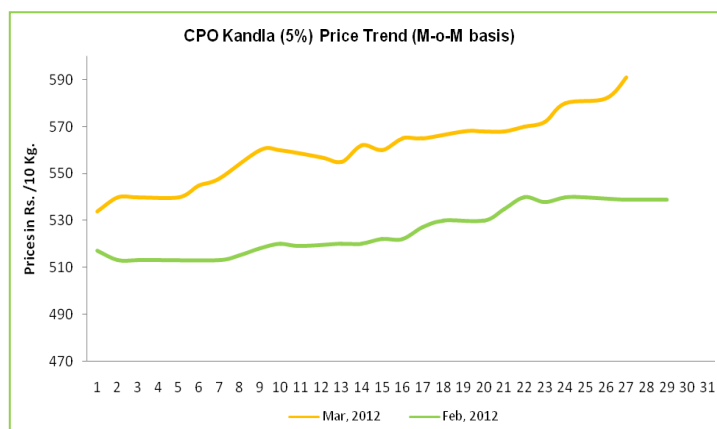
- Agroconsult cut 2.8 million tons Brazil's soy crop output estimate for 2011/12 to 67.1 million tons. Soybean yield is expected to fall 14 percent to 44.5 bags a hectare compared to last year. Moreover, key soy growing state of Brazil Rio Grande do Sul yield is likely to fall by 50 percent.
- Oil World lowers its Brazil's soybean crop output estimates by 1.5 million tonnes to 66.5 million tonnes compared with 75.3 million tonnes in 2011 due to drought and damage from Asian Rust fungus. Moreover, Oil World also lowered its Argentina's soybean crop estimate by 0.5 million tons to 46.5 million tons down from previous year output which was 49.2 million tons.
- The soybean harvest in Brazil has been completed by 72% of the estimated till March 30, as reported in Safras and Mercado report.

Price Outlook:

We expect Ref. soy oil to trade in the price band of Rs 685-720 per 10 Kg.

Palm oil:
Domestic Market Fundamentals

- CPO kandla 5% prices rose significantly during the month on account of bullish Malaysian palm export figures and good demand in physical market for ready to use palm oil.
- In budget 2012/13, no tariff value has been changed for edible oil imports. Tariff value for RBD Palm olein stood at US\$ 484 per metric ton and crude palm oil import tariff value would be US\$ 447 per metric ton remain unchanged.
- India's palm oil products imports during the month of February rose by 30.17 percent to 665,251 tons as compared to previous month – Solvent Extractors' Association of India.
- Looking forward, palm oil prices are likely to correct in the coming month. However, low Rabi oilseed output and cheaper palm oil products would limit downside.


International Market Fundamentals

- Palm oil products exports from Malaysia for the period of first twenty five days of March rose by 6.6 per cent to 1,055,071 tons from 989,868 tons shipped during first twenty days of February-SGS.

Breakdown of SGS palm export figures for Mar 1-25 compared to a month ago (in tons):

Palm Products	1-25 March	1-25 February	%Change
Crude palm oil	286,414	128,871	122.2
RBD palm oil	79,419	99,633	-20.3
RBD palm olein	426,884	517,260	-17.5
RBD palm stearin	106,561	76,610	39.1
Crude palm kernel oil	10,000	6,900	44.9
Processed palm kernel oil	30,148	43,735	-31.1
Oleochemicals	32,580	42,813	-23.9

Top Palm Products Importers	1-25 March	1-25 February	%Change
European Union	184,835	122,386	51.0
China	226,950	261,420	-13.2
India	115,880	105,625	9.7
United States	90,190	87,024	3.6

- Indonesia raised crude palm oil tax for April by 1.5 percent to 18 percent and also hiked RBD palmolein export tax to 9 percent versus 8 percent in March. By this step Indonesian government wants to encourage downstream industries, secure domestic supplies and reduce volatility in cooking oil prices.
- 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.

