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# Veg. Oil Monthly Research Report

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### **Domestic Veg. Oil Market Summary:**

*Edible oil basket traded with a steady to slightly firm tone during the month of June tracking strong recovery in international soy oil market. However, palm oil stood weak on lackluster buying interest and good availability of ready to use palm oil.*

*Refined soy oil and Mustard oil likely to trade relatively higher compared to ready to use palm oil in the coming days on bullish oilseed fundamentals. Moreover, active buying from resellers may support G/N oil prices.*

*As per Solvent Extractors Association of India, Vegetable oils (edible and non-edible) imports during May 2012 is reported at 896,921 tons compared to 925,334 tons in April 2012, down 3 percent comprising of 883,410 tons of edible oils and 13,511 tons of non-edible oils.*

*We expect edible oil complex to trade steady to firm tone in the coming month on bullish oilseed fundamentals and slew of festival in July could act as an encouraging factor for the markets. However, sluggish global economic conditions may limit upside.*

### **International Veg. Oil Market Summary:**

*Edible oil prices at the benchmark market of CBOT featured firm tone during the month. CBOT closed at 52.2 cents/pound (Jul'12 contract) as on 29 June 2012. Moreover, Malaysian palm oil futures traded with a slightly negative tone and fell MYR 20 to MYR 2983/MT (29 June 2012).*

*As per International Grain Council, world soybean output is projected at 266 million tons, up 12 percent compared to 2011/12 and world rapeseed output seen at 60.2 million tons.*

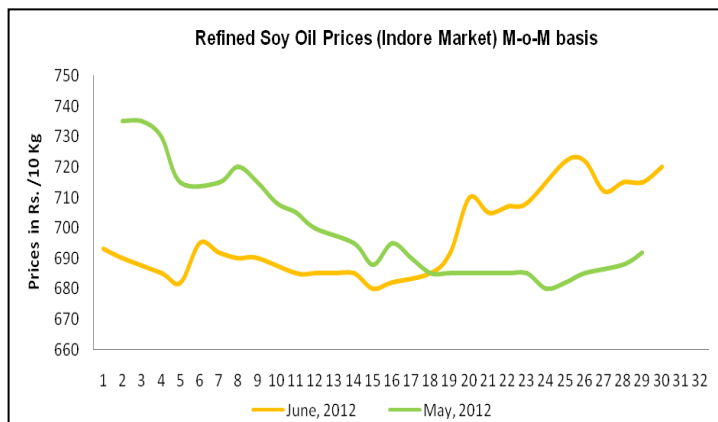
*As per MPOB's latest report, Malaysian palm oil ending stock for May fell 4.5 percent to 1,764,788 tons from a revised 1,847,156 tons in April.*

*As per SGS, Malaysian palm oil products exports for June rose 9.7 percent to 1,463,864 tons from 1,333,869 tons shipped during May. Palm oil products exports figures for June for top major markets (Values in tons and May import figures in parenthesis): China 323,474 (250,500), EU 236,711 (261,637), Pakistan 196,229 (145,050), USA 124,680 (124,965) and India 257,507 (228,095).*

