



Veg. Oil Monthly Research Report

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Domestic Veg. Oil Market Summary:

Edible oil basket featured slight recovery tracking bullish cues from international market. However, higher palm oil ending stocks in the South East Asian countries and better US soybean production prospects limit gains.

Palm oil was the top loser among the edible oil pack due to sufficient stocks at South East Asian countries. On the currency front, Indian rupee against USD closed at 54.76/54.77 due to gloomy economic conditions.

We expect edible oil complex to trade steady to slight firm tone in the days ahead on upcoming festivities. However, rising supplies from US and South East Asian countries may limit upside.

International Veg. Oil Market Summary:

CBOT soy oil is expected to stay in the range of 46.50-52 cents/lb. Focus during the coming days will be on the Malaysian palm oil export figures, South American soybean planting progress and depreciation of INR against US dollar.

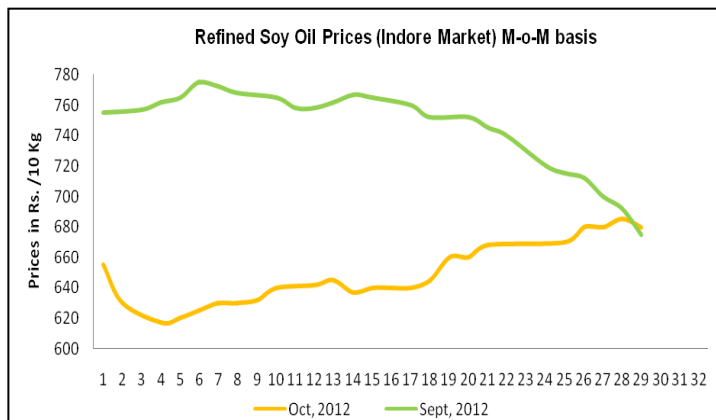
Crude palm oil at BMD may trade within a range of 2,375-2530 ringgit per tons in November. Ongoing soybean harvesting in US and rising veg. oil supplies may weigh on the market. However, upcoming Asian festivities and in anticipation of good buying from European countries may cushion excessive losses in the international palm oil prices.

As per MPOB's report, Malaysian palm oil ending stocks for October rose by 1.1 percent to 2.50 million tons compared to the previous month. However, palm oil production has fallen by 3.3 percent from September.

Malaysian palm oil product exports during 1-10 Nov. rose 22.4 percent to 514,798 tons from the 420,758 tons shipped during 1-10 Oct. Palm oil products export figures for 1-10 Nov. for top major markets (Values in tons and 1-10 Oct. import figures in parenthesis): China 180,090 (92,600), EU 75,680 (106,144) and India 53,000 (69,495).

Soy oil:
Domestic Market Fundamentals

- Ref. soy oil prices featured slight gains in the prices due to mild recovery in the international oil and fats market and festive demand.
- Higher tropical oil stocks in South East Asian countries tempered the gains in refined soy oil prices. Moreover, poor buying enquires for oil meals hurt the oil complex demand during the first week of November.
- As per Agriwatch estimates, India's soybean production is estimated at around 125 lakh tons, down seven lakh tons from the previous estimate due to some minor crop losses in the key growing areas of Madhya Pradesh.
- Refined soy oil may trade steady to firm note in the coming month on seasonal demand and in expectation of good soy meal export demand. However, rising Kharif soybean arrivals may limit excessive gains.


Crude Soy Oil Balance Sheet (Indian basis):-

(Figures in Million Tonnes)	2011-12	2012-13
Opening Stocks	0.1	0.12
Production	1.7	1.8
Imports	1.2	1.85
Total Supply	3	3.77
Consumption	2.88	2.97
Exports	0	0
Total Demand	2.88	2.97
Ending Stocks	0.12	0.80