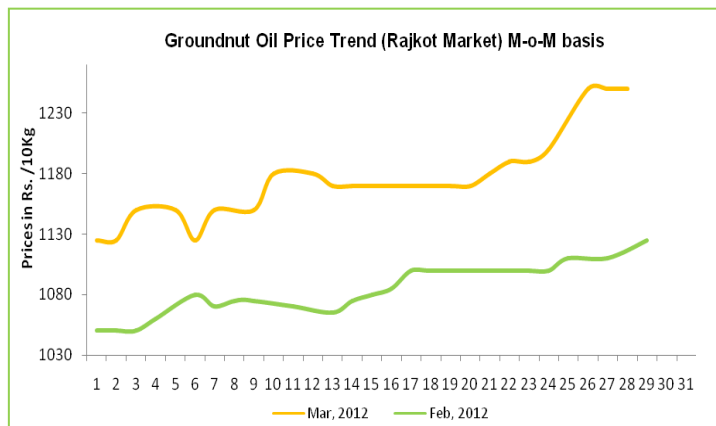
Price Outlook:

We expect CPO Kandla 5% to trade in the price band of Rs 580-608 per 10 Kg.

Domestic Market Fundamentals

Groundnut oil:

- Groundnut oil stood firm at Rajkot during the month due to low availability groundnut seed for crushing.
- Groundnut acreage fell by 11 per cent to 5.19 million ha. during 2011/12 due to drought like conditions in major groundnut producing states, lack of marketing infrastructure and price fluctuations –Sharad Pawar
- Active crushing is on lean side for G/N oil due to low demand for G/N oil in cash markets at current higher quotes – Gondal based trader. Most of the G/N seed arrivals consumed by the peanuts traders for export.
- We expect prices would fall in days ahead due to non aggressive buying at current higher quotes. Moreover new java g2 crop arrived in the markets which may weigh on the G/N seed and G/N oil prices.



International Fundamentals:-

- As per USDA crop prospective plantings report, growers intend to plant peanut 1.42 million acres in 2012, up 25 percent compared to 2011. Expected increase in planted area is largely driven by higher peanut prices.

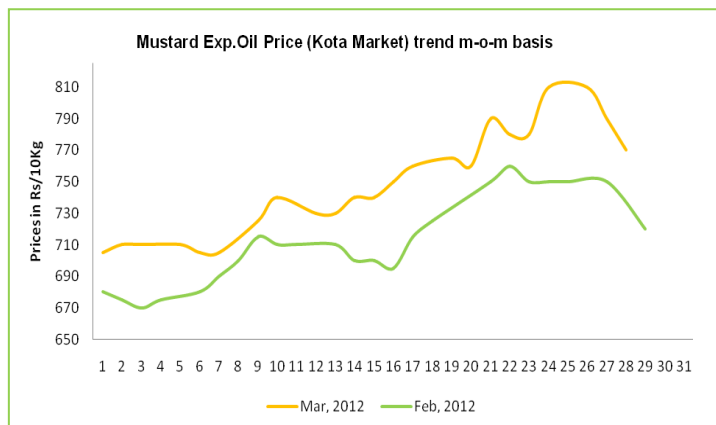
Price Outlook:

We expect groundnut oil to trade in the price band of Rs 1200-1280 per 10 Kg.

Domestic Market Fundamentals

Rapeseed oil:

- Rapeseed oil prices surge during the month on low RM seed output concern. However, peak RM seed arrivals from Rajasthan would likely to come in the coming month which may weigh on the RM seed and RM oil prices.
- As per Central Organization for Oil Industry and Trade, RM seed crop for 2011-12 would likely to fell 12.6 percent to 6.03 million tons as compared to previous year. Market participants are expecting half million tons increase in total edible oil imports in 2011/12 to meet the domestic consumption.
- As per trade sources, active buying of RM seed witnessed from stockiest, however crushing is on lean side due to low demand for edible oils and higher quotes of RM seed squeeze oil millers margins.



International Fundamentals:-

- Canadian agriculture department raised its estimate for canola acreage by 3 percent to 20.4 million acres. Earlier estimate was 19.8 million acres. Canola production seen at 15.4 million tons up by 0.4 Mln. T from previous month estimates.
- Global production of rapeseed and canola may fall 1.8 percent to 59.6 million tons on account of low output in the European Union, India and China – Oil World.

Price Outlook:

We expect Rapeseed oil (Kota) to trade in the price band of Rs 785-815 per 10 Kg.