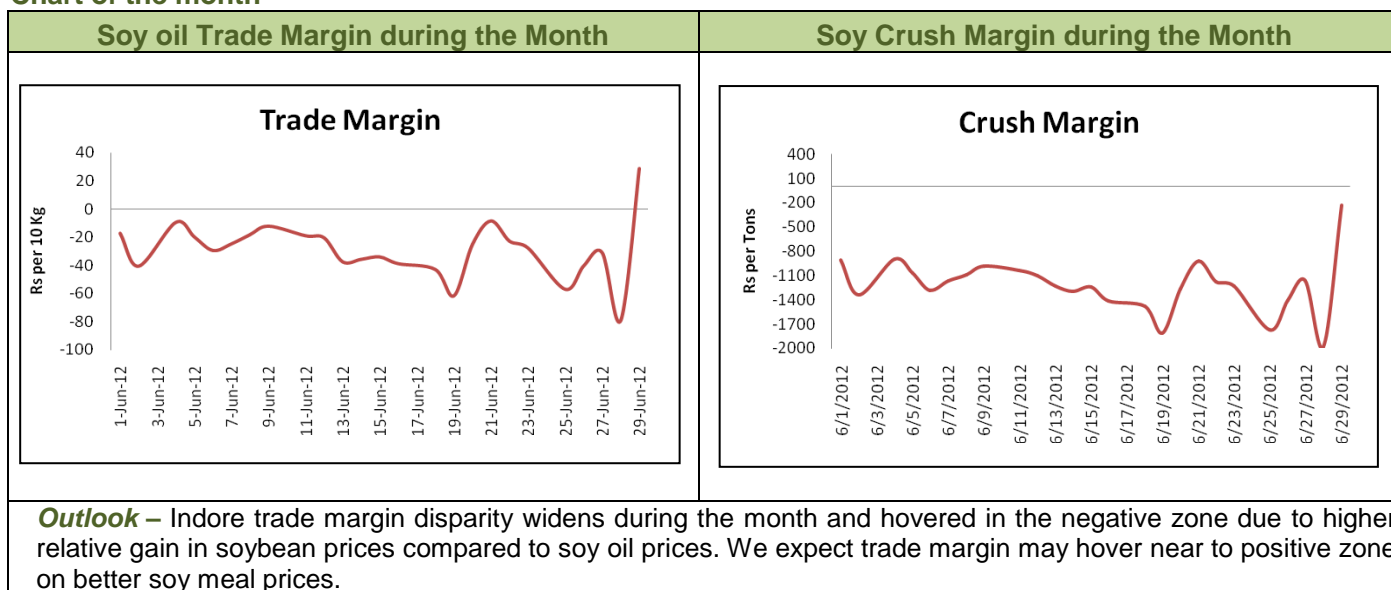
*Oil world raised its world rapeseed crop estimate by 0.6 million tons to 61.6 million tons for 2012/13. Tight global soybean supplies and attractive prices against soybean may support canola oil prices in the medium term.*

## Soy oil: Domestic Market Fundamentals

- Ref. soy oil prices featured steady to slightly firm tone at major physical counters on thin soybean supply and strong global cues.
- As per Solvent Extractors Association of India, Vegetable oils (edible and non-edible) imports during May 2012 is reported at 896,921 tons compared to 925,334 tons in April 2012, down 3 percent comprising of 883410 tons of edible oils and 13,511 tons of non-edible oils.
- Average trade margin (Indore Based) during the month under review was Rs - 29/10Kg compared to - 9/10Kg during previous month.
- Refined soy oil may trade sideways to firm tone in the coming month on dried up soybean pipeline supply. However, monsoon progress over key soybean growing belts of MP and Maharashtra may limit upside.



## Chart of the month



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

## International Market Fundamentals

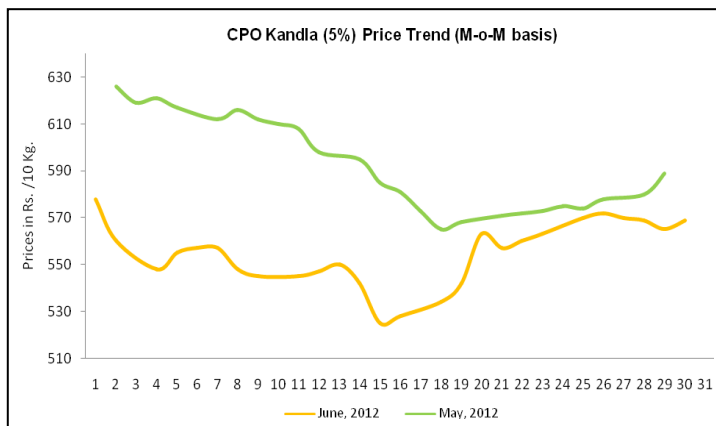
- As per USDA's latest report, US soybean producers planted 76.1 million acres; up 1 percent compared to previous year. Soybeans stored in all positions on June 1, 2012 totaled 667 million bushels, up 8 percent compared to corresponding same period last year. On-farm stocks totaled 179 million bushels, down 18 percent from a year ago. Off-farm stocks, at 488 million bushels, are up 22 percent from a year ago.
- As per International Grain Council, world soybean output production is projected at 266 million tons up 12 percent compared to 2011/12. Moreover, World soybean trade is likely to rise in 2012/13 to 96.4 Mln T due to increase delivery to China.