Source: Agriwatch

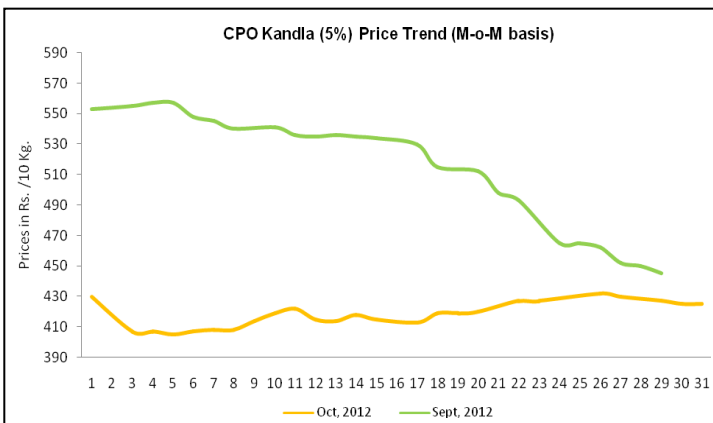
International Market Fundamentals

- According to the latest crop progress report released by USDA, US soybean harvest is 96 per cent complete as compared to 93 per cent last week and 93 per cent 5 year average.
- In the USDA's Nov report, US soybean production is raised to 2971 Mn Bu from 2860 in Oct followed by increased in yield potential from 37.8 bu per acre to 39.3 bu per acre in Nov. Soybean shipments of the 4 major countries were higher than expected at 9.0 Mn T in October, 0.8 Mn T above last year. US soybean exports boosted to 7.5 Mn T (up 2.2 Mn T from last year).
- The Brazilian Association of Vegetable Oils Industries (Abiove) projects the Brazilian soybean crop at 81.3 Mn T for the 2012/13 season.
- Ongoing soybean harvesting in US and rising veg. oil supplies may weigh on the market.

Price Outlook: We expect Ref. soy oil with VAT to trade in the price band of Rs 680-710 per 10 Kg.

Palm oil:
Domestic Market Fundamentals

- CPO kandla 5% prices featured sideways movement in the month of October due to bearish international palm oil fundamentals. However, festive demand at major spot market limits downside risk in the prices.
- Sources revealed edible oil stocks at ports are low due to port congestions and buyers refrain from aggressive booking in anticipation of further fall in the palm oil prices.
- As per Dorab Mistry, India should impose a 10 percent tax on crude palm oil imports to protect the industry from cheaper imports and to protect its farmers. At Present India allows tax-free imports of crude vegetable oils and imposes 7.5 percent duty on refined varieties
- Palm oil may trade steady to slightly firm note in the coming month on upcoming Hindu's festivals and wedding season. However, higher palm oil ending stocks in the South East Asian countries may limit upside.


International Market Fundamentals

- Malaysian palm oil product exports during 1-10 Nov. rose 22.4 percent to 514,798 tons from the 420,758 tons shipped during 1-10 Oct. – SGS.

Breakdown of SGS palm export figures for 1-10 Nov. compared to a month ago (in tons):

Palm Products	1-10 Nov	1-10 Oct	% Change
Crude palm oil	137,500	154,753	-11.15
RBD palm oil	25,241	8,250	205.95
RBD palm olein	210,227	158,690	32.48
RBD palm stearin	65,230	41,370	57.67
Crude palm kernel oil	25,120	11,000	128.36
Oleochemicals	12,470	9,620	29.63

Top Palm Products Importers	1-10 Nov	1-10 Oct	% Change
European Union	75,680	106,144	-28.70
China	180,090	92,600	94.48
Pakistan	8,000	41,920	-80.92
United States	22,500	0	-
India	53,000	69,495	-23.74

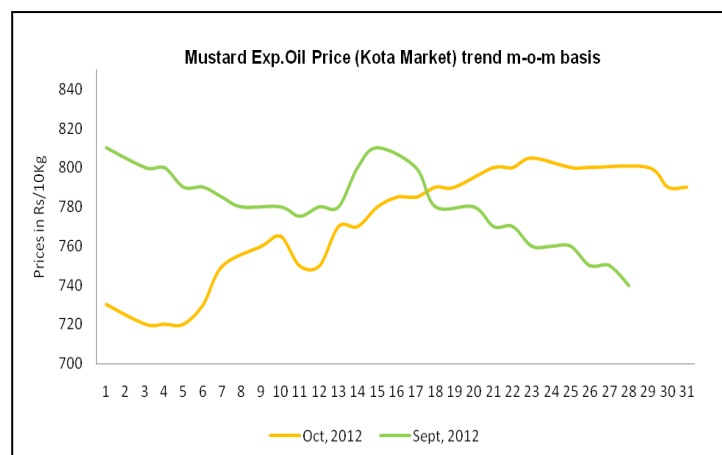
- Malaysian Crude palm oil prices must stay around 2,220 ringgits per tons (\$720) for 2 months to attract the palm oil imports and this would help to ease record high palm oil inventories. Moreover, Malaysian palm oil stocks are likely to increase further in November and December and CPO production in Malaysia and Indonesia would be 18.4 million tons and 27.5 million tons respectively – Dorab Mistry.
- As per MPOB's report, Malaysian palm oil ending stocks rose by 1.1 percent to 2.50 million tons compared to the previous month. However, palm oil production has fallen by 3.3 percent from September.
- We expect upcoming Asian festivities and in anticipation of good buying from European countries may cushion excessive losses in the international palm oil prices.