Edible oil supply and demand Analysis -:

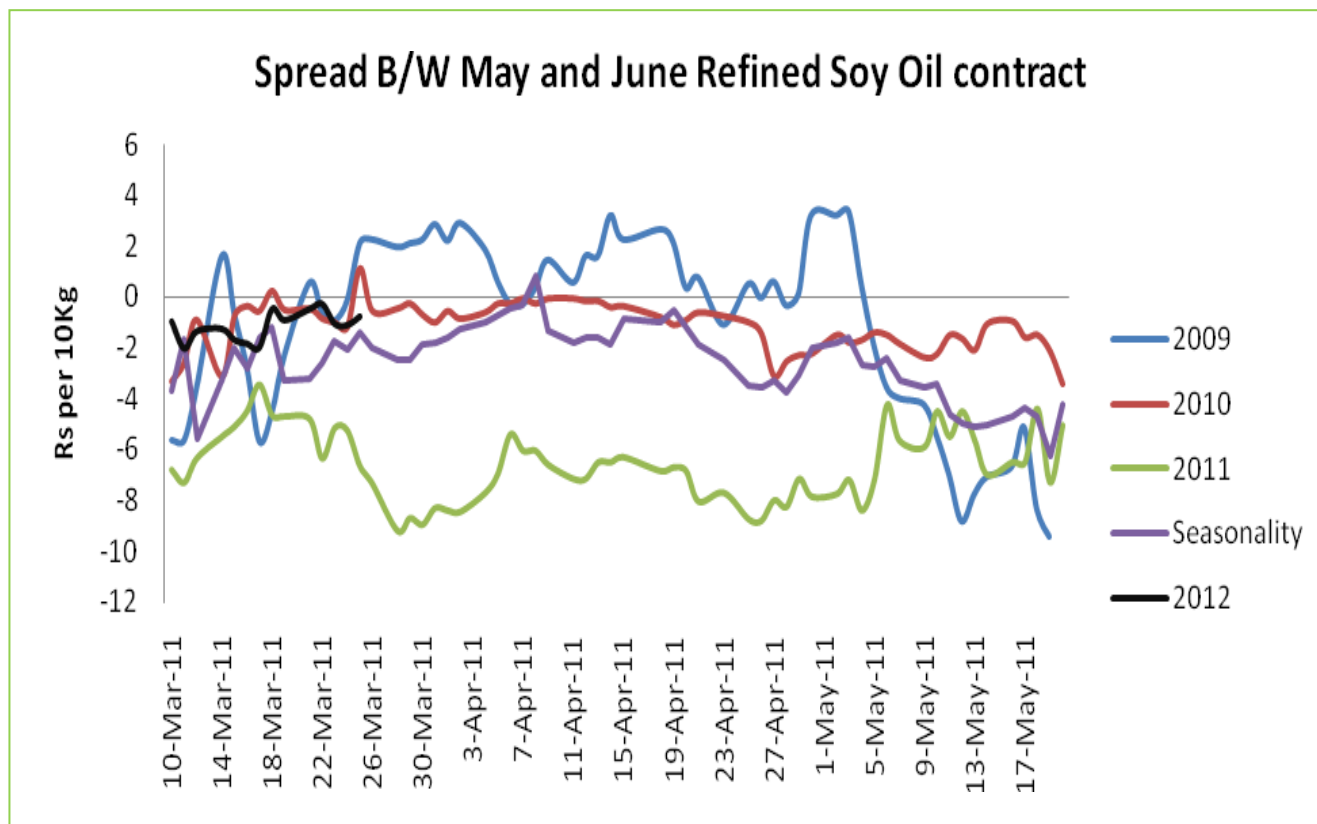
Balance sheet of Indian Edible Oil	2009-2010	2010-11	2011-12 (P)	% Change
Value in million tons				
Beginning Stock	0.52	0.67	0.52	-22.39
Production	7.33	7.98	8.28	3.75
Imports	8.82	8.37	8.80	5.14
Total Supply	16.67	17.02	17.60	3.40
Exports
Total Demand(Consumption)	16.00	16.50	17.00	3.03
Ending Stock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

Balance Sheet Highlights

Net edible oil output would likely be 8.28 Million MT less as compared to our previous month estimate when it stood at 8.56 million tons due to low RM seed production in current season. We expect RM seed production for 2011-12 to be 60 lakh ton and lead to higher imports in current edible oil year to meet the domestic consumption.

