
Veg. Oil Monthly Research Report

Contents

- ❖ Outlook
- ❖ Recommendations
- ❖ International Veg. Oil Market Summary
- ❖ Domestic Market Fundamentals
- ❖ International Market Dynamics
- ❖ Technical Analysis (Futures Market)
- ❖ Technical Analysis (Spot Market)
- ❖ Monthly spot price comparison

Domestic Veg. Oil Market Summary:

Edible oil basket traded with a weak tone during the month of May tracking bearish cues from international commodity markets.

G/N oil prices softened in major cash markets of Gujarat on new groundnut seed arrivals. However, aggressive buying from stockist and HPS exporters restrict excessive losses.

As per Solvent Extractors Association of India, Vegetable oils (edible & non-edible) imports of during April 2012 is reported at 925,334 tons compared to 727,706 tons in March 2012, up 27 percent comprising of 897,404 tons of edible oils and 27,930 tons of non-edible oils.

India imported 3.47 million tons of palm oil products in the current oil year (Nov.-Oct) out of totaled 4.6 million tons up to April 2012. In the previous year edible oil imports were 3.46 million tons until April – SEA of India.

We expect edible oil complex to trade sideways to weak tone in the coming month on lower demand at physical markets and lean season. However, after the heavy sell off in oil complex during the last two weeks, prices may recover for the short term and in anticipation of better buying from stockist ahead of Muslim festival in mid July which might limit downside.

International Veg. Oil Market Summary:

Edible oil prices at the benchmark market of CBOT featured weak tone during the month. CBOT closed at 49.2 cents/pound (June'12 contract) on 31 May 2012. Moreover, Malaysian palm oil futures traded negative bias and fell by MYR 444 from MYR 3503/MT (30 April 2012) to MYR 3059/MT (31 May 2012).

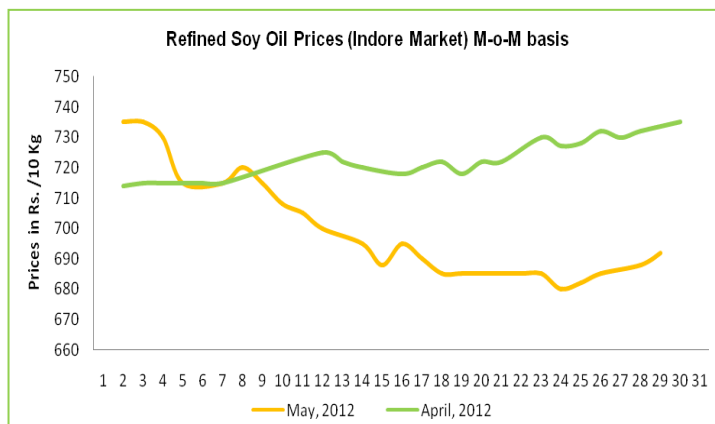
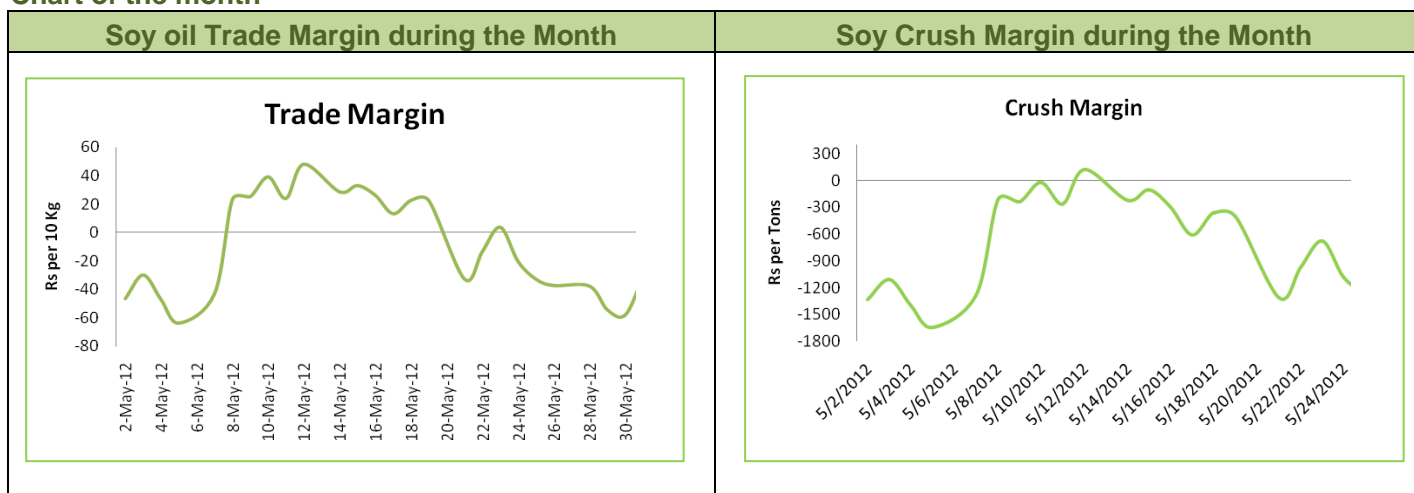
IGC pegged world soybean output estimate for 2011/12 to 236.9 million tons fell 11% compared to previous year. Malaysian palm oil products exports for May fell 0.2 percent to 1,333,869 tons from 1,337,150 tons shipped during April – SGS. Palm oil products exports figures for May for top major markets (Values in tons and April import figures in parenthesis): China 250,500 (300,910) and India 228,095 (247,200).

