



Veg. Oil Monthly Research Report

Contents

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

**Domestic Veg. Oil Market Summary:**

Edible oil basket witnessed steady to firm tone during the month under review on renewed demand. However, bearish cues from international palm oil market limit excessive gains.

Rapeseed oil was the top loser among the edible oil pack and prices fell by 4.3 percent followed by CPO Kandla 5% due to bearish international palm oil fundamentals and choppy trade sessions in the Indian rupee against US dollar. However, refined sunflower oil witnessed gains on lower availability of stocks.

On the currency front, Indian rupee against USD closed at 54.46, down 0.85 percent as compared to the previous week. We expect edible oil complex to trade sideways to firm tone in the days ahead on seasonal demand for the edible oils. However, higher palm oil stocks in the South East Asian countries may cap upside.

International Veg. Oil Market Summary:

CBOT soy oil (Dec) is expected to stay in the range 48.75 cents/lb to 53.00 cents/lb. CPO at BMD (March) is likely to trade sideways and stay in the range of 2250-2470 ringgits per tons. Focus during the coming days will be on the Malaysian palm oil export figures, South East Asian palm oil ending stocks, and South American weather over key soybean producing region.

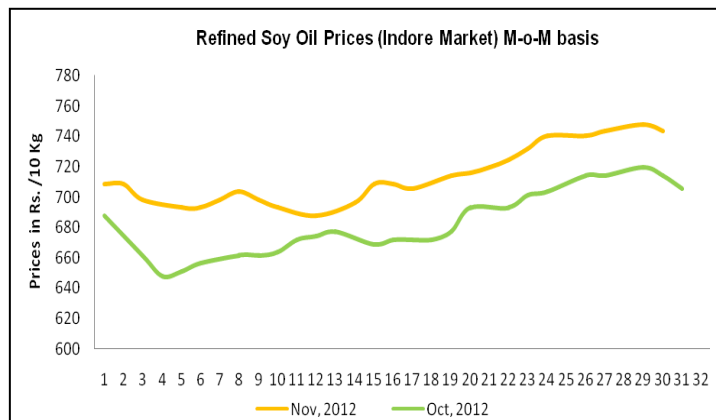
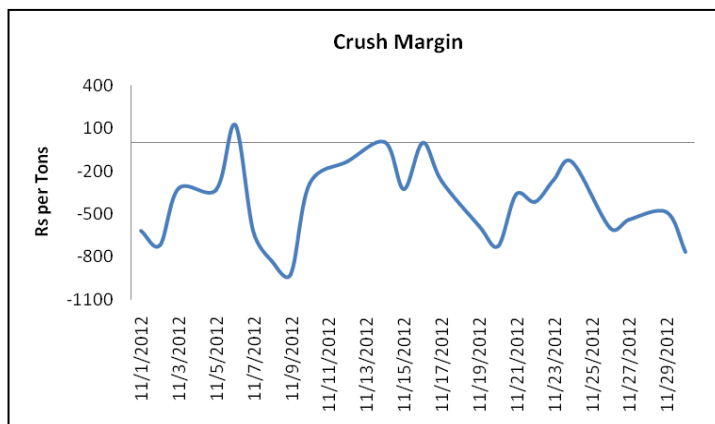
As per MPOB's report, Malaysian palm oil ending stocks rose by 2.3 percent to 25.6 lakh tons compared to the previous month which was 25.0 lakh tons. However, palm oil production fell by 2.6 percent from the month of October.

Rising soybean supplies and improved soybean crop prospects in US may weigh on the international soybean oil prices. However, delay in South American soybean planting and improved buying from China may curb excessive losses.

Higher palm oil stocks in South East Asian countries may weigh on the market sentiments. However, seasonal demand from Asian buyers may limit downside risk in the prices.