Edible oil Shipments at Indian Ports during March 2012

Product	March Shipments (tonnes)	February Shipments (tonnes)	% Change
Crude Soybean Oil	66545	34350	+93.73
Crude Palm Oil	676785	764806.9	-11.51
RBD Palm olein	43000	39700	+8.31
Palm Oil	109280	196053	-44.26
Crude Sunflower Oil	55800	83286.6	-33.00
PALM FATTY ACID	4000
Total edible oils	955,410	1,118,197	-14.56
Source: Ben Line Agencies(India) Pvt. Ltd.			

Theme of the Month – Spread Trading
Spread B/W May and June refined soy oil contracts

Outlook:-

Considering the seasonality of the spread between May and June refined soy oil contracts, we have noticed that spread remained in contango stage during the previous years. In extreme cases spread widen to 3.25 level and narrow to -9.25. New crop arrival from South American crop would likely to weigh on the domestic markets in coming month.

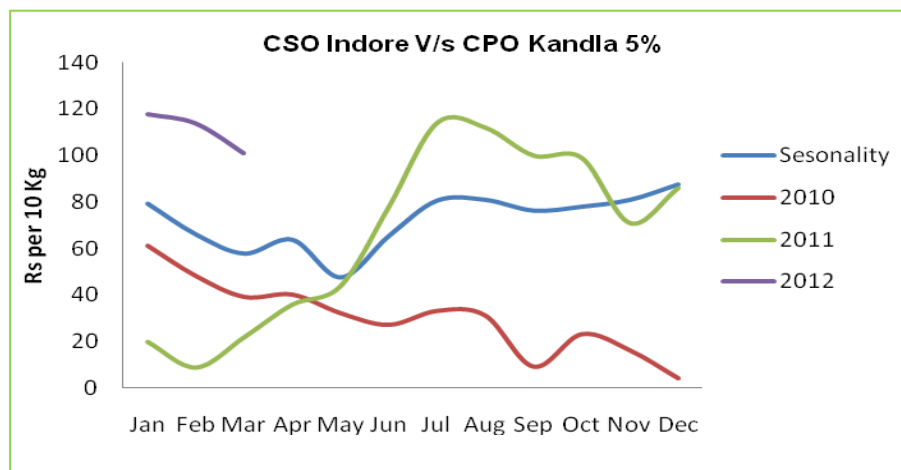
TRADING CALL: - We recommend investors to sell May and buy June contract at 1.5-3.5 for a target of -6 and second target of -8 with a stop loss at 6.25 on closing basis.

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

Landed Cost Calculation as on 28/03/2012	CSO Argentina	CSO Brazil	CSO US
FOB USD per ton	1196.00	1197.1	1168.43
Freight (USD/MT)	65	55	50
C & F	1261.0	1252.1	1218.4
Weight loss (0.25% of FOB)	2.99	2.99	2.92
Finance charges (0.4% on CNF)	4.78	4.79	4.67
Insurance (0.3% of C&F)	4	4	4
CIF (Indian Port - Kandla)	1273	1264	1230
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	50.91	50.91	50.91
Landed cost without customs duty in INR per ton	64786	64332	62603
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	65222	64768	63039
Domestic Market price INR per ton Soy Degum Kandla	67200	67200	67200
Total landed cost USD per ton	1281	1272	1238
Domestic Market price USD per ton Soy Degum Kandla	1320	1320	1320
Parity INR/MT (Domestic - Landed)	1978	2432	4161
Parity USD/MT (Domestic - Landed)	38.86	47.77	81.73
Source: Agriwatch/ Reuters , Argentina prices - Ministry of Agriculture			