As per MPOB's latest report, Malaysian palm oil ending stock for April fell by 5.4 percent to 1,848,368 tons from a revised 1,954,145 tons in March. Indonesia will keep its crude palm oil and RBD palm olein export tax for June unchanged from May at 19.5 percent and 10 percent respectively - Trade Ministry Officials

Oil world cuts its world rapeseed output estimate by 1.3 million tons to 59.4 million tons for 2011/12. Lower RM seed crop may crunch canola oil supply this may support canola oil prices in the medium term.

Soy oil:
Domestic Market Fundamentals

- Ref. soy oil prices traded with a weak bias at physical counters during the month due to dull demand and bearish international markets.
- As per Solvent Extractors Association of India, Vegetable oils (edible & non-edible) imports of during April 2012 is reported at 925,334 tons compared to 727,706 tons in March 2012, up 27 percent comprising of 897,404 tons of edible oils and 27,930 tons of non-edible oils.
- Crushing plants are operating at lower capacity in MP and Rajasthan due to lower availability of soybean and negative crush margin. Moreover, market participants are expecting that only 20-25 percent of the total estimated soy output is in the supply pipeline for the current marketing year.
- Refined soy oil may trade sideways in the coming month on mixed sentiments. Decline in edible oil usage in line with the consumption pattern may weigh on the soy oil prices. On the flip side, arrivals of soy are expected to decline with a commencement of monsoon which could limit downside.


Chart of the month


Outlook – Indore trade margin disparity widens during the week and hovered in the negative zone due to higher relative fall in soy meal prices compared to soybean prices. We expect trade margin may hover in negative zone on better soybean prices compared to soy meal and soy oil prices.

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

International Market Fundamentals

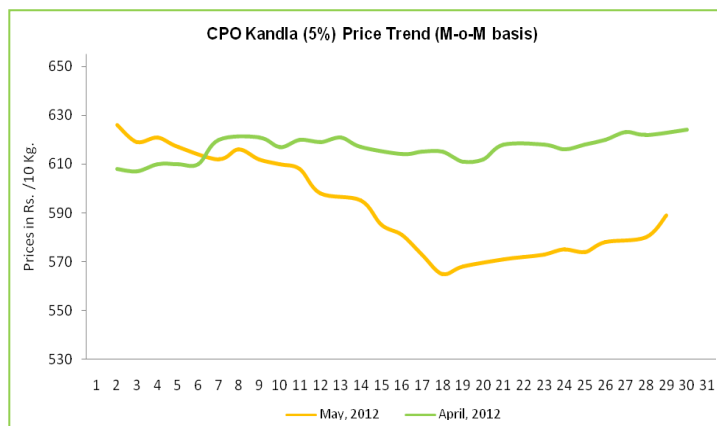
- As per International Grain Council, World soybean output estimate for 2011/12 pegged at 236.9 million tons fell by 11% compared to previous year. World soybean trade is likely to fall in 2011/12 to 88.9 Mln T.
- As per latest weekly USDA crop progress report, US soybean planting progress is reported at 76 per cent ahead of 5-year average of 42 per cent, which was just 35 per cent previous year in the corresponding period last year.
- According to the latest Argentina's Agriculture Ministry's crop progress report, Farmers have harvested 89 percent of the estimated soy area seeded of 18.5 million hectares down 6 percent compared to previous year.

Price Outlook:

We expect Ref. soy oil to trade in the price band of Rs 680.00-715.00 per 10 Kg.

Palm oil:
Domestic Market Fundamentals

- CPO kandla 5% prices fell significantly during the month on account of bearish palm oil international markets and wholesalers refrain from fresh buying in the falling price trend.
- India imported 3.47 million tons of palm oil products in the current oil year (Nov.-Oct) out of totaled 4.6 million tons up to April 2012. In the previous year edible oil imports were 3.46 million tons until April – SEA of India.
- Crude palm oil Kandla 5% price is at Rs 82 per 10Kg discount against crude soybean oil Indore price as on 01 June 2012. Discount fell by 1.38 per cent to Rs. 71 per 10 kg M-o-M basis (average prices of month).
- Palm oil may trade steady to slightly weak note in the coming month. However, demand may emerge ahead of Ramadan festival in mid July which may limit downside.