## Price Outlook:

We expect Ref. soy oil to trade in the price band of Rs 715.00-748.00 per 10 Kg.

**Palm oil:**
**Domestic Market Fundamentals**

- CPO kandla 5% prices featured weak tone on lackluster buying and weak international palm oil markets. However, need based buying limit excessive losses.
- India imported 4.16 million tons of palm oil products in the current oil year (Nov.-Oct) out of totaled 5.48 million tons up to May 2012. In the previous year palm oil products imports were 3.23 million tons in the corresponding period last year – SEA of India.
- Crude palm oil Kandla 5% price is at Rs 117 per 10Kg discount against crude soybean oil Indore price as on 29 June 2012. Discount fell by 49.1 per cent to Rs. 104.7 per 10 kg M-o-M basis (average prices of month).
- Palm oil may trade steady to slightly firm note in the coming month in anticipation of better buying ahead of Ramadan festival in mid July.


**International Market Fundamentals**

- As per SGS, Malaysian palm oil products exports for June rose 9.7 percent to 1,463,864 tons from 1,333,869 tons shipped during May.

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

Palm Products	June	May	%Change
Crude palm oil	486,520	393,238	23.7
RBD palm oil	20,464	177,493	-88.5
RBD palm olein	604,870	445,217	35.9
RBD palm stearin	103,060	126,911	-18.8
Crude palm kernel oil	13,000	8,500	52.9
Processed palm kernel oil	37,269	51,725	-27.9
Oleochemicals	37,603	33,794	11.3

Importers	June	May	%Change
European Union	236,711	261,637	-9.5
China	323,474	250,500	29.1
Pakistan	196,229	145,050	35.3
United States	124,680	124,965	-0.2
India	257,507	228,095	12.9

- As per MPOB's latest report, Malaysian palm oil ending stock for May fell by 4.5 percent to 1,764,788 tons from a revised 1,847,156 tons in April. Detail of the Malaysian palm oil board figures as follows:

MPOB Figures for May (2012)			
(Quantity in tons)	May	April	% Change
Production	1,383,735	1,272,622	8.73
Import	40,690	40,616	0.18
Export	1,398,367	1,333,757	4.84
Ending Stock	1,764,788	1,847,156	-4.46

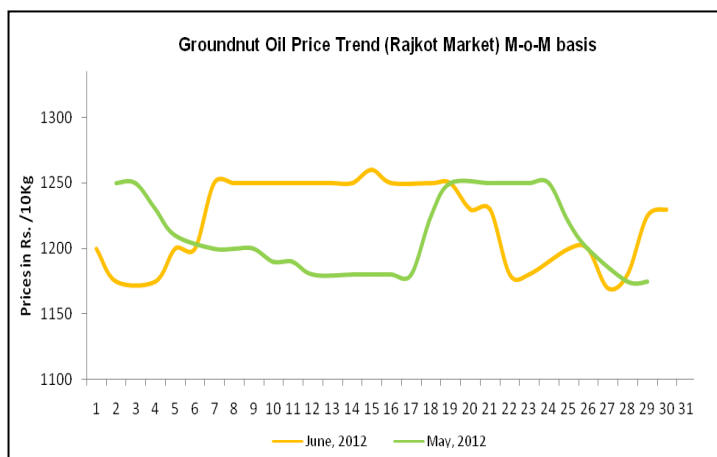
- As per Indonesia's ministry official, Indonesia will cut its crude palm oil export tax by 4.5 percent to 15 percent for July as compared to previous month. The government will also cut its export tax for RBD palm olein to 7 percent.
- Indonesian palm oil output will be between 23-24 million tons in 2012 higher as compared to previous year due to maturing plantation areas and higher yield. Moreover, plantation areas is expected to rise by 0.3 million Ha in 2012 to 8.5 million Hectare - IPOC
- Malaysian palm oil exports may pick up from Asian countries due to Ramadan festival in July which may act as an encouraging factor for the markets.