Price Outlook: We expect CPO Kandla 5% to trade in the price band of Rs 415-440 per 10 Kg.

Rapeseed oil:

Domestic Market Fundamentals

- Rapeseed oil featured steady to firm tone during the month of October on bullish rapeseed oil fundamentals and diminishing RM seed stocks. However, in anticipation of higher RM seed sowing in the Rabi season limit excessive gains.
- As per farm source, mustard area is likely to increase in the Neemuch, Mandsaur and Kota division as coriander area may shift to mustard during the current Rabi season owing to attractive mustard prices and good soil moisture.
- We expect RM seed oil prices may trade steady to slightly firm tone due to festival demand in the coming days and depleting RM seed stocks in the cash market. However, retail demand may shift to cheaper edible oils.



International Fundamentals:-

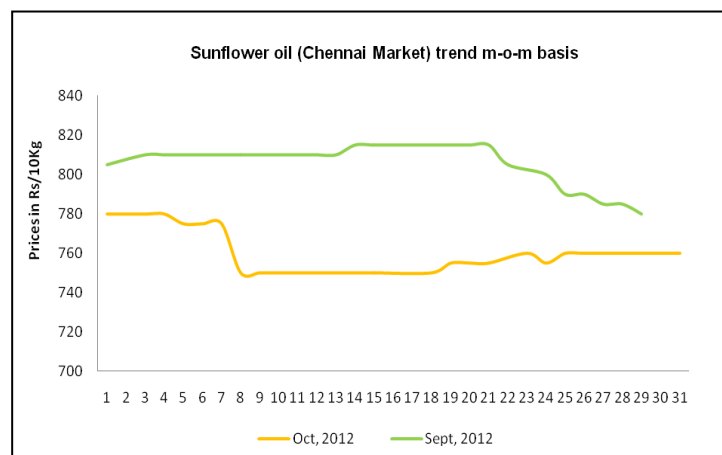
- Higher rapeseed prices and improved sowing condition could lead to larger rapeseed planting in the European countries in 2013. European Union farmers are likely to sow about 6.55 million Ha of rapeseed, up 6.8 percent compared to previous season – Oil World. Higher EU's rapeseed production may weigh on the rapeseed prices in the medium to long term.

Price Outlook: We expect Rapeseed oil (Kota) to trade in the price band of Rs 765-815 per 10 Kg.

Sunflower oil:

Domestic Market Fundamentals

- Sunflower oil featured steady to weak tone during the month of October. However, prices stay steady during the last couple of weeks.
- As per trade sources, rising Kharif sunflower arrivals from key producing regions and lull demand for premium oils segments may weigh on the market in the coming days. However, seasonal demand may limit downside.
- We expect depreciation of INR against US dollar and upcoming festivities may support sunflower oil prices in the near term. However, rising veg. oil supplies may limit excessive gains.

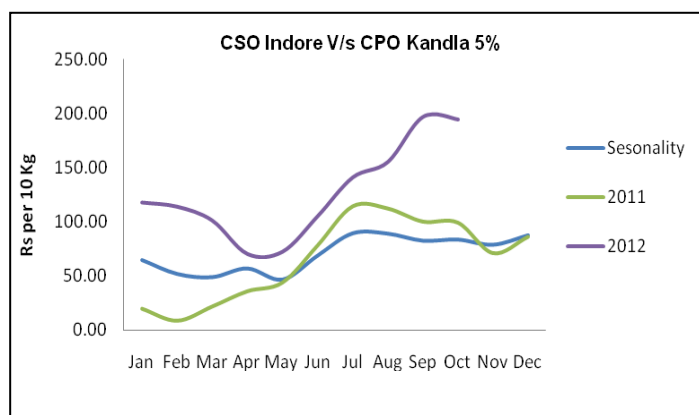


International Fundamentals:-

- According to USDA, the US farmers harvested 88 percent of sunflower crop higher compared to 5-year average, which was 60 percent.