International Market Fundamentals

- Malaysian palm oil products exports for May 1-30 fell 0.2 percent to 1,333,869 tons from 1,337,150 tons shipped during April 1-30 – SGS.

Breakdown of SGS palm export figures for May compared to a month ago (in tons):

Palm Products	May	April	%Change
Crude palm oil	393,238	421,060	-6.6
RBD palm oil	177,493	79,622	122.9
RBD palm olein	445,217	562,687	-20.9
RBD palm stearin	126,91	73,075	-82
Crude palm kernel oil	8,500	14,400	-41.0
Processed palm kernel oil	51,725	42,611	21.4
Oleochemicals	33,794	44,110	-23.4

Importers	May	April	%Change
EU	261,637	267,949	-2.4
China	250,500	300,910	-16.8
Pakistan	145,050	77,200	87.9
US	124,965	83,430	49.8
India	228,095	247,200	-7.7

- As per Indonesia's ministry official, Indonesia will keep its crude palm oil export tax to 19.5 percent for June unchanged as compared to previous month. The government will also keep its export tax for RBD palm olein to 10 percent.
- As per MPOB's latest report, Malaysian palm oil ending stock for April fell by 5.4 percent to 1,848,368 tons from a revised 1,954,145 tons in March.
- Malaysian palm oil exports may pick up from Asian and Middle East countries due to Ramadan festival in July which may act as a encouraging factor for the markets, although market participants is cautious on lingering fear over the Euro zone debt crisis.

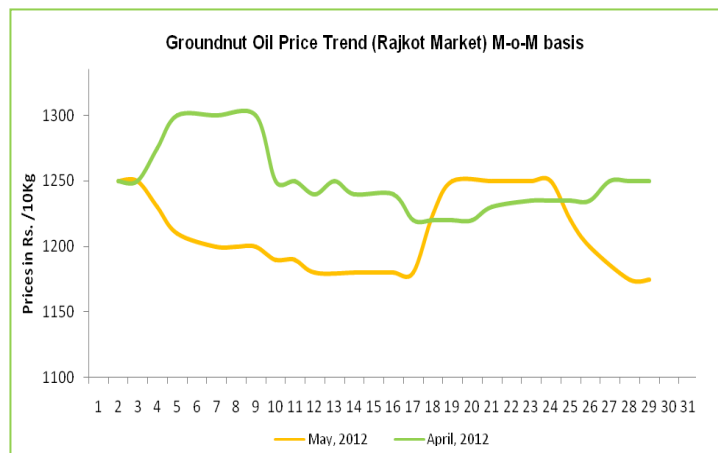
Price Outlook:

We expect CPO Kandla 5% to trade in the price band of Rs 560.00-590.00 per 10 Kg.

Domestic Market Fundamentals

Groundnut oil:

- Groundnut oil traded with a steady to slightly weak bias during the month due to new summer groundnut seed arrivals. However, fair buying from re-packers restricts excessive losses.
- As per Indian Oilseed and Produce Export Promotion Council (IOPEPC), summer groundnut production in Gujarat is estimated 459,000 tons, 56 per cent higher compared to 294,000 tons previous year. However, market participants are expecting 2.5-2.8 lakh tons of summer groundnut output in current year.
- We expect G/N oil may trade sideways to weak bias in the coming days as retail demand may shift to cheaper cottonseed and palm oil. However, fair buying by re-packers may limit downside risk in the G/N oil prices.



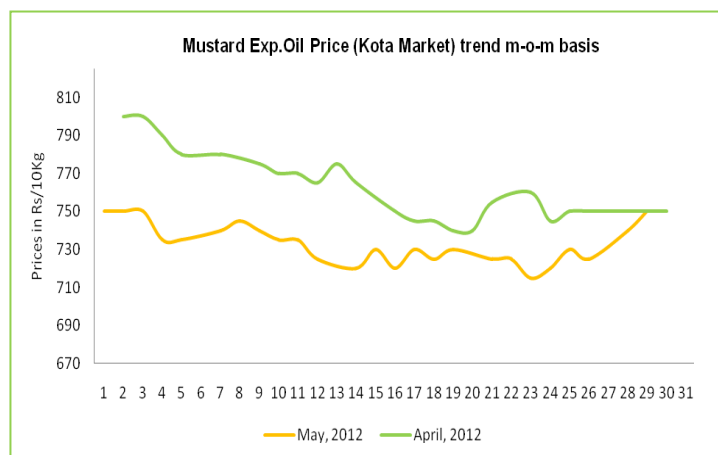
Price Outlook:

We expect groundnut oil to trade in the price band of Rs 1170-1220 per 10 Kg.