Soy oil:
Domestic Market Fundamentals

- Ref. soy oil prices featured gains in the prices due to recovery in the international CBOT soy oil prices and firm cues from domestic market.
- Farmers are holding their soybean stocks due to lower soybean prices. Seasonal demand for edible oil may support Ref. soy oil prices in the days ahead.
- As per sources, poor buying enquiries for soy meal at domestic front and weak demand from international counters limit gains in the refined soybean oil prices. Moreover, higher palm oil stocks weigh on the sentiments.
- 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, bearish cues from international market may limit excessive gains.


Soybean crush margin (Indore basis):-

Outlook:-

Indore crush margin disparity widens during the month and hovered in the negative zone due to higher relative gain in soybean prices compared to soy oil prices. We expect crush margin disparity may narrow in the near term in expectation of better soy meal prices.

International Market Fundamentals

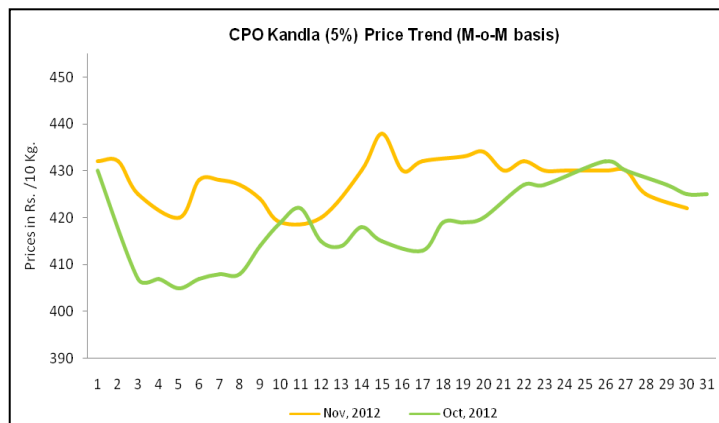
- USDA increased US soy oil production estimate for December by 2.5 per cent to 8.3 MMT compared to the previous month estimate on higher domestic crush. Moreover, USDA lowers Argentina soy oil production projection by 1 percent to 7.30 MMT.
- As per Argentina's Agriculture Ministry weekly crop progress report, farmers have planted 58 percent of the estimated acreage for soybean to 11.295 million hectares, down 8 percent from the previous year as on 30 Nov. The total soybean area is projected at 19.355 million hectares for 2012/13.
- As per the latest IGC report, the 2012-13 world soybean production figures is estimated to be at 266.7 million tons, higher from the previous estimate of Oct 2012 which was 263.6 million tons. Moreover, world soybean imports are likely to expand 5% Y-o-Y basis mainly due to larger shipments to China.
- Rising soybean supplies and improved soybean crop prospects in US may weigh on the international soybean oil prices. However, delay in South American soybean planting and improved buying from China may limit excessive losses.

Price Outlook: We expect Ref. soy oil with VAT to trade in the price band of Rs 717-750 per 10 Kg.

Palm oil:

Domestic Market Fundamentals

- CPO kandla 5% prices featured sideways to weak tone in November on bearish international palm oil fundamentals. However, need based demand and recovery in the edible oil complex limits downside risk in the prices.
- India's oilseed industry has submitted a proposal to the government to raise import duty on edible oils to save Indian oilseed industry and farmers. Industry group asked for hike in import taxes on refined and crude edible oils to 20 percent and 10 percent respectively
- Higher palm oil stocks in the South East Asian Countries weigh on the market sentiments. Moreover, bearish cues from overseas market dampen the commodity demand prospects. However, wholesalers covered need-based positions in ready to use palm oil.
- Palm oil may trade steady to slightly firm note in the coming month on seasonal demand and heavy discount against soy oil prices may shift the demand to cheaper palm oil. However, higher palm oil ending stocks in the South East Asian countries may limit upside.



International Market Fundamentals

- Malaysian palm oil products exports for November rose 5.2 percent to 1,648,162 tons compared with 1,567,112 tons shipped during October - Societe Generale de Surveillance.