**Price Outlook:**

We expect CPO Kandla 5% to trade in the price band of Rs 565.00-600.00 per 10 Kg.

**Domestic Market Fundamentals**
**Groundnut oil:**

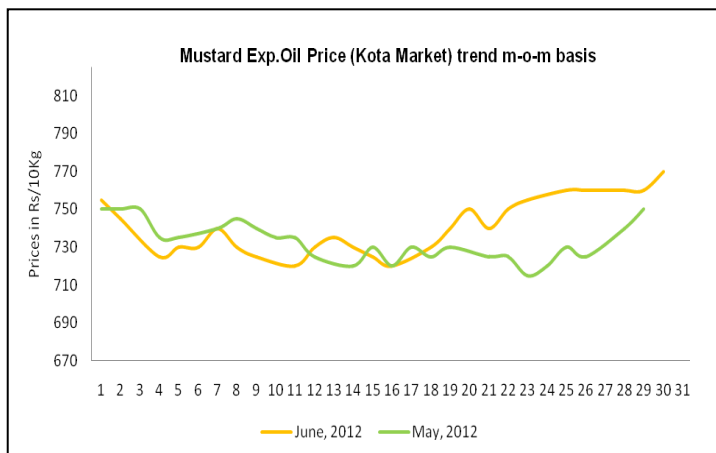
- Groundnut oil traded with a steady to slightly firm bias during the month on fair buying and lower summer groundnut crop. However, ongoing groundnut seed arrivals in the month of June limit upside.
- As per trade source, 75-80 percent of the total summer groundnut crop has arrived in the market. Good demand for G/N seed from oil millers and active resellers support the G/N seed and G/N oil prices during the end of the month. Meanwhile, retail demand was need based.
- As per Ministry of Agriculture as on 28 June 2012, groundnut had sown in 3.18 lakh hectares. In Andhra Pradesh, Gujarat and Tamil Nadu 0.65, 1.67 and 0.27 lakh hectares respectively had sown under the crop.
- We expect G/N oil may trade sideways to slightly firm bias in the coming days on fair buying by re-packers and need based demand.


**Price Outlook:**

We expect groundnut oil to trade in the price band of Rs 1210-1290 per 10 Kg.

**Domestic Market Fundamentals**
**Rapeseed oil:**

- Rapeseed oil traded with a steady to slightly firm tone during the month of June on fair buying interest and bullish oilseed fundamentals.
- As per trade sources, crushing plants at Alwar division are operating at 60-70 percent of the install capacity. Moreover, RM seed oil prices may trade sideways to positive tone in the coming in anticipation of good demand in the days ahead.
- We expect RM seed oil prices may feature firm tone in the coming days on upcoming slew of festivals in the month of July and bullish oilseed fundamentals would lend underlying support to the prices.


**International Fundamentals:-**

- Oil world raised its world rapeseed crop estimate by 0.6 million tons to 61.6 million tons for 2012/13 on higher Canadian rapeseed output. China is likely to import 2.7 million tons in 2012/13, up 0.3 million tons compared to previous year on tight global soybean supplies and relatively attractive prices against soybean.
- As per International Grain Council, world rapeseed production is likely to surge in 2012/13 to by 60.2 million tons on higher production from Canada. Moreover, world rapeseed trade seen at 12.4 million tons, up 6 percent compared to previous year due to lower European RM seed crop which leads to higher imports and large number of deliveries to China.
- As per farm ministry, France's rapeseed crop seen at 4.8 million tons, down 9.7 percent compared to previous year due to frost condition.