Price Outlook: We expect Rapeseed oil (Kota) to trade in the price band of Rs 750-785 per 10 Kg.

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

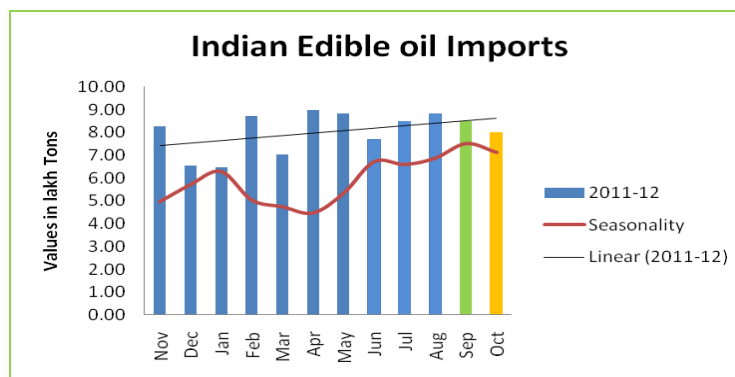


Average monthly spread between CSO Indore and CPO Kandla (5%) narrowed during the month and stood at Rs 194 per 10 Kg compared to 196.36/10 Kg during the previous month.

Outlook and Strategy :-

We expect spread between CSO Indore and CPO kandla 5% to narrow in the coming month and may hover in between Rs 180-210 per 10Kg. Market Participants can buy crude palm oil Kandla 5% in cash markets at 415-418 for the target of 435-440, if needed.

Indian edible oil imports in Oct 2012 projections –:



As per Solvent Extractors' Association of India, India imported 8.96 million tons of edible oil in the current oil year (Nov.-Oct) up to September 2012. However, edible oil imports were 7.49 million tons in the corresponding period last year. We expect Indian edible oil imports for the month of Oct is likely to 8.5-8.8 lakh tons.

Indian Supply and Demand Scenario:

Balance sheet of Indian Edible Oil (Oil Year-Nov-Oct)	2010-2011	2011-12	2012-13 (P)	% Change
Value in million tons				
Beginning Stock	0.67	0.52	0.71	35.94
Production	7.98	8.04	8.34	3.77
Imports	8.37	9.40	9.90	5.32
Total Supply	17.02	17.96	18.95	5.51
Exports	
Total Demand(Consumption)	16.50	17.25	18.10	4.93
Ending Stock	0.52	0.71	0.85	19.81

