

Domestic Veg. Oil Market Summary:

- Domestic edible oil prices traded with a weak note during the week due to several bearish international reports.
- As per Sea of India, edible oil for Dec. 2011 fell by 13.02% stood at 6564,714 MT as compared to last year at 752,688 MT in Dec 2010.
- PEC has float tender to buy 23,400 tons of RBD Palmolein (Edible Grade) in Bulk) to be imported for the port(s) of Chennai 16,000 MT (+/- 2%) and Tuticorin 7,400 MT (+/- 2%) sourced from Indonesia and/or Malaysia, bidding closed on 20 Jan, 2012.
- Looking forward, edible oils are likely to trade with a range bound in a coming week due to bearish USDA's Wasde report along with low export figures for Malaysian palm oil which keeps pressuring the domestic edible oil prices however; uncertain weather condition in Argentina and Malaysia may lend support the international markets in near to medium term.

International Veg. Oil Market Summary:

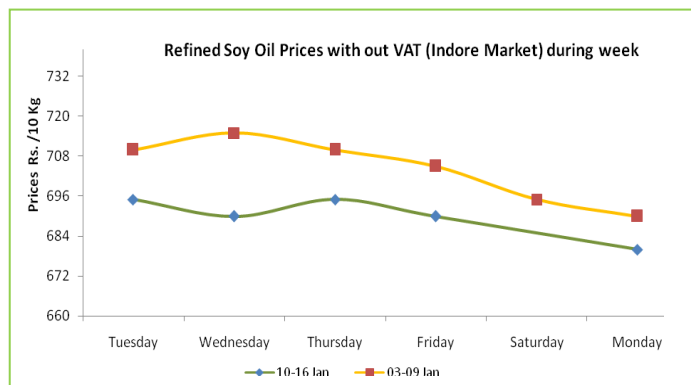
- USDA reduced world soy oil production by 0.42 per cent to 42.73 MMT (in its Jan. month report) compared to 43.91 MMT productions in December month projections. Moreover, USDA increased the world ending stocks of soybean oil by 0.38 per cent to 2.65 million tons.
- According to the latest Argentina government's weekly crop progress report, Farmers have planted 91 percent (17.34 million ha.) of the record 19.038 million hectares forecasted for soy this season down by 4% as compared to previous year. Moreover sun seed sowing had been fully completed in the last week total forecasted area was 1.884 million ha.
- Malaysian palm oil products exports for the period of 1-15 Jan. fell by 11.3 per cent stood at 575,833 million tonnes from 649,138 tonnes shipped during 1-15 Dec.

Market Recap and Fundamental Analysis

Soy oil:

Domestic Fundamentals:-

- Domestic market refined soyoil prices traded with a weak note during the week and prices fell by 2.01 per cent to Rs. 690 per 10 kg compared to previous week prices (average prices of week) in Indore on account of bearish international reports and poor buying kept the prices in pressure.
- As per Sea of India, edible oil for Dec. 2011 fell by 13.02% stood at 6564,714 MT as compared to last year at 752,688 MT in Dec 2010. However, edible oil imports for Nov. - Dec. 2011 rose by 7.23 per cent stood at 1,482,398 MT on Y-o-Y basis. Marked positive change witnessed in RBD Palm olein and Palm kernal oil import figures, meanwhile sharp decline in soy oil imports noticed in Nov-Dec 2011 as compared to last year.
- Looking forward, we expect soy oil prices to stay steady to weak in a coming week on account of bearish international factors amid low buying in physical market.



International Fundamentals:-

- As per MOFCOM, China's Jan soy imports estimated at 4.57 Mln. Tons down by 15.6% as compared to actual December soy imports. Moreover estimated imports were also less on Y-o-Y basis by 11 percent. China's soy imports is likely to be less in January on account of less crushing during the lunar holidays, however MOFCOM estimated 237,322 tons of soy oil which is likely to import in January month up by 22.20% as compared to previous month estimation.
- According to the latest Argentina government's weekly crop progress report, Farmers have planted 91 percent (17.34 million ha.) of the record 19.038 million hectares forecasted for soy this season down by 4% as compared to previous year.