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

Palm Products	Nov	Oct	% Change
Crude palm oil	449,621	590,989	-23.92
RBD palm oil	126,364	123,107	2.65
RBD palm olein	719,574	533,239	34.94
RBD palm stearin	153,694	122,923	25.03
Crude palm kernel oil	42,070	24,000	75.29
Oleochemicals	40,245	33,545	19.97

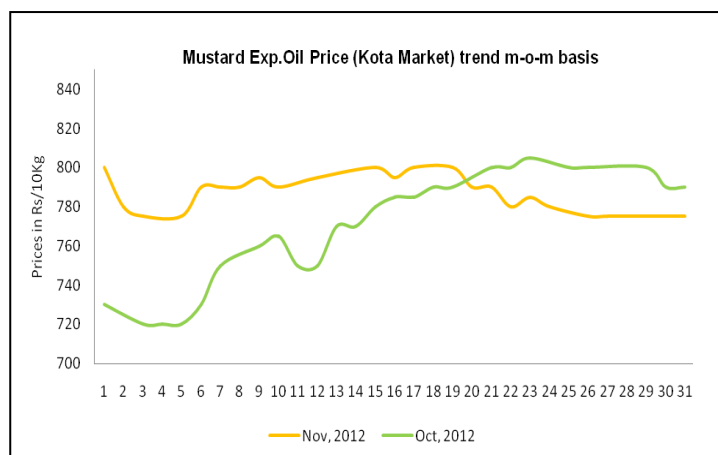
Top Palm Products Importers	Nov	Oct	% Change
European Union	280,948	370,243	-24.12
China	516,760	270,091	91.33
Pakistan	96,575	110,370	-12.50
United States	120,528	76,711	57.12
India	168,146	301,360	-44.20

- As per MPOB's report, Malaysian palm oil ending stocks rose by 2.3 percent to 25.6 lakh tons compared to the previous month which was 25.0 lakh tons. However, palm oil production fell by 2.6 percent from the month of October.
- CPO at BMD is expected to trade in a range between 2300-2600 levels from now until February 2013. Malaysia will produce at least 190 lakh tons in 2013 and Indonesian production will be between 295-300 lakh tons - Dorab Mistry
- Malaysian palm oil futures trading may trade 2,530 ringgit per ton if the crude oil drops to \$90 a barrel. However, if Brent remains at \$110, palm oil futures could hit 2,950 ringgit - James Fry.
- As per source, Indonesian palm oil stocks are currently around 25-28 lakh tons and 25.6 lakh tons palm oil ending stocks is reported in Malaysia until November.
- Rising palm oil stocks and bearish Malaysian palm oil export figures may weigh on the market sentiments. However, in expectation of good demand from China and India in the coming Months could ease palm oil stocks.

Price Outlook: We expect CPO Kandla 5% to trade in the price band of Rs 395-425 per 10 Kg.

Rapeseed oil:
Domestic Market Fundamentals

- Rapeseed oil featured steady to weak tone during the month of November in anticipation of higher RM seed sowing in the Rabi season. However, diminishing RM seed stocks limit excessive losses.
- As per Ministry of Agriculture, sown area for Rabi mustard seed stood at 57.10 lakh hectares as on 29 Nov. 2012 up 1.18 percent compared to the corresponding period last year. Focus during the coming days will be on weather conditions in the next two months over Key RM seed producing regions.
- As per Dorab Mistry, rapeseed production in India is likely to be around 65 lakh tons in the current Rabi season, if the weather conditions are good.
- We expect RM seed oil prices may trade steady to slightly weak tone in the coming days on bearish international palm oil fundamentals and higher mustard acreage in the current Rabi season for short term. However, seasonal demand for edible oils in the winter season may limit downside risk in the prices.