Domestic Market Fundamentals

Rapeseed oil:

- Rapeseed oil traded with a steady to weak tone during the month of May due to lackluster buying interest from wholesalers and ongoing RM seed arrivals.
- As per third advanced crop estimate for 2011/12 by government of India, RM seed production is estimated to be 6.96 million tons during 2011-12 compared to 8.18 million tons in the previous year on lower yield.
- High volatility in RM seed prices and dull demand in edible oil complex may weigh on the RM oil prices in the coming days. However, overall fundamentals remain bullish for oil complex due to thin domestic oilseed supplies and demand is also likely to emerge from pickle manufacturers may restrict excessive losses in the days ahead.



International Fundamentals:-

- Oil world cuts European Union's rapeseed output estimate by 0.10 million tons to 18.10 million tons. Previous year EU rapeseed output was 19.20 million tons. Moreover, oil world slashed its world rapeseed output estimate by 1.3 million tons to 59.4 million tons for 2011/12. Lower RM seed crop may crunch canola oil supply this may support canola oil prices in the medium term.

Price Outlook: We expect Rapeseed oil (Kota) to trade in the price band of Rs 710.00-760.00 per 10 Kg.

Edible oil supply and demand Analysis -:

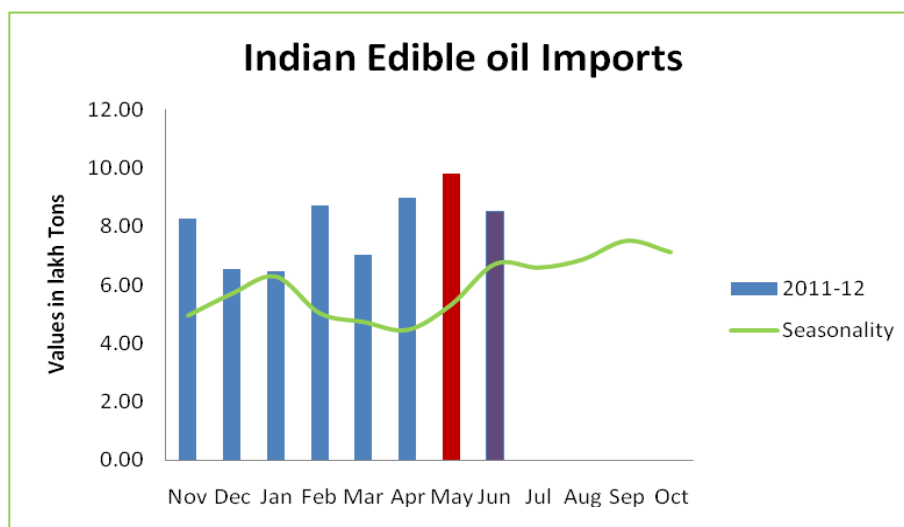
Balance sheet of Indian Edible Oil	2009-2010	2010-11	2011-12 (P)	% Change
Value in million tons				
Beginning Stock	0.52	0.67	0.52	-22.39
Production	7.33	7.98	8.21	2.89
Imports	8.82	8.37	9.00	7.53
Total Supply	16.67	17.02	17.73	4.18
Exports
Total Demand(Consumption)	16.00	16.50	17.00	3.03
Ending Stock	0.67	0.52	0.73	40.55

Balance Sheet Highlights

Net edible oil output would likely be 8.21 Million MT in 2011/12. On import front, Edible oil imports likely to surge by 7.53 percent compared to previous year. Higher imports is mainly due to lower RM seed production estimated 60 lakh ton for current year and to meet rising domestic consumption.

Consumption of edible oil is likely to grow at a rate of 3%. Ending stocks are projected marginally higher compared to 2011-12 at 0.73 million tons.