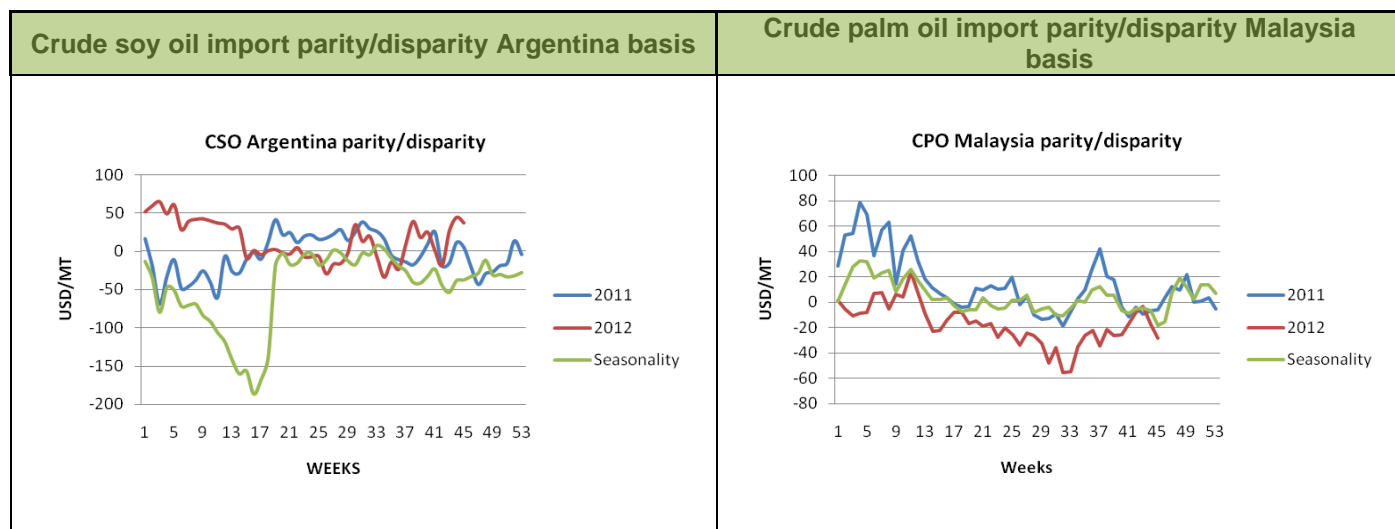
Balance Sheet Highlights

Net edible oil output would likely be 8.34 Million MT in 2012/13 on the back of higher soybean production in the current year. On import front, Edible oil imports likely to surge by 5.32 percent compared to previous year. Higher imports are mainly due to meet rising domestic consumption. Total demand of Indian edible oil is likely to grow at a rate of 5.5%. Ending stocks are projected higher compared to 2012-13 at 0.85 million tons.

Landed Cost at the Indian Ports - Crude soy oil

Landed Cost Calculation as on 09/11/2012	CSO Argentina	CSO Brazil	CSO US
FOB USD per ton	1043	1074	987
Freight (USD/MT)	65	55	50
C & F	1108.0	1129.1	1037.0
Weight loss (0.25% of FOB)	2.61	2.69	2.47
Finance charges (0.4% on CNF)	4.17	4.30	3.95
Insurance (0.3% of C&F)	3	3	3
CIF (Indian Port - Kandla)	1118	1139	1047
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	54.34	54.34	54.34
Landed cost without customs duty in INR per ton	60758	61919	56868
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	61194	62355	57304
Domestic Market price INR per ton Soy Degum Kandla	63500	63500	63500
Total landed cost USD per ton	1126	1147	1055
Domestic Market price USD per ton Soy Degum Kandla	1169	1169	1169

Parity INR/MT (Domestic - Landed)	2306	1145	6196
Parity USD/MT (Domestic - Landed)	42.44	21.08	114.02
Source: Agriwatch/ Reuters , Argentina prices - Ministry of Agriculture			



* Seasonality based on 2009-2011 data averages for CPO Malaysia and 2010-11 data averages for CSO Argentina.

Outlook:-

Import parity for crude soy oil from Argentina is hovering in positive territory due to higher domestic prices as compared to international prices. We expect import parity to be in the positive side in the coming weeks. On the other side, disparity in CPO import has widened and expect to recover in the coming weeks.

Currency Technical Analysis



Technical Summary for INR

Moving Averages		MA (9)		MA(18)	
Exponential		53.67		51.10	
Technical Indicators		RSI (21)		SSTK/SSTD(9,3,3)	
		62.90		64.0/71.2	
Support and Resistance					
S2	S1	PCP		R1	R2
50.90	51.90	53.80		56.00	57.00

Expected Price Band and Outlook

Indian Rupee	We observed recovery in the monthly INR against USD technical chart. Indian rupee is likely to trade sideways to slightly weak tone against US dollar in the coming month. RSI is near to neutral zone. We see a range of 56-57 on the higher side in the coming month and lower level as 51.90 and below that, we may see selling pressure until 50.90.
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Technical Analysis (Spot Market Monthly Charts)
SOYOIL REFINED (INDORE Rs/10 Kg with VAT)


- ❖ Domestic soy oil prices showed some recovery in the prices. We expect RSO Indore prices may trade steady to firm tone in the coming days.
- ❖ Breaching the immediate zone of 680-685, prices shall test 670-665 zones in medium term. RSI is in neutral zone and stayed in tune with the prices with no indication of any convergence/ divergence.
- ❖ Expected price band for next month is 680-710 level in near to medium term.

Strategy: Market Participants can buy Ref. soy oil (INDORE Rs/10 Kg without VAT) in cash markets at 680-685 level for a target of 705-710.

Support and Resistance				
S2	S1	PCP	R1	R2
650.00	670.00	702.85	730.00	740.00

Technical Analysis (Spot Market Monthly Chart)


- ❖ Candlesticks depict weakness in the CPO prices during the month. Prices may consolidate in the coming days.
- ❖ Rs 385 per 10 Kg levels could act as an immediate support; meanwhile we expect prices to stay in the range of 385-435 level in near term. However, breaching 385 levels prices may touch the 360-365 levels in the coming days.
- ❖ RSI is in neutral zone and stayed in tandem with the prices with no indication of any convergence/divergence.