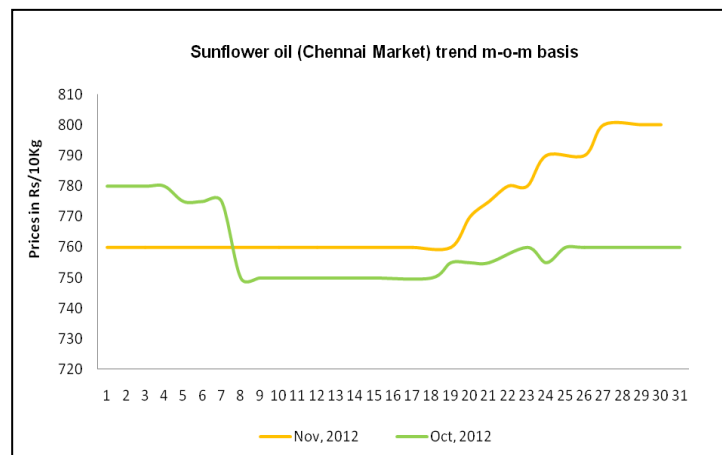

International Fundamentals:-

- The trade estimates for Statistics Canada's report on 2012 Rapeseed production is projected around 13.7 million tons, up 2.6 percent from October's estimate. However, Canadian RM seed production was 14.49 million tons in the previous year.

Price Outlook: We expect Rapeseed oil (Kota) to trade in the price band of Rs 750-810 per 10 Kg.

Sunflower oil:
Domestic Market Fundamentals

- Sunflower oil featured steady to firm tone during the month of November on bullish international fundamentals and lower stocks in the last week of November.
- As per Ministry of Agriculture, sown area for Rabi Sunflower stood at 3.39 lakh hectares as on 29 Nov. 2012 up 0.53 % compared to corresponding period last year.
- New imported sunflower oil stocks have added to the lower sun oil stocks, which could weigh on the market for short term. However, bullish international sun oil fundamentals may limit losses.


International Fundamentals:-

- As per Argentina's Agriculture Ministry weekly crop progress report, farmers have planted 87 percent of the estimated acreage for soybean to 1.570 million hectares, down 11 percent from the previous year as on 30 Nov. The total sun seed area is projected at 1.750 million hectares for 2012/13.

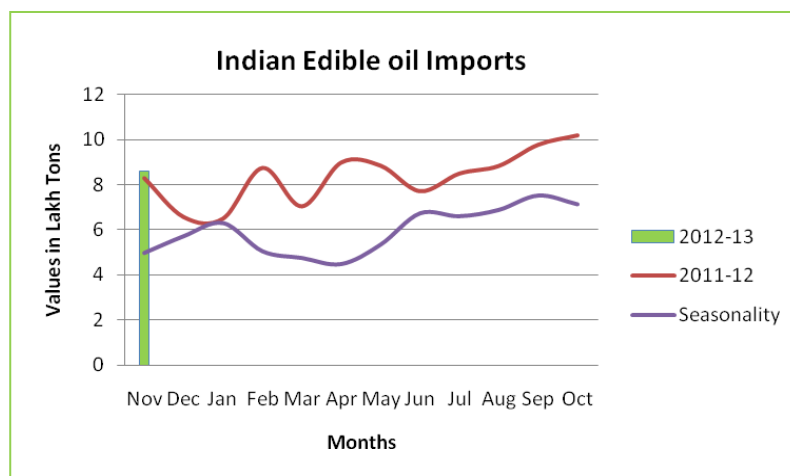
Price Outlook: We expect Rapeseed oil (Kota) to trade in the price band of Rs 780-840 per 10 Kg.