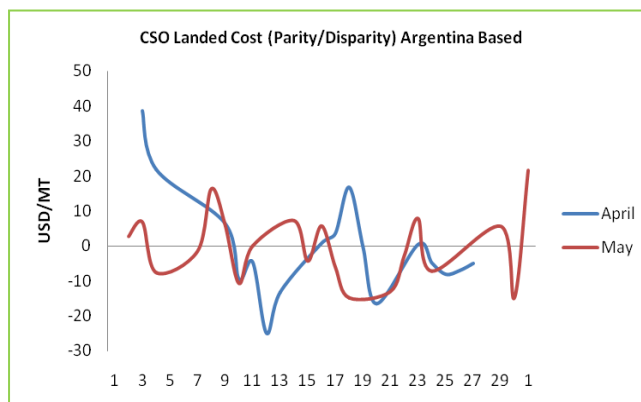
Indian edible oil imports in May and June 2012 projection –



As per Solvent Extractors' Association of India, India imported 4.6 million tons of edible oil in the current oil year (Nov-Oct) up to April 2012. However, India imported 3.46 million tons during the corresponding period last year. We expect Indian edible oil imports for the month of May at 9.80-9.90 lakh tons. However, higher edible oil imports in the first six months in the current oil year may lead to lower imports in the coming months. We expect 8.3-8.5 lakh tons of edible oil imports in June.

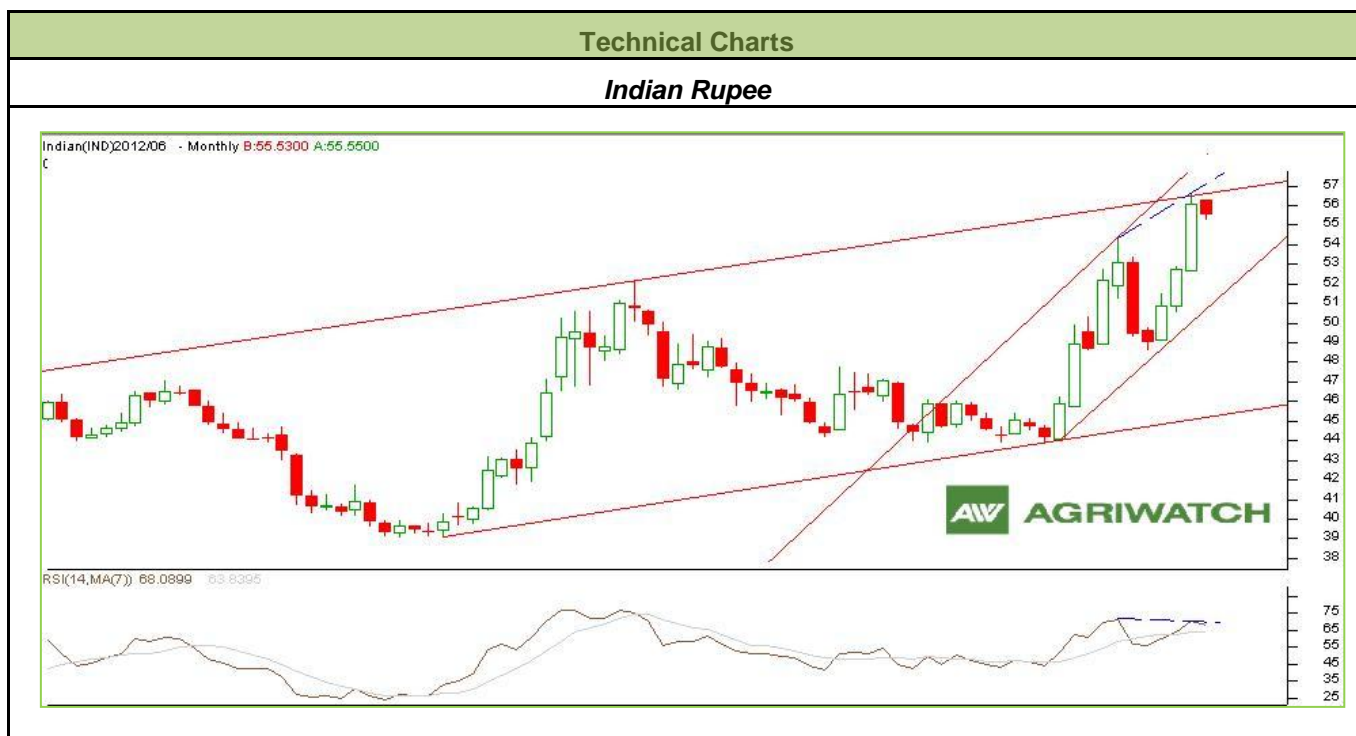
Crude Soy Oil Import Landed Cost Calculation (Parity/Disparity):

Landed Cost Calculation as on 1/6/2012	CSO Argentina	CSO Brazil	CSO US
FOB USD per ton	1092.00	1101.20	1038.14
Freight (USD/MT)	65	55	50
C & F	1157.0	1156.2	1088.1
Weight loss (0.25% of FOB)	2.73	2.75	2.60
Finance charges (0.4% on CNF)	4.37	4.40	4.15
Insurance (0.3% of C&F)	3	3	3
CIF (Indian Port - Kandla)	1168	1167	1098
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	55.58	55.58	55.58
Landed cost without customs duty in INR per ton	64893	64852	61035
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	65329	65288	61471
Domestic Market price INR per ton Soy Degum Kandla	66500	66500	66500
Total landed cost USD per ton	1175	1175	1106
Domestic Market price USD per ton Soy Degum Kandla	1196	1196	1196
Parity INR/MT (Domestic - Landed)	1171	1212	5029
Parity USD/MT (Domestic - Landed)	21.06	21.80	90.48
Source: Agriwatch/ Reuters , Argentina prices - Ministry of Agriculture			

Landed Cost Parity/Disparity Argentina based and Indian rupee during the month.