**Price Outlook:** We expect Rapeseed oil (Kota) to trade in the price band of Rs 770-820 per 10 Kg.

**Edible oil supply and demand Analysis :-**

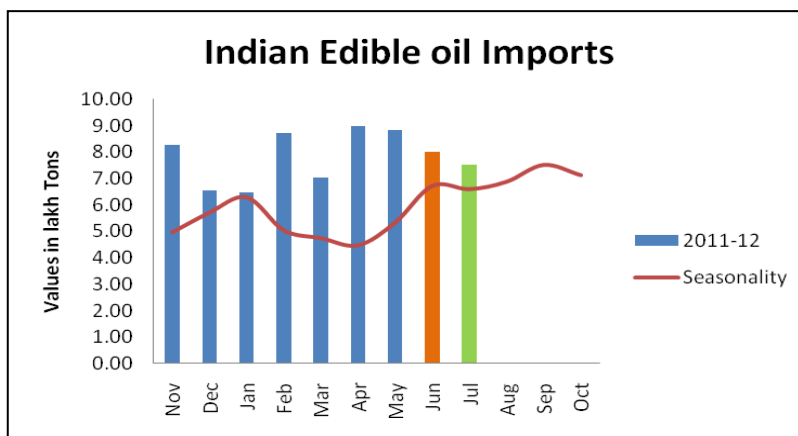
Balance sheet of Indian Edible Oil	2009-2010	2010-11	2011-12 (P)	% Change
Value in million tons				
Beginning Stock	0.52	0.67	0.52	-22.39
Production	7.33	7.98	8.21	2.89
Imports	8.82	8.37	9.00	7.53
Total Supply	16.67	17.02	17.73	4.18
Exports	.....	.....	.....	....
Total Demand(Consumption)	16.00	16.50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

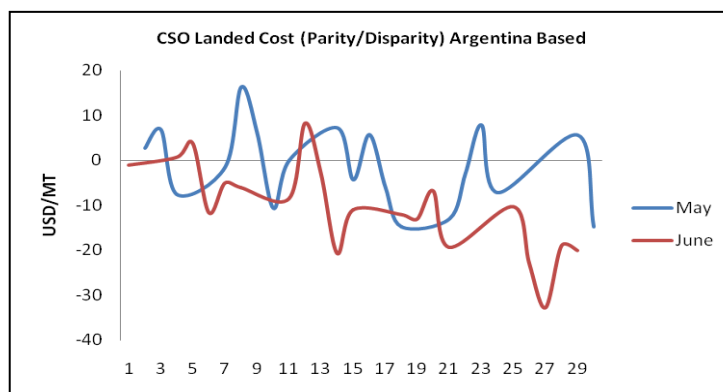
## Indian edible oil imports in June and July 2012 projections –



As per Solvent Extractors' Association of India, India imported 5,486,553 tons of edible oil in the current oil year (Nov.-Oct) up to May 2012. However, edible oil imports were 4,118,552 tons in the corresponding period last year. We expect Indian edible oil imports for the month of June seen at 8.0-8.3 lakh tons. However, higher edible oil imports in the first seven months in the current oil year may lead to lower imports in the coming months. We expect 7.5-7.8 lakh tons of edible oil imports in July.

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

Landed Cost Calculation as on 2/7/2012	CSO Argentina	CSO Brazil	CSO US
FOB USD per ton	1174	1170	1121
Freight (USD/MT)	65	55	50
C & F	1239.0	1225.2	1171.3
Weight loss (0.25% of FOB)	2.94	2.93	2.80
Finance charges (0.4% on CNF)	4.70	4.68	4.49
Insurance (0.3% of C&F)	4	4	4
CIF (Indian Port - Kandla)	1250	1236	1182
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	55.83	55.83	55.83
Landed cost without customs duty in INR per ton	69807	69033	65994
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	70243	69469	66430
Domestic Market price INR per ton Soy Degum Kandla	69500	69500	69500
Total landed cost USD per ton	1258	1244	1190
Domestic Market price USD per ton Soy Degum Kandla	1245	1245	1245
<b>Parity INR/MT (Domestic - Landed)</b>	<b>-743</b>	<b>31</b>	<b>3070</b>
<b>Parity USD/MT (Domestic - Landed)</b>	<b>-13.31</b>	<b>0.56</b>	<b>54.99</b>
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 negative territory during the month on lower domestic prices as compared to international prices. We expect import parity continue to be in the negative side.