Outlook:-

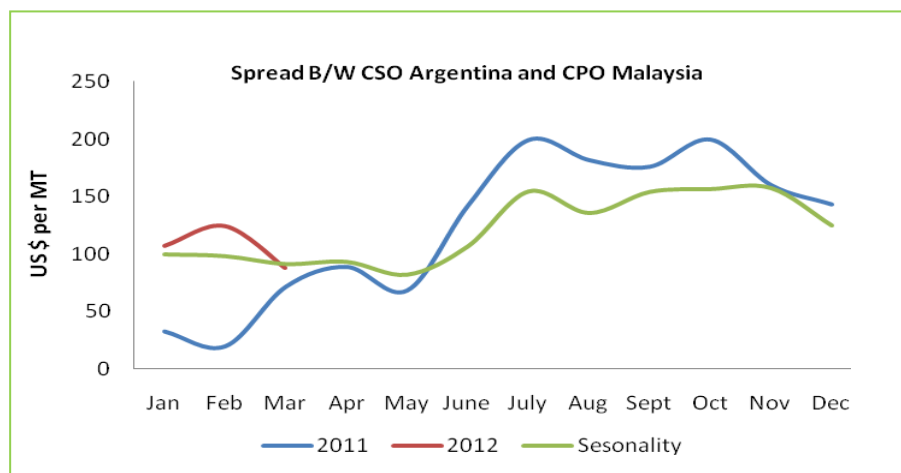
Import parity for crude soy oil is on the positive side on account of higher domestic prices as compared to international prices. We expect import parity continue to be on the positive side in the coming month.

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


March month average price spread between CSO Indore and CPO Kandla 5% stood at Rs 100.85 per 10Kg which is narrower by Rs 12.71 per 10 Kg as compared to February on average basis. Considering seasonality index of price spread between CSO Indore and CPO Kandla 5%, we expect spread is likely to narrow further and hover in between Rs 84-102 per 10Kg.

Outlook and Strategy :-

We expect CPO prices to fall less relatively against CSO prices in the coming month on new soy crop from South American countries which would likely to weigh on the soy oil prices. Market participants can liquidate Crude soy oil Indore at 682-685 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\$ 88 per MT, a fall of US\$ 36 per MT compared to previous month average of US\$ 124 per MT due to higher relative gains in FOB quotes of CPO Malaysia as compared to CSO Argentina.

Outlook and Strategy :-

We expect spread to narrow in the coming month as upcoming soybean crop from Argentina would likely to weigh on the CSO prices. Meanwhile, CPO prices to stay range bound. Spread likely to move in the range of US\$ 108-120 per MT.

International Market Dynamics
CHINA

Chinese February soy oil imports rose by 26.6 percent to 137,661 tons as compared to previous year stood at 108,734. However, significant rose in rapeseed oil imports noticed during February to 86,492 up by 62.75 percent on Y-o-Y basis.

Detail of expected oil and oilseed imports estimates by Chinese commerce ministry estimates-:

Commodities (Values in tons)	March	February	Change
Soybean	5,109,092	3,880,234	+31.6
Rapeseed	320,508	119,194	+168.8
Soy oil	114,148	40,000	+185.3
Palm oil	503,050	288,149	+74.5
Rapeseed oil	98,046	30,000	+226.8

INDONESIA

Indonesia rose crude palm oil tax for April to 18 percent as compared to March which was 16.5 percent. Government also raised RBD palmolein export tax to 9 percent v/s 8 percent in March.

PARAGUAY

Paraguay is expected to produce 4.3 million tonnes of soy this season. However, in previous year Paraguay soy output was 8.8 million tons. Sharp drop in output is mainly due to drought over the key soy growing areas – UGP Farmers Association.

US

As per USDA crop intention report, US Soybean growers estimated to plant 73.9 million acres in 2012, down 1 percent as compared to last year. Soy acreage is expected to shift in corn due to drought conditions that have continued from last year into early March. Low acreage estimate for US soybean crop for current season and low production from South American countries would likely to support the soy and soy oil prices in medium term.

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



Outlook - Soy oil traded with a firm note during the month. We expect prices to stay firm for short term. However, market is due for correction in days ahead.

- Any close above 708.50 in monthly chart shall change the sentiments and might bring the prices to a bullish phase.
- RSI hover in between oversold and neutral zone and remains in tandem with the price direction with no divergence seen.
- Expected price band for next week is 776.00-740 level in near to medium term.

Strategy: We recommend market participants to go short in NCDEX (May contract) at 772-776 for a target of 748 and then 742 with a stop loss at 789 on closing basis.

RSO NCDEX (May)

Support & Resistance				
S2	S1	PCP	R1	R2
729.00	737.00	762.70	790.00	798.00

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



Outlook - Prices are likely to surge in the initial days of the month. However, any technical rise in prices might act as a selling opportunity.

- ❖ Any close above 649 in monthly chart shall change the sentiments and might bring the prices in bullish phase.
- ❖ RSI is near to 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 632.00-585.00 level in medium term.