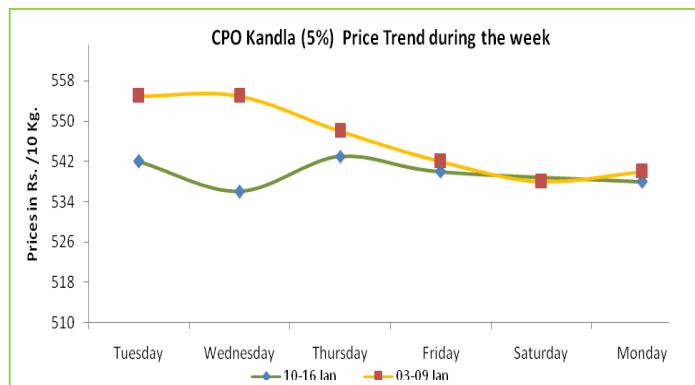
Soy oil parity analysis:-

Values in Rs per 10Kg	Soy oil parity on 16 January 2012	Avg. Soy oil parity – Jan. Month	Avg. Soy oil parity – Dec. Month	Avg. Soy oil parity – 3 Months
Indore	-30	-13	-13	-6

Crushing plants (ex-Indore) are in disparity as on 16th Jan. Considering average plant delivery seed at Rs 2492.9/qtl and meal prices at Rs 16900/MT. Adding processing costs and other expenses, soy refine production cost works out to 676/10 kg. Adding 5% VAT and 0.15% commission as brokerage the total cost is approx. Rs 660.0 per 10Kg which is more compared to the prevailing spot price of 741/10 Kg on 16th Jan. This indicates plants are in disparity and might hold their oil stocks at present. We expect a tight supply of soy oil continue in near to medium term.

Palm Oil:
Domestic Fundamentals:-

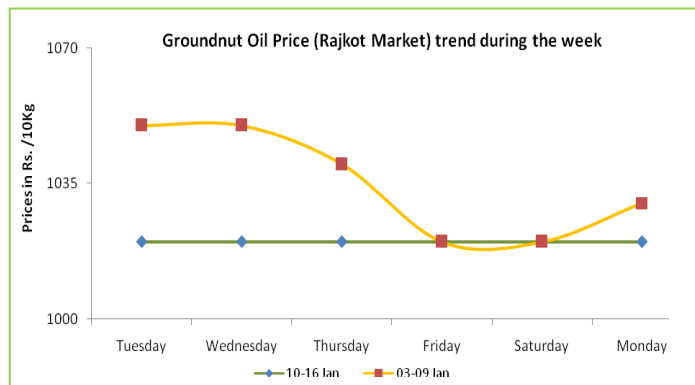
- Domestic palm oil prices traded range bound during the week due to poor buying in cash market and bearish Malaysian export figures weigh on the markets.
- PEC has float tender to buy 23,400 tons of RBD Palmolein (Edible Grade) in Bulk) to be imported for the port(s) of Chennai 16,000 MT (+/- 2%) and Tuticorin 7,400 MT (+/- 2%) sourced from Indonesia and/or Malaysia, bidding closed on 20 Jan, 2012.
- India's palm oil products imports during the 1-15 Jan. from Malaysia rose by 1.70 per cent to 36,000 Tons compared to previous year same month's imports. Moving ahead, we expect palm oil imports is likely to increase in a coming days ahead due to strengthen INR against US dollar which leads to import parity.
- Looking forward, palm oils are likely to trade steady note in near to medium term due to gloomy global economic factors and strengthen INR against US dollar put pressure on palm oil prices however, uncertain weather condition in South East Asia and South America may restrict excessive losses.


International Fundamentals:-

- Malaysian palm oil products exports for the period of 1-15 Jan. fell by 11.3 per cent stood at 575,833 million tonnes from 649,138 tonnes shipped during 1-15 Dec. Palm oil products exports figures for 1-15 Jan. for top major markets (Values in tonnes and 1-15 Dec. import figures in parenthesis): China 153,519 (183,850), India 36,000 (35,300), EU 48,759 (146,533), Pakistan 39,240 (55,000) and US 30,875 (29,025)-SGS.