### Currency Technical Analysis



### Technical Summary for INR

Moving Averages		MA (9)		MA(18)	
Exponential		52.70		50.72	
Technical Indicators		RSI (14)		SSTK(9,3,3)	
		67.86		85.31	
Support and Resistance					
S2	S1	PCP		R1	R2
52.70	54.30	55.47		57.20	58.00

### Expected Price Band and Outlook

Indian Rupee	Indian rupee is likely to trade sideways in the coming month. RSI is near to oversold zone. We see a range of 57.00-57.50 on the higher side in the coming month and lower level as 54.30 and below that, we may see selling pressure until 52.70.
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**Edible oil Stocks at Indian Ports**
**Product Wise**

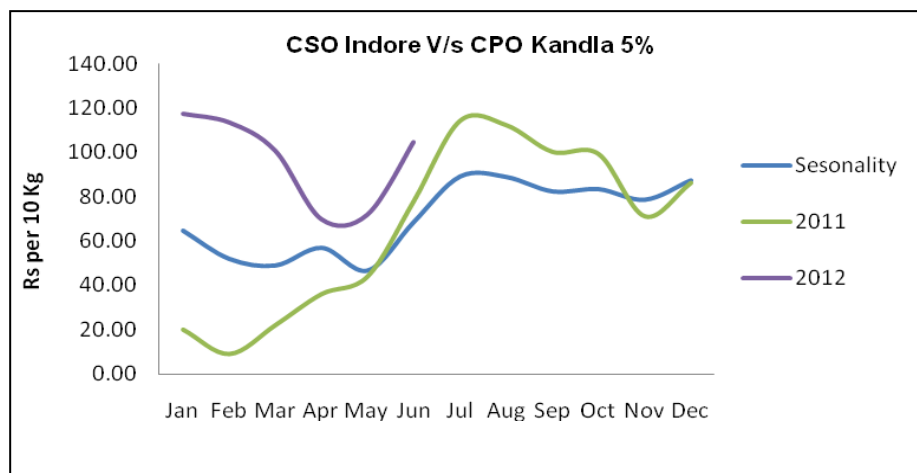
<i>Edible oil products in Tons for June</i>	<i>Veg. oil Vessel line up from 01/06/2012 to 30/06/2012</i>
Crude Soybean Oil	107454
Crude Palm Oil	394379
RBD Palm olein	12140
Palm Oil	145131
Crude Sunflower Oil	83826
Crude Sunflower Oil	83826
PALM FATTY ACID	3000
Edible oil	179956
<b>Total edible oils</b>	<b>925886</b>

Source: Ben Line Agencies(India) Pvt. Ltd.

**Port Wise**

<i>Veg. oil Vessel line up in Tons.</i>	<i>Veg. oil Vessel line up for June</i>	<i>Vessel line up for May</i>
Ennore	45500	24970
Chennai	70859	101331
Haldia	131156	103682.38
JNPT	128712	2000
Kakinada	66244	.....
Kandla	159661	318179
Karaikal	.....	8040
Kolkata	20336	37852
Krishnapatnam	70086	126230
Mangalore	45886	37200
Murmugoa	3000	.....
Mumbai	23999	26000
Paradip	8000	.....
Mundra	141647	858039
Tuticorin	10800	21730

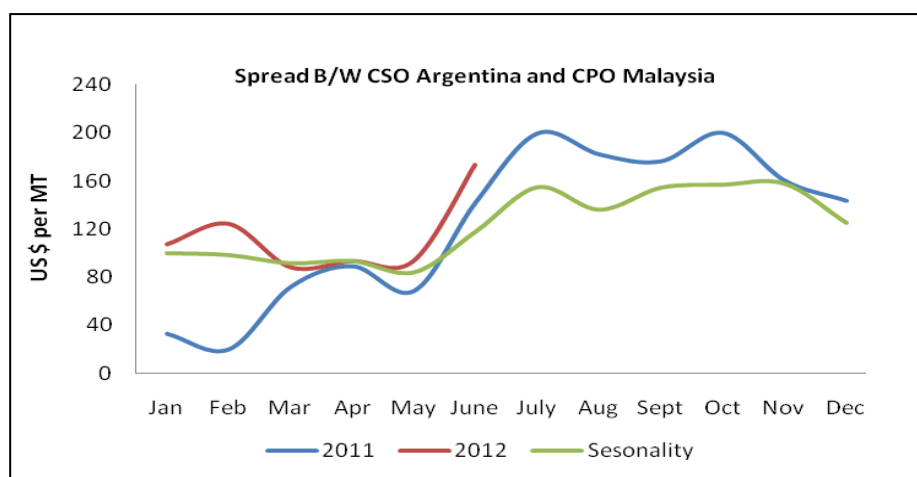
Source: Ben Line Agencies(India) Pvt. Ltd.