Outlook:-

Import parity for crude soy oil from Argentina is hovering in positive territory during the ending days of the month on higher domestic prices as compared to international prices. We expect import parity to continue to be in the positive side in the coming weeks with a recent signs of appreciating Indian rupee against US dollar. However if INR loses the gained ground against USD, the parity will not stay stronger.

Currency Technical Analysis



Technical Summary for INR

Moving Averages		MA (9)		MA(18)	
Exponential		52.0		49.99	
Technical Indicators		RSI (14)		SSTK(9,3,3)	
		68.00		79.71	
Support and Resistance					
S2	S1	PCP	R1	R2	
52.15	53.00	55.61	58.10	59.40	

Expected Price Band and Outlook

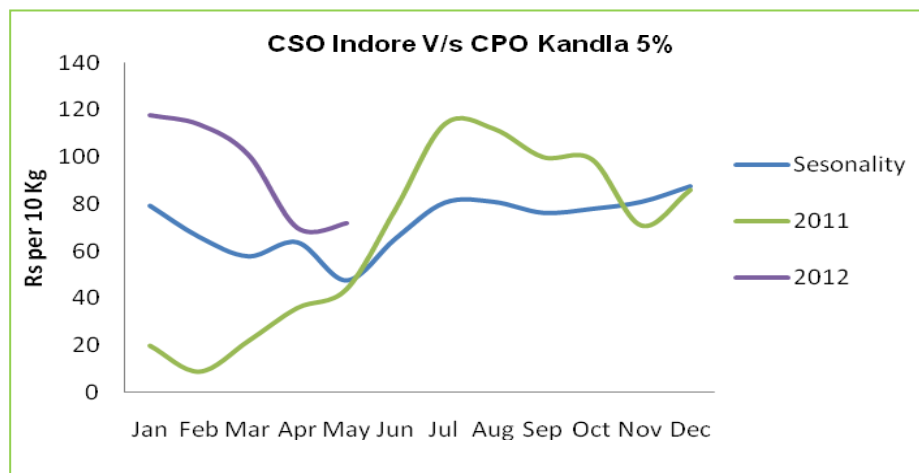
Indian Rupee	Indian rupee is likely to trade with weak bias in the coming month. RSI is near to oversold zone and indicating minimal divergence in the prices. We see a range of 58.10-59.40 on the higher side in the coming month and lower level as 53.00 and below that, we may see selling pressure until 52.10.
--------------	--

Edible oil Stocks at Indian Ports
Product Wise

<i>Edible oil products in Tons for June</i>	<i>Veg. oil Vessel line up from up to 2/06/2012</i>
Crude Soybean Oil	15000
Crude Palm Oil	30000
RBD Palm olein	-----
Palm Oil	7469
Crude Sunflower Oil	41000
PALM FATTY ACID	-----
Total edible oils	93469
Source: Ben Line Agencies(India) Pvt. Ltd.	

Port Wise

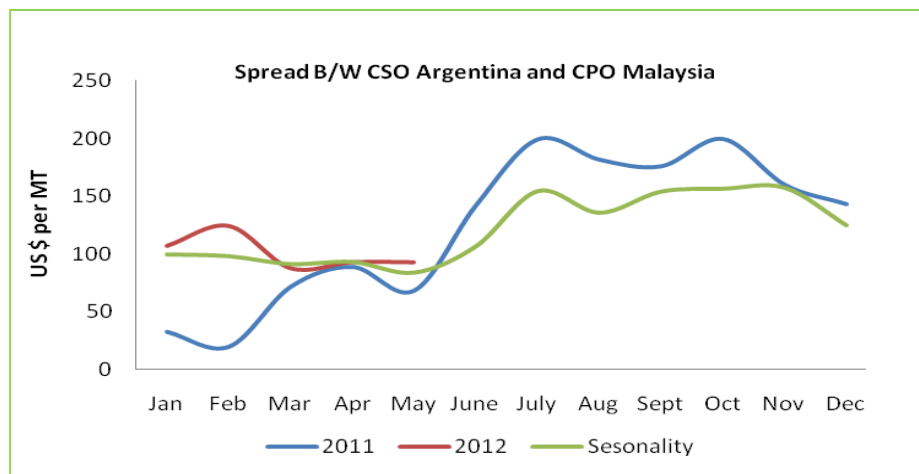
<i>Veg. oil Vessel line up in Tons.</i>	<i>Vessel line up for June (Till 2 /06/2012)</i>	<i>Vessel line up for May</i>
Ennore	5000	24970
Chennai	19500	101331
Haldia	22469	103682.38
JNPT	-----	2000
Kandla	29000	318179
Karaikal	-----	8040
Kolkata	-----	37852
Krishnapatnam	11500	126230
Mangalore	6000	37200
Mumbai	-----	26000
Mundra	-----	858039
Tuticorin	-----	21730
Source: Ben Line Agencies(India) Pvt. Ltd.		