Groundnut Oil:
Domestic Fundamentals:-

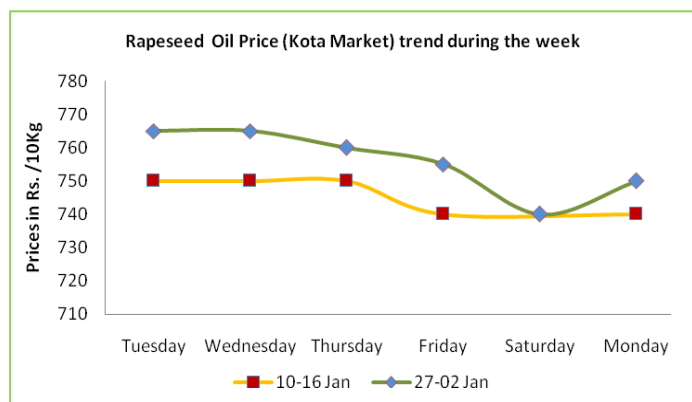
- Domestic groundnut oil prices traded with a steady bias on account of lackluster buying interest during the week.
- As per the latest report from Ministry of Agriculture, Sown area for Rabi Groundnut stood at 6.08 lakh hectares as on January 13th, 2012 which is up by 4.10% as compared to last year's 5.84 lakh hectares during the same period.
- Non aggressive buying witnessed by resellers and re-packers in major trading centers. Moreover good availability of G/N seed for crushing amid low demand of G/N oil may leads to range bound session in a coming week. However any recovery in soy and palm oil prices might support the G/N oil prices in near to medium term.


Price Outlook:

We expect groundnut oil in Rajkot market is likely to trade in the price band of Rs 995-1035 per 10 Kg.

Rapeseed oil: Domestic Market Fundamentals

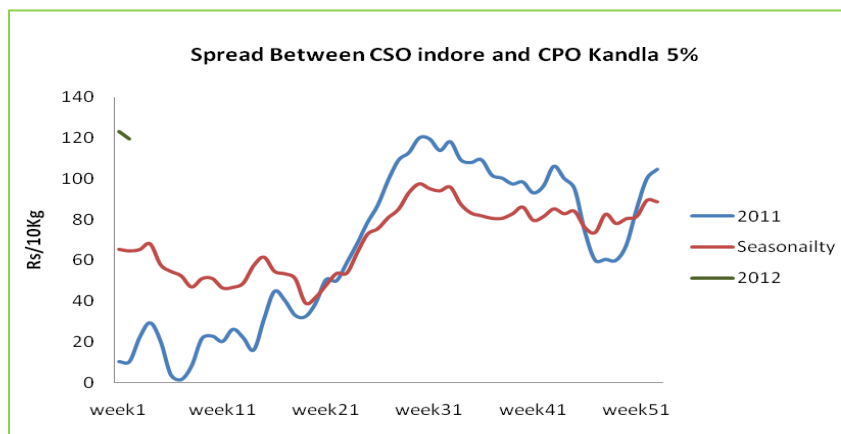
- Rapeseed oil prices remained dull during the week due to scatter shower in north India and favorable climate for RM seed which support the crop, however overall fundamentals remain bullish due to low acreage this year which is likely to lend lateral support the RM oil and RM seed prices.
- As per the latest report from Ministry of Agriculture, Sown area for Rabi Rapeseed stood at 64.86 lakh hectares as on January 13th, 2012 which is down by 4.96% as compared to last year's 68.21 lakh hectares during the same period. Low acreage witnessed in major rapeseed growing region like Rajasthan and M.P.



Price Outlook:

We expect Rapeseed oil in kota market is likely to trade in the price band of Rs 725-755 per 10 Kg.

Spread Status between CSO Indore and CPO Kandla 5%: (Rs/10 Kg)



Domestic weekly average spread between CSO Indore and CPO Kandla (5%) stood at Rs 123/10 Kg fell by Rs 4 per 10 Kg w-o-w. Marginal downtrend witnessed in spread as crude soy oil traded with a weak note during the week while crude palm oil kandla 5% stood steady. Looking forward, we expect spread is likely to narrower and may hover between Rs 107-118/10Kg range in the coming week. PEC can liquidate CSO Indore at higher levels of 655-660 per 10Kg in a coming week, if needed.