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

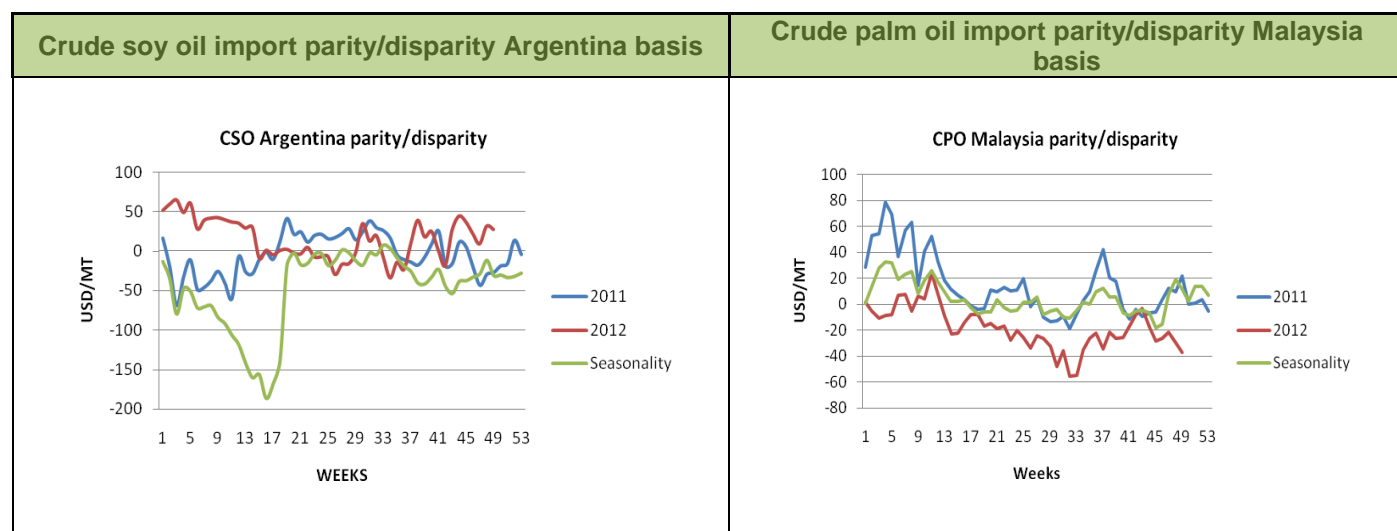
Net edible oil output would likely be 8.34 Million MT in 2012/13 on the back of higher soybean production in the current year. On import front, Edible oil imports likely to surge by 5.32 percent compared to previous year. Higher imports are mainly due to meet rising domestic consumption. Total demand 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.

Indian edible oil imports for Nov. 2012 projection –:


As per Solvent Extractors' Association of India, India imported 9.98 million tons of edible oil in the 2012 oil year (Nov.-Oct). However, edible oil imports were 8.37 million tons in the corresponding period last year. We expect Indian edible oil imports for the month of Nov. is likely to 8.6-8.7 lakh tons.

Landed Cost at the Indian Ports - Crude soy oil

Landed Cost Calculation as on 06/12/2012	CSO Argentina	CSO Brazil	CSO US
FOB USD per ton	1142	1149	1055
Freight (USD/MT)	65	55	50
C & F	1207.0	1204.0	1105.0
Weight loss (0.25% of FOB)	2.86	2.87	2.64
Finance charges (0.4% on CNF)	4.57	4.60	4.22
Insurance (0.3% of C&F)	4	4	3
CIF (Indian Port - Kandla)	1218	1215	1115
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	54.465	54.465	54.465
Landed cost without customs duty in INR per ton	66341	66179	60738
Customs duty %	0%	0%	0%
Base import price	580	580	580
Fixed exchange rate by customs department	55.50	55.50	55.50
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	66777	66615	61174
Domestic Market price INR per ton Soy Degum Kandla	67500	67500	67500
Total landed cost USD per ton	1226	1223	1123
Domestic Market price USD per ton Soy Degum Kandla	1239	1239	1239
Parity INR/MT (Domestic - Landed)	723	885	6326
Parity USD/MT (Domestic - Landed)	13.28	16.24	116.15
Source: Agriwatch/ Reuters , Argentina prices - Reuters			



* 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. However, import parity has slightly narrowed in the bygone week. 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 expects to recover in the coming weeks.