Strategy: Market Participants can buy crude palm oil Kandla 5% in cash markets at 415-418 for the target of 435-440.

Support and Resistance				
S2	S1	PCP	R1	R2
385.00	405.00	425.00	450.00	470.00



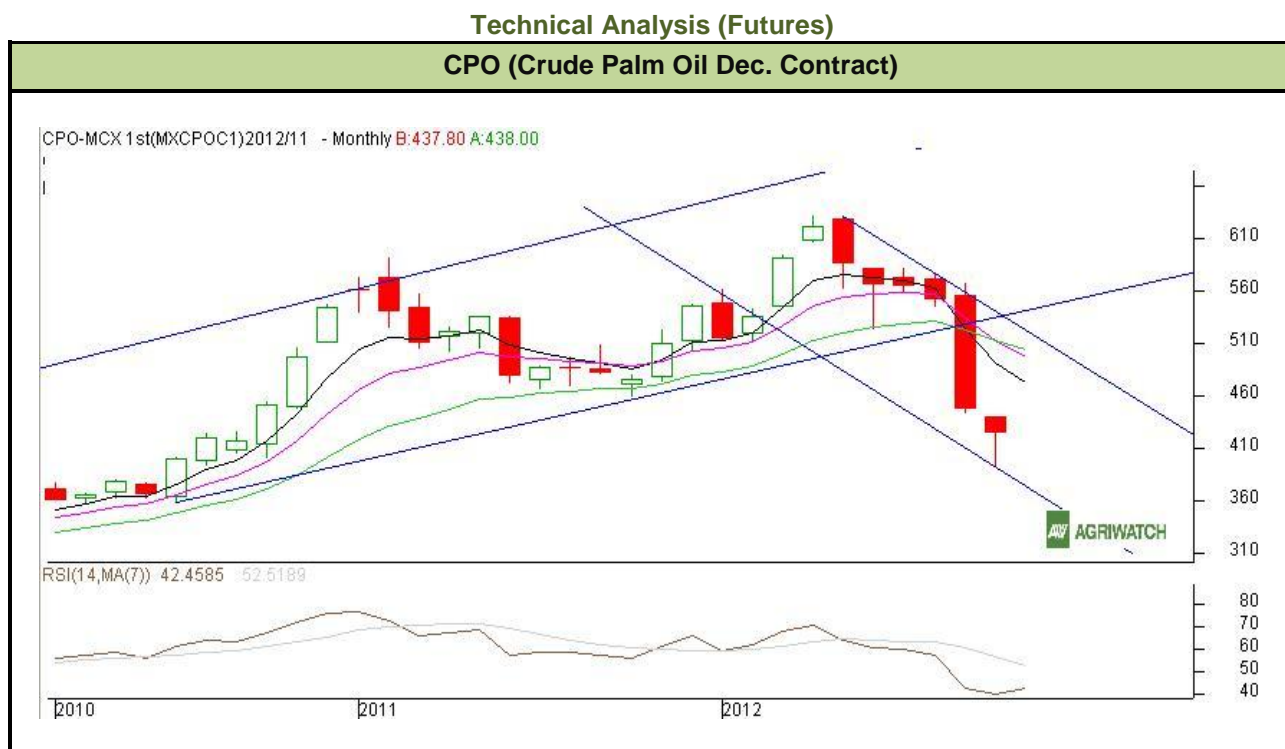
Outlook - We observed recovery in the monthly chart of refined soy oil. We expect prices may trade steady to firm tone in the coming month.

- Any close below 626 in monthly chart shall change the sentiments and might bring the prices to a bearish phase.
- RSI hover in neutral zone and remains in tandem with the price direction with no divergence seen. Expected price band for next month is 645-705 level in near to medium term.

Strategy: We recommend market participants to go long in NCDEX (Dec. contract) at 645-652 for a target of 695 and then 705 with a stop loss at 626 on closing basis.

RSO NCDEX (Dec)

Support and Resistance				
S2	S1	PCP	R1	R2
610.00	620.00	653.85	710.00	725.00



Outlook - Prices may trade with a steady to firm tone in the coming days. Investors are advised to buy MCX CPO Dec contract.

- ❖ Candlestick Weekly chart of crude palm oil at MCX shows recovery in the prices from the lower levels.
- ❖ Any close below 422.50 in weekly chart shall change the sentiments and might bring the prices to a bearish phase.
- ❖ Expected price band for next month is 430-451 level in near to medium term. RSI is in between neutral and oversold zone and shows no evidence of divergence in line with the CPO prices.