**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 month and stood at Rs 104.7 per 10 Kg compared to 72/10 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 further in the coming month and may hover in between Rs 125-100 per 10Kg.

**Outlook and Strategy :-**

Market participants can buy Crude soy oil at 665-670 level for the target of 695-705, if needed.

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


Average price spread between CSO Argentina and CPO Malaysia significantly widen during the month of June compared to previous month average and stood at US\$ 173 per MT. Spread is likely to widen in the coming month as CSO Argentina prices may rose relatively higher compared to CPO Malaysia prices. Spread likely to move in the range of US\$ 210-180 per MT.

**International Market Dynamics**
**CHINA**

As per Chinese customs department, China imported 5.28 million tons of soy in the month of May, up by 8.2 percent compared to previous month, which was 4.88 million tons.

**Chinese edible oil imports figures (Values in Tons):-**

Soy Products	May 2012	Year to Date
Palm oil	370,753	2,240,950
Rapeseed oil	96,486	394,118
Soy oil	60,331	450,137

**INDONESIA**

Indonesia will cut its crude palm oil export tax by 4.5 percent to 15 percent for July as compared to previous month. The government will also cut its export tax for RBD palm olein to 7 percent.

**Indonesian export tax (in percentage) during 2012:-**

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

**Argentina**

Rosario grains exchange cuts its Argentina's soybean output estimate for 2011/12 by 0.4 million tons to 40.5 million tons due to poor yield.

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


**Outlook - Soy oil traded with a firm note during the month. Moreover, we expect bullishness stay intact for short term.**

- Any close below 744.00 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 752.00-775.00 level in near to medium term.

**Strategy:** We recommend market participants to go long in NCDEX (Aug contract) at 752.00-756.00 for a target of 769.00 and then 775.00 with a stop loss at 744.00 on closing basis.

**RSO NCDEX (Aug)**

Support & Resistance				
S2	S1	PCP	R1	R2
735.00	744.00	770.00	792.00	805.00

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



**Outlook** - We observed hammer candlestick in the monthly chart and expecting prices may trade steady to firm.

- ❖ Any close below 550.00 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 560.00-585.00 level in medium term.

**Strategy:** We recommend investors to go long in MCX (July contract) at 560-564 for a target of 582.00 and second target of 587.00 with a stop loss at 550.00 on closing basis.

**CPO MCX (Aug contract)**

Support & Resistance				
S2	S1	PCP	R1	R2
535.00	550.00	570.70	597.00	605.00

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


- ❖ Domestic spot soy oil prices traded with a firm bias during the month and we expect prices may trade sideways to positive tone in the coming days.
- ❖ Breaching the immediate zone of 748.00-742.00, prices shall test 755.00 levels in medium term.
- ❖ Expected price band for Ref. soy oil (Indore Rs/10 Kg without VAT) is 715.00-748.00 level in medium term.

**Strategy: Market Participants can buy Ref. soy oil (Indore Rs/10 Kg without VAT) stocks at 710.00-715.00 level for the target of 730-735.**

Support & Resistance				
S2	S1	PCP	R1	R2
675.00	685.00	715.00	748.00	755.00

**Technical Analysis (Spot Market Monthly Charts)**
**CPO (KANDLA Rs/10 Kg)**


- ❖ We observed hammer candlestick in the CPO kandla 5% monthly chart. Prices are likely to be firm in the coming month.
- ❖ 548.00 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 565.00-600.00 level in medium term.