USDA's WASDE Report Analysis:-

Parameters	2009-10	2010-11	2011-12		% Change
			Dec'11	Jan'12	
US					
Soybean planted acreage m.a.	77.5	77.4	75	75	0.00%
Soybean Harvested acreage m.a.	76.4	76.6	73.7	73.6	-0.14%
Soybean yield, in b / a	44.0	43.5	41.3	41.5	0.48%
Beginning Stocks, in m.b.	138	151	215	215	0.00%
Soybean production, in m.b.	3359	3329	3046.00	3056.00	0.33%
Soybean imports, in m.b	15	15	15	15	0.00%
Soybean crush, in m.b.	1752	1650	1625	1615	-0.62%
Soybean exports, in m.b.	1501	1520	1300	1275	-1.92%
Residual, in m.b	18	38	32	32	0.00%
Soybean ending stocks, in m.b.	151	200	230	275	19.57%
Soy meal production, in '000 short tons	41707	39683	38685	38685	0.00%
Soy meal ending stocks, in '000 short tons	302	300	300	300	0.00%
Soy oil production, in million lbs	19615	19090	18700	18605	-0.51%
Soy oil for Bio-diesel, in million lbs	1680	2300	3600	3600	0.00%
Soy oil ending stocks, in million lbs	3406	2871	2280	2315	1.54%
At other origins					
Soybean production in Argentina, in m.t.	54.5	49.5	52	50.5	-2.88%
Argentina soybean beginning stock m.t.	16.59	22.28	22.88	22.85	-0.13%
Soybean production in Brazil, in m.t.	69	74.5	75	74	-1.33%
Brazil soybean beginning stock m.t.	12.04	15.84	22.22	22.19	-0.14%
Soybean import in China, in m.t.	50.34	52	56.5	56.5	0.00%
Chinese soybean ending stock, in m.t.	13.26	14.21	13.26	13.26	0.00%
Global soybean ending stocks in m.t.	59.35	65.88	64.54	63.43	-1.72%
Global soy oil ending stocks, in m.t.	3.18	3.07	2.64	2.65	0.38%
Global veg oil ending stocks in m.t.	12.93	11.23	12.01	12.24	1.92%
b / a – Bushels per acre; m.b. – Million bushels; m. t. – Million tons ; m.a. - Million acres					

USA Origin

USDA released its monthly world agricultural supply and demand report on 12th Jan in which USDA increases soybean yield by 0.48% to 41.5 bushel per acre for Jan month. Soybean production pegged at 3056 million bushels in Jan. estimates up by 0.33% as compared to Dec. However, Soybean oil and soybean ending stock increased by 1.54% and 19.57% respectively. High ending stock is majorly due to low export figure and low soybean crush for Dec month.

Other Origin

USDA reduced soybean production for Argentina stood at 50.50 million tons down by 2.88 percent due to lower projected area and yield. Moreover, Brazil soybean crop is reduced 1 Mln. T to 74 Mln T on account of reflecting hot, dry conditions in recent weeks, especially in the Southern Brazil. Intermittent showers are expected over key soy growing area of south America in a coming week which may give respite to soy crop, however uncertainty of little rains and hot weather still persist over Argentina which may tighten the global soy bean and soy oil supply in a medium term.

Affect on Soy oil prices

The price impact of this month's USDA report is to be bearish for both soy oil and soy beans. The January estimates for soy beans production in South America has lowered from December estimates; however it was not up to the market expectation. Moreover, strength INR against US dollar keep pressuring domestic soy oil prices. We expect soy oil prices are likely to trade with a high volatility in a coming week.

Edible oil Shipments at Indian Ports during Nov. month (till 16th Jan. 2012)

Product	January Shipments (tons)	December Shipments (tons)	% Change
Crude Palm Oil	416162.1	465651.8	-10.62
Palm Oil	95033	75232	26.31
Palm Fatty Acid	-	2000	
Crude soy oil	7973	-	
RBD Palm olein	9999.88	20000	-50.0
Crude Sunflower Oil	30000	25000	20
Total edible oils	559167.98	587,884	-4.88
Source: Ben Line Agencies(India) Pvt Ltd.			