Strategy: We recommend investors to go short in MCX (May contract) at 628-632 for a target of 590 and second target of 585 with a stop loss at 649 on closing basis.

CPO MCX (May contract)

Support & Resistance				
S2	S1	PCP	R1	R2
578.00	583.00	617.00	652.00	663.00

Monthly spot price comparison

Commodity	Centre	Prices(Per 10 Kg)		
		30-3-2012	1.3.2012	31-1-2012
Refined Soybean Oil	Kota(Loose)	715	690	660
	Rajkot (Loose)	695	675	665
	Jaipur (Loose)	730	708	675
	Hyderabad+ VAT	-	-	-
	Delhi (Loose)	750	720	695
	Kakinada	-	-	-
	Mumbai +VAT	700	682	660
	Indore	705	675	655
	Soy Degum Mumbai+VAT	670	650	630
	SoyDegum Kandla/Mundra+VAT	670	655	630
	Haldiya Port (Loose)	716	686	661
	Akola (Loose)	726	716	685
	Amrawati (Loose)	726	716	685
	Jalna	721	706	681
	Nagpur	741	711	686
Palm Oil	Chennai RBD Palmolein (Loose)	620	575	555
	Hyd. RBD Palmolein VAT	-	-	-
	Delhi RBD Palmolein (Loose)	685	630	610
	Kandla CPO (5%FFA)	590	534	515
	Kakinada RBD Palmolein (Loose)	621	576	549
	Mumbai RBD Pamolein+ VAT	618	578	562
	Kandla RBD Palmolein +VAT	622	575	555
Refined Sunflower Oil	Mumbai + VAT	710	700	685
	Kandla/Mundra	650	640	605
	Erode (Exp. Oil)+VAT	697	700	670
	Hyderabad Exp +VAT	681	666	-
	Chennai (Loose)	715	695	690
	Bellary (Exp. Oil)+VAT	-	628	-
	Latur (Exp. Oil)+VAT	651	641	636
	Chellakere (Exp. Oil)+VAT	646	641	621
Groundnut Oil	Rajkot (Loose)	1250	1125	1040
	Chennai (Loose)	1100	1005	970
	Delhi (Loose)	1250	1130	1025

31 March, 2012

	Hyderabad Exp +VAT	1076	1041	-
	Mumbai + VAT	1230	1090	1030
	Gondal+VAT	1240	-	1045
	Jamnagar +VAT	1250	-	1050
	Narsarropeth+VAT	1051	1041	851
	Prodattour+VAT	1051	1041	931
Rapeseed Oil	Mumbai (Exp. Oil) +VAT	798	755	725
	Alwar (Expeller Oil)(Loose)	783	731	746
	Kota (Expeller Oil) (Loose)	760	705	680
	Jaipur (Expeller Oil) (Loose)	790	730	710
	Delhi (Exp. Oil) (Loose)	800	780	725
	Sri Ganga Nagar(Exp Oil-Loose)	806	771	721
	Hapur+VAT	810	778	710
	Kolkatta	-	-	-
	Agra (Kacchi Ghani Oil) +VAT	840	770	745
Refined Cottonseed Oil	Mumbai +VAT	680	638	615
	Rajkot (Loose)	680	618	605
	Delhi (Loose)	665	620	600
	Hyderabad (Loose)	-	-	-
Sesame Oil	Delhi	805	785	750
	Mumbai	740	780	780
Rice Bran Oil (40%)	Delhi	610	560	530
	Punjab	555	510	510
Rice Bran Oil (70%)	Delhi	530	470	430
Malaysia Palmolein USD/MT	FOB (Dec)	1140	1123	1060
	CNF (Dec) - India	1145	1125	1065
Indonesia/Malaysia CPO USD/MT	FOB (Dec)	1120	1075	1010
	CNF(Dec) - India	1127	1095	1030
Argentina FOB (\$/MT)		30.3.2012	30-1-2012	29/12/2011
Crude Soybean Oil Ship (Nov)		1215	1116	1127
Refined Soy Oil (Bulk) Ship (Nov)		1257	1155	1166
Sunflower Oil Ship (Nov)		-	-	1045
Cottonseed Oil Ship (Nov)		1195	1096	1107
Refine Linseed Oil(Bulk) Ship (Nov)		1235	1136	1147



Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.php> © 2005 Indian Agribusiness Systems Pvt Ltd.