Strategy: Market participants are advised to go long in CPO in the range of 430-434 for a target of 451 and 460 with a stop loss at 422.50 on closing basis.

CPO MCX (Dec)

Support and Resistance				
S2	S1	PCP	R1	R2
404.00	413.00	434.80	474.00	485.00

Monthly spot price comparison

Commodity	Centre	Prices(Per 10 Kg)		
		11/1/2012	29.9.2012	31/8/2012
Refined Soybean Oil	Kota(Loose)	700	669	750
	Rajkot (Loose)	675	670	725
	Jaipur (Loose)	-	690	755
	Hyderabad+ VAT	-	-	-
	Delhi (Loose)	-	720	795
	Kakinada	-	-	-
	Mumbai +VAT	678	690	775
	Indore	675	675	755
	Soy Degum Mumbai+VAT	652	650	735
	SoyDegum Kandla/Mundra+VAT	655	645	730
	Haldiya Port (Loose)	-	691	786
	Akola (Loose)	701	736	786
	Amrawati (Loose)	701	736	786
	Jalna	697	732	782
	Nagpur	707	742	792
Palm Oil	Chennai RBD Palmolein (Loose)	520	530	615
	Hyd. RBD Palmolein VAT	-	570	650
	Delhi RBD Palmolein (Loose)	-	570	655
	Kandla CPO (5%FFA)	432	445	550
	Kakinada RBD Palmolein (Loose)	506	-	606
	Mumbai RBD Pamolein+ VAT	526	540	610
	Kandla RBD Palmolein +VAT	500	525	608
Refined Sunflower Oil	Mumbai + VAT	730	730	785
	Kandla/Mundra	675	675	730
	Erode (Exp. Oil)+VAT	750	755	785
	Hyderabad Exp +VAT	726	770	840
	Chennai (Loose)	760	780	805
	Bellary (Exp. Oil)+VAT	666	711	666
	Latur (Exp. Oil)+VAT	686	691	736
	Chellakere (Exp. Oil)+VAT	686	671	736
Groundnut Oil	Rajkot (Loose)	1200	975	1260
	Chennai (Loose)	1080	970	1160
	Delhi (Loose)	-	980	1250
	Hyderabad Exp +VAT	1051	-	1210

	Mumbai + VAT	1140	1060	1250
	Gondal+VAT	1175	980	1275
	Jamnagar +VAT	1170	980	1270
	Narsarropeth+VAT	951	891	1101
	Prodattour+VAT	1021	926	1151
Rapeseed Oil	Mumbai (Exp. Oil) +VAT	815	794	860
	Alwar (Expeller Oil)(Loose)	828	781	836
	Kota (Expeller Oil) (Loose)	800	740	800
	Jaipur (Expeller Oil) (Loose)	-	790	840
	Delhi (Exp. Oil) (Loose)	806	805	845
	Sri Ganga Nagar(Exp Oil-Loose)	796	761	823
	Hapur+VAT	856	865	885
	Kolkatta	-	-	-
	Agra (Kacchi Ghani Oil) +VAT	870	840	895
Refined Cottonseed Oil	Mumbai +VAT	700	675	768
	Rajkot (Loose)	720	670	770
	Delhi (Loose)	-	655	745
	Hyderabad (Loose)	-	-	775
Sesame Oil	Delhi	-	845	900
	Mumbai	905	845	850
Kardi	Mumbai	615	555	590
Coconut Oil	(Crude Rs/10kg) - Kangayan	1200	1200	1110
Rice Bran Oil (40%)	Delhi	-	565	630
	Punjab	540	590	660
Rice Bran Oil (70%)	Delhi	-	490	530
Malaysia Palmolein USD/MT	FOB	835	865	975
	CNF	860	885	995
Indonesia/Malaysia CPO USD/MT	FOB	758	790	945
	CNF	793	825	975
Argentina FOB (\$/MT)		11/1/2012	28.9.2012	31/8/2012
Crude Soybean Oil Ship (Nov)		1096	1127	1253
Refined Soy Oil (Bulk) Ship (Nov)		1134	1166	1296
Sunflower Oil Ship (Nov)		-	-	-
Cottonseed Oil Ship (Nov)		1076	-	1233
Refined Linseed Oil(Bulk) Ship (Nov)		-	-	-



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