Currency Technical Analysis

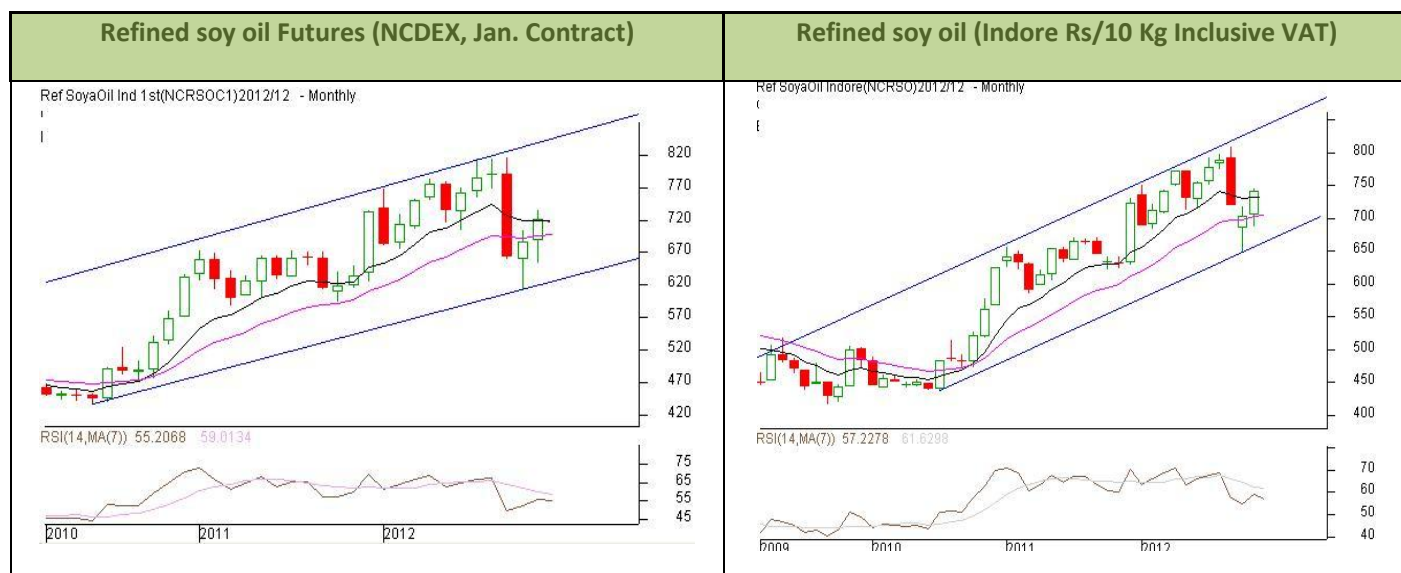


Technical Summary for INR

Moving Averages		MA (9)		MA(18)	
Exponential		53.73		52.13	
Technical Indicators		RSI (21)		SSTK/SSTD(9,3,3)	
		62.03		69.85/74.85	
Support and Resistance					
S2	S1	PCP		R1	R2
51.35	52.48	54.26		56.00	57.32

Expected Price Band and Outlook

Indian Rupee	We observed range bound movement in the monthly INR against USD technical chart. Indian rupee is likely to trade sideways to slightly firm tone against US dollar in the coming month. RSI is near to neutral zone. We see a range of 56-57.32 on the higher side in the coming month and lower level as 52.48 and below that, we may see selling pressure until 51.35.
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Technical Analysis (Refined soy oil Monthly Charts)


Outlook – Prices are likely to trade with a steady to firm tone in the days ahead. Investors are advised to buy refined soy oil (Jan. contract).