**Strategy:** Investors can liquidate CPO from near to 555-560 level for the target of 588-590 in cash market.

Support & Resistance				
S2	S1	PCP	R1	R2
533.00	548.00	565.00	600.00	615.00

**Monthly spot price comparison**

Commodity	Centre	Prices(Per 10 Kg)		
		30.6.2012	31.5.2012	30.4.2012
Refined Soybean Oil	Kota(Loose)	720	705	722
	Rajkot (Loose)	725	-	710
	Jaipur (Loose)	730	-	730
	Hyderabad+ VAT	-	-	731
	Delhi (Loose)	770	745	780
	Kakinada	-	-	-
	Mumbai +VAT	743	710	733
	Indore	720	693	735
	Soy Degum Mumbai+VAT	700	672	692
	SoyDegum Kandla/Mundra+VAT	695	672	692
	Haldiya Port (Loose)	-	716	-
	Akola (Loose)	764	727	761
	Amrawati (Loose)	764	727	761
	Jalna	-	-	756
	Nagpur	770	-	767
Palm Oil	Chennai RBD Palmolein (Loose)	610	620	652
	Hyd. RBD Palmolein VAT	655	660	700
	Delhi RBD Palmolein (Loose)	665	685	715
	Kandla CPO (5%FFA)	569	588	624
	Kakinada RBD Palmolein (Loose)	601	621	646
	Mumbai RBD Pamolein+ VAT	617	638	662
	Kandla RBD Palmolein +VAT	600	620	658
Refined Sunflower Oil	Mumbai + VAT	750	735	740
	Kandla/Mundra	675	665	670
	Erode (Exp. Oil)+VAT	735	715	725
	Hyderabad Exp +VAT	721	701	696
	Chennai (Loose)	750	730	750
	Bellary (Exp. Oil)+VAT	644	626	656
	Latur (Exp. Oil)+VAT	696	676	681
	Chellakere (Exp. Oil)+VAT	691	656	671
Groundnut Oil	Rajkot (Loose)	1230	-	1250
	Chennai (Loose)	1110	1110	1100
	Delhi (Loose)	1200	1225	1300

	Hyderabad Exp +VAT	1130	1188	1104
	Mumbai + VAT	1190	1175	1250
	Gondal+VAT	1230	1160	1300
	Jamnagar +VAT	1230	1160	1300
	Narsarropeth+VAT	1051	1131	1071
	Prodattour+VAT	1081	1126	1071
<b>Rapeseed Oil</b>	Mumbai (Exp. Oil) +VAT	797	785	790
	Alwar (Expeller Oil)(Loose)	783	754	816
	Kota (Expeller Oil) (Loose)	770	760	750
	Jaipur (Expeller Oil) (Loose)	790	778	765
	Delhi (Exp. Oil) (Loose)	790	785	805
	Sri Ganga Nagar(Exp Oil-Loose)	761	756	771
	Hapur+VAT	805	822	822
	Kolkatta	-	-	-
	Agra (Kacchi Ghani Oil) +VAT	830	820	810
<b>Refined Cottonseed Oil</b>	Mumbai +VAT	705	672	704
	Rajkot (Loose)	685	-	665
	Delhi (Loose)	670	655	685
	Hyderabad (Loose)	715	690	705
<b>Sesame Oil</b>	Delhi	860	865	875
	Mumbai	750	785	820
<b>Kardi</b>	Mumbai	625	910	910
<b>Coconut Oil</b>	(Crude Rs/10kg) - Kangayan	625	560	640
<b>Rice Bran Oil (40%)</b>	Delhi	615	630	625
	Punjab	575	570	585
<b>Rice Bran Oil (70%)</b>	Delhi	540	535	555
<b>Malaysia Palmolein USD/MT</b>	FOB (Dec)	980	1010	1173
	CNF (Dec) - India	1035	1045	1195
<b>Indonesia/Malaysia CPO USD/MT</b>	FOB (Dec)	953	995	1155
	CNF(Dec) - India	1000	1025	1175
<b>Argentina FOB (\$/MT)</b>		<b>29.6.2012</b>	<b>30.5.2012</b>	<b>02.5.2012</b>
Crude Soybean Oil Ship (Nov)		1172	1110	1220
Refined Soy Oil (Bulk) Ship (Nov)		1213	1149	1262
Sunflower Oil Ship (Nov)		-	1120	-
Cottonseed Oil Ship (Nov)		1152	-	1200

**01 July, 2012**

Refine Linseed Oil(Bulk) Ship (Nov)	1192	1130	1240
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