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


Average monthly spread between CSO Indore and CPO Kandla (5%) marginally widened during the week and stood at Rs 72 per 10 Kg compared to 71/10 Kg during the previous month. Considering seasonality index of price spread between CSO Indore and CPO Kandla 5%, we expect spread between CSO Indore and CPO kandla 5% to widen in the coming month and may hover in between Rs 75-95 per 10Kg.

Outlook and Strategy :-

Market participants can buy Crude soy oil at 632.00-638.00 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\$ 93 per MT remains unchanged compared to previous month average. Spread is likely to widen in the coming month as palm oil prices may fell relatively higher compared to CSO Argentina prices. Spread likely to move in the range of US\$ 110-130 per MT.

International Market Dynamics

CHINA

Chinese commerce ministry raised its soy imports estimate for the month of May to 7.22 million tons. Previous projection was 5.63 million tons. Soy imports for the month of June are projected at 5.16 million tons.

INDONESIA

Indonesia will keep its crude palm oil and RBD palm olein export tax unchanged compared to previous month.

Indonesian export tax (in percentage) during 2012:-

Month	Crude Palm Oil	Palm Olein
June	19.5	10
May	19.5	10
April	18	9
March	16.5	8
February	16.5	8
January	15	7

Brazil

Soybean export from Brazil for the month of May rose by 64.3 percent to 7.28 million tons compared to corresponding previous year. Moreover, Brazil soy oil exports for May stood at 289,200 higher compared to previous year which was 165,200 tons – Trade Ministry Data.

Brazil's Export Values in Mln. Tons:-

Soy Products	May 2012	April 2012	May 2011
Soybean	7.28	4.43	5.31
Soy meal	1.61	1.14	1.54
Soy oil	289,200	132,000	165,200

* Soy oil Values are in tons

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


Outlook - Soy oil traded with a weak note during the month for short term. However, we expect prices may consolidate in the coming days.

- Any close below 707 in monthly chart shall change the sentiments and might bring the prices to a bearish 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 month is 714-745 level in near to medium term.

Strategy: We recommend market participants to go long in NCDEX (July contract) at 714.00-718.00 for a target of 734 and then 742 with a stop loss at 707.00 on closing basis.

RSO NCDEX (July)

Support & Resistance				
S2	S1	PCP	R1	R2
689.00	702.00	722.10	750.00	763.00

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



Outlook - Prices are likely to trade sideways to slightly positive bias in the coming month for short term. After a heavy sell off in CPO, we expect prices may recover from lower level for short term.

- ❖ Any close below 526.35 in monthly chart shall change the sentiments and might bring the prices in bearish 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 537.00-566.00 level in medium term.

Strategy: We recommend investors to go long in MCX (July contract) at 537.00-540.00 for a target of 560.00 and second target of 566.00 with a stop loss at 526.35 on closing basis.

CPO MCX (July contract)

Support & Resistance				
S2	S1	PCP	R1	R2
518.00	525.00	550.50	581.00	591.00

Technical Analysis (Spot Market Monthly Charts)
SOYOIL REFINED (INDORE Rs/10 Kg without VAT)


- ❖ Domestic spot soy oil prices trade with a weak bias during the month and we expect prices may trade sideways in the coming days.
- ❖ Breaching the immediate zone of 670.00-675.00, prices shall test 655.00 levels in medium term.
- ❖ Expected price band for Ref. soy oil (INDORE Rs/10 Kg without VAT) is 680.00-715.00 level in medium term.

Strategy: Market Participants can liquidate their Ref. soy oil (INDORE Rs/10 Kg without VAT) stocks at 710.00-715.00 level.