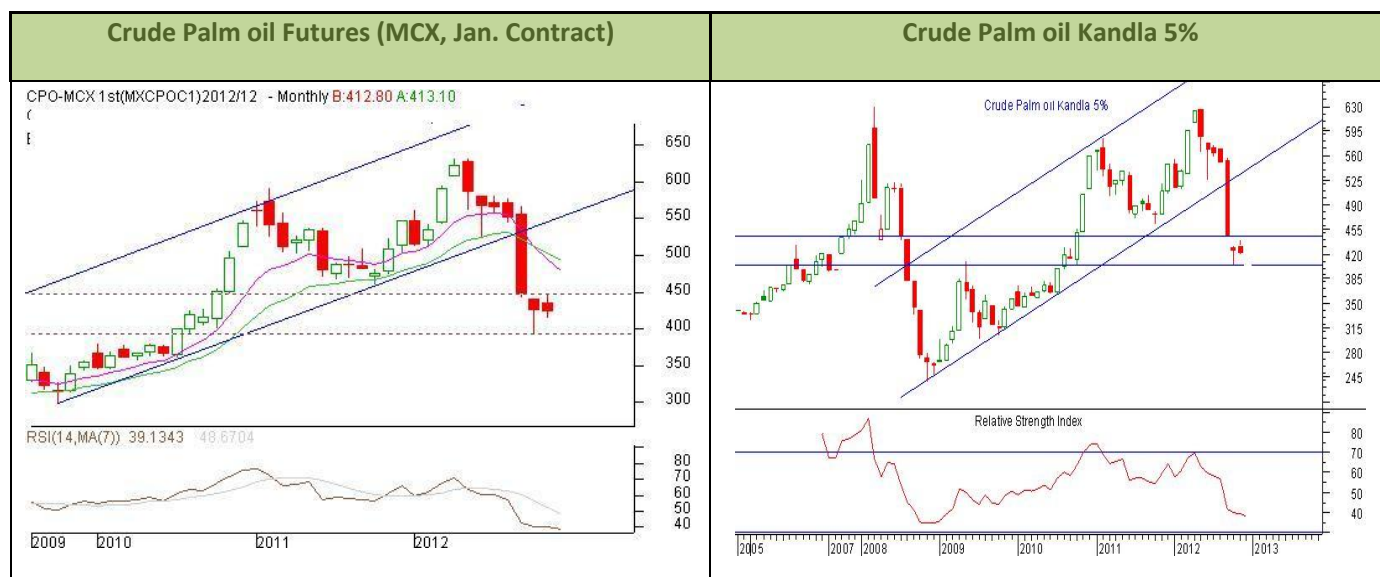
- ❖ Monthly chart of refined soy oil at NCDEX featured gains. We expect steady to firm movement stay intact in the coming days. Any dip in the prices may act as buying opportunity.
- ❖ Any close below 689.75 in weekly chart shall change the sentiments and might take the prices to a bearish phase.
- ❖ Expected price band for next week is 685-730 level in near to medium term. RSI is in between neutral and oversold zone and shows no evidence of divergence with the ref. soy oil prices.

Strategy: Market participants are advised to go long in RSO in the range of 685-690 for a target of 724 and 730 with a stop loss at 672 on closing basis.

RSO NCDEX

Support and Resistance				
S2	S1	PCP	R1	R2
658.00	670.00	707.80	755.00	765.00

Spot Market outlook: Refined soy oil Indore is likely to stay in the range of 717-750 per 10 Kg.

Technical Analysis (Crude Palm oil Monthly Charts)


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

- ❖ Candlestick Weekly chart of crude palm oil at MCX depicts sideways to weak tone. We expect prices may trade with a steady tone in near term.
- ❖ Any close below 392 in weekly chart shall change the sentiments and might bring the prices to a bearish phase.
- ❖ Expected price band for next month is 398-425 level in near to medium term. RSI is in neutral 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 398-403 for a target of 422 and 425 with a stop loss at 389 on closing basis.

CPO MCX

Support and Resistance				
S2	S1	PCP	R1	R2
378.00	385.00	415.60	435.00	444.00

Spot Market outlook: Crude palm oil 5% is likely to trade sideways in the coming month. The prices are likely to stay in the range of 390-425 per 10 Kg.

Monthly spot price comparison

Commodity	Centre	Prices(Per 10 Kg)		Change
		12/1/2012	11/1/2012	
Refined Soybean Oil	Kota(Loose)	710	700	10
	Rajkot (Loose)	680	675	5
	Jaipur (Loose)	-	-	-
	Hyderabad+ VAT	-	-	-
	Delhi (Loose)	-	-	-
	Kakinada	-	-	-
	Mumbai +VAT	691	678	13
	Indore	705	675	30
	Soy Degum Mumbai+VAT	680	652	28
	SoyDegum Kandla/Mundra+VAT	685	655	30
	Haldiya Port (Loose)	-	-	-
	Akola (Loose)	726	701	25
	Amrawati (Loose)	726	701	25
	Jalna	722	697	25
	Nagpur	-	707	-
Palm Oil	Chennai.RBD.Palmolein.(Loose)	510	520	-10
	Hyd. RBD Palmolein VAT	540	-	-
	Delhi RBD Palmolein (Loose)	-	-	-
	Kandla CPO (5%FFA)	420	432	-12
	Kakinada.RBD.Palmolein(Loose)	486	506	-20
	Mumbai RBD Pamolein+ VAT	490	526	-36
	Kandla RBD Palmolein +VAT	485	500	-15
Refined Sunflower Oil	Mumbai + VAT	775	730	45
	Kandla/Mundra	720	675	45
	Erode (Exp. Oil)+VAT	810	750	60
	Hyderabad Exp +VAT	830	726	104
	Chennai (Loose)	800	760	40
	Bellary (Exp. Oil)+VAT	689	666	23
	Latur (Exp. Oil)+VAT	726	686	40
	Chellakere (Exp. Oil)+VAT	731	686	45
Groundnut Oil	Rajkot (Loose)	1280	1200	80
	Chennai (Loose)	1120	1080	40
	Delhi (Loose)	-	-	-
	Hyderabad Exp +VAT	1198	1051	147



	Mumbai + VAT	1260	1140	120
	Gondal+VAT	1300	1175	125
	Jamnagar +VAT	1300	1170	130
	Narsarropeth+VAT	1021	951	70
	Prodattour+VAT	1126	1021	105
Rapeseed Oil	Mumbai (Exp. Oil) +VAT	800	815	-15
	Alwar (Expeller Oil)(Loose)	818	828	-10
	Kota (Expeller Oil) (Loose)	765	800	-35
	Jaipur (Expeller Oil) (Loose)	811	-	-
	Delhi (Exp. Oil) (Loose)	821	806	15
	SriGangaNagar(ExpOil-Loose)	796	796	Unch
	Hapur+VAT	850	856	-6
	Kolkata	-	-	-
	Agra (Kacchi Ghani Oil) +VAT	875	870	5
Refined Cottonseed Oil	Mumbai +VAT	670	700	-30
	Rajkot (Loose)	680	720	-40
	Delhi (Loose)	-	-	-
	Hyderabad (Loose)	-	-	-
Sesame Oil	Delhi	-	-	-
	Mumbai	1030	905	125
Coconut Oil	(Crude Rs/10kg) - Kangayan	610	615	-5
Kardi	Mumbai	1200	1200	Unch
Rice Bran Oil (40%)	Delhi	-	-	-
Rice Bran Oil (4%)	Punjab	520	540	-20
Rice Bran Oil (70%)	Delhi	-	-	-
Malaysia Palmolein USD/MT	FOB (Nov Shipment)	780	835	-55
	CNF (Nov) India	815	860	-45
Indonesia/Malaysia CPO USD/MT	FOB (Dec Shipment)	713	758	-45
	CNF) (Nov) India	750	793	-43
Argentina FOB (\$/MT)		11/30/2012	10/31/2012	Change
Crude Soybean Oil Ship (Nov)		1118	1090	28
Refined Soy Oil (Bulk) Ship (Nov)		1157	1128	29
Sunflower Oil Ship (Nov)		-	1195	-
Cottonseed Oil Ship (Nov)		1098	1070	28
Refined Linseed Oil (Bulk) Ship (Nov)		-	-	-



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