Support & Resistance				
S2	S1	PCP	R1	R2
655.00	670.00	690.00	715.00	736.00

Technical Analysis (Spot Market Monthly Charts)

CPO (KANDLA Rs/10 Kg)



- ❖ Candlesticks depict a fallback in the prices during the month. Prices are likely to be range bound in the coming month.
- ❖ 547.00 could act as an immediate support; meanwhile RSI is in between oversold zone and indicating minimal divergence in the prices.
- ❖ Expected price band for CPO Kandla 5% oil is 560.00-590.00 level in medium term.

Strategy: Investors can liquidate CPO from near to 595.00-600.00 level in cash market.

Support & Resistance				
S2	S1	PCP	R1	R2
533.00	547.00	568.00	595.00	605.00

Monthly spot price comparison

Commodity	Centre	Prices(Per 10 Kg)		
		31.5.2012	30.4.2012	30-3-2012
Refined Soybean Oil	Kota(Loose)	705	722	715
	Rajkot (Loose)	-	710	695
	Jaipur (Loose)	-	730	730
	Hyderabad+ VAT	-	731	-
	Delhi (Loose)	745	780	750
	Kakinada	-	-	-
	Mumbai +VAT	710	733	700
	Indore	693	735	705
	Soy Degum Mumbai+VAT	672	692	670
	SoyDegum Kandla/Mundra+VAT	672	692	670
	Haldiya Port (Loose)	716	-	716
	Akola (Loose)	727	761	726
	Amrawati (Loose)	727	761	726
	Jalna	-	756	721
	Nagpur	-	767	741
Palm Oil	Chennai RBD Palmolein (Loose)	620	652	620
	Hyd. RBD Palmolein VAT	660	700	-
	Delhi RBD Palmolein (Loose)	685	715	685
	Kandla CPO (5%FFA)	588	624	590
	Kakinada RBD Palmolein (Loose)	621	646	621
	Mumbai RBD Pamolein+ VAT	638	662	618
	Kandla RBD Palmolein +VAT	620	658	622
Refined Sunflower Oil	Mumbai + VAT	735	740	710
	Kandla/Mundra	665	670	650
	Erode (Exp. Oil)+VAT	715	725	697
	Hyderabad Exp +VAT	701	696	681
	Chennai (Loose)	730	750	715
	Bellary (Exp. Oil)+VAT	626	656	-
	Latur (Exp. Oil)+VAT	676	681	651
	Chellakere (Exp. Oil)+VAT	656	671	646
Groundnut Oil	Rajkot (Loose)	-	1250	1250
	Chennai (Loose)	1110	1100	1100
	Delhi (Loose)	1225	1300	1250

31 May, 2012

	Hyderabad Exp +VAT	1188	1104	1076
	Mumbai + VAT	1175	1250	1230
	Gondal+VAT	1160	1300	1240
	Jamnagar +VAT	1160	1300	1250
	Narsarropeth+VAT	1131	1071	1051
	Prodattour+VAT	1126	1071	1051
Rapeseed Oil	Mumbai (Exp. Oil) +VAT	785	790	798
	Alwar (Expeller Oil)(Loose)	754	816	783
	Kota (Expeller Oil) (Loose)	760	750	760
	Jaipur (Expeller Oil) (Loose)	778	765	790
	Delhi (Exp. Oil) (Loose)	785	805	800
	Sri Ganga Nagar(Exp Oil-Loose)	756	771	806
	Hapur+VAT	822	822	810
	Kolkatta	-	-	-
	Agra (Kacchi Ghani Oil) +VAT	820	810	840
Refined Cottonseed Oil	Mumbai +VAT	672	704	680
	Rajkot (Loose)	-	665	680
	Delhi (Loose)	655	685	665
	Hyderabad (Loose)	690	705	-
Sesame Oil	Delhi	865	875	805
	Mumbai	785	820	740
Kardi	Mumbai	910	910	-
Coconut Oil	(Crude Rs/10kg) - Kangayan	560	640	-
Rice Bran Oil (40%)	Delhi	630	625	610
	Punjab	570	585	555
Rice Bran Oil (70%)	Delhi	535	555	530
Malaysia Palmolein USD/MT	FOB (Dec)	1010	1173	1140
	CNF (Dec) - India	1045	1195	1145
Indonesia/Malaysia CPO USD/MT	FOB (Dec)	995	1155	1120
	CNF(Dec) - India	1025	1175	1127
Argentina FOB (\$/MT)		30.5.2012	02.5.2012	30.3.2012
Crude Soybean Oil Ship (Nov)		1110	1220	1215
Refined Soy Oil (Bulk) Ship (Nov)		1149	1262	1257
Sunflower Oil Ship (Nov)		1120	-	-
Cottonseed Oil Ship (Nov)		1090	1200	1195

31 May, 2012

Refine Linseed Oil(Bulk) Ship (Nov)	1130	1240	1235
-------------------------------------	------	------	------

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.