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

Landed Cost Calculation as on 12/01/2012	CSO Argentina	CSO Brazil	CSO US
FOB USD per ton	1120.00	1094.60	1123.46
Freight (USD/MT)	65	55	50
C & F	1185.0	1149.6	1173.5
Weight loss (0.25% of FOB)	2.80	2.74	2.81
Finance charges (0.4% on CNF)	4.48	4.38	4.49
Insurance (0.3% of C&F)	4	3	4
CIF (Indian Port - Kandla)	1196	1160	1184
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	51.43	51.43	51.43
Landed cost without customs duty in INR per ton	61502	59667	60908
Customs duty %	0%	0%	0%
Base import price	580	580	580
Fixed exchange rate by customs department	53.25	53.25	53.25
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	61938	60103	61344
Domestic Market price INR per ton Soy Degum Kandla	65000	65000	65000
Total landed cost USD per ton	1204	1169	1193
Domestic Market price USD per ton Soy Degum Kandla	1264	1264	1264
Parity INR/MT (Domestic - Landed)	3062	4897	3656
Parity USD/MT (Domestic - Landed)	59.54	95.21	71.09
Source: Agriwatch/ Reuters , Argentina prices - Ministry of Agriculture			

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


Outlook - Soy oil traded with a weak bias during the week. We expect prices are likely to remain weak for short term.

- ❖ Any close above 720.00 in weekly chart shall change the sentiments and might bring the prices in bullish phase.
- ❖ Expected price band for next week is 715.00-698.00 level in near to medium term. Prices are likely to trade with a high volatility in near term.

Strategy: We recommend investors to go short in NCDEX (Feb contract) at 713.00-715.00 for a target of 702.00 and then 698.00 with a stop loss at 720.00 on closing basis.

RSO NCDEX (Feb)

Support & Resistance				
S2	S1	PCP	R1	R2
679.00	687.00	707.30	729.00	736.00

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



Outlook - We expect prices likely to move with a high volatile for a coming week.

- ❖ Candlestick chart pattern reveals a consolidation in the market.
- ❖ Any close above 542.00 in weekly chart shall change the sentiments and might bring the prices in bullish phase.
- ❖ Expected price band for CPO is 538.50-520.00 level in near to medium term.

Strategy: Sell CPO in MCX (Feb. contract) at 536.50-538.50 for a target of 528.50 and second target of 525.10 with a stop loss at 542.00 on closing basis.

CPO MCX (Feb. contract)

Support & Resistance				
S2	S1	PCP	R1	R2
508.90	512.40	530.90	547.00	553.60

Edible Oil Prices at Key Markets (Week on Week Prices)

Commodity	Centre	Prices(Per 10 Kg)		Change
		16/1/2012	10/1/2012	
Refined Soybean Oil	Kota(Loose)	690	710	-20
	Rajkot (Loose)	695	695	UNCH
	Jaipur (Loose)	708	730	-22
	Hyderabad+ VAT	-	-	-
	Delhi (Loose)	725	740	-15
	Kakinada	-	-	-
	Mumbai +VAT	690	705	-15
	Indore	680	695	-15
	Soy Degum Mumbai+VAT	648	665	-17
	SoyDegum Kandla/Mundra+VAT	648	665	-17
	Haldiya Port (Loose)	681	701	-20
	Akola (Loose)	709	726	-17
	Amrawati (Loose)	709	726	-15
	Jalna	720	722	-2
	Nagpur	709	731	-20
Palm Oil	Chennai RBD Palmolein (Loose)	580	600	-20
	Hyd. RBD Palmolein VAT	-	625	-
	Delhi RBD Palmolein (Loose)	625	635	-10
	Kandla CPO (5%FFA)	538	542	-5
	Kakinada RBD Palmolein (Loose)	-	586	-
	Mumbai RBD Pamolein+ VAT	585	605	-20
	Kandla RBD Palmolein +VAT	575	580	-5
Refined Sunflower Oil	Mumbai + VAT	720	730	-10
	Kandla/Mundra	640	655	-15
	Erode (Exp. Oil)+VAT	710	720	-10
	Hyderabad Exp +VAT	-	740	-
	Chennai (Loose)	730	740	-10
	Bellary (Exp. Oil)+VAT	641	651	-10
	Latur (Exp. Oil)+VAT	641	661	-20
	Chellakere (Exp. Oil)+VAT	646	646	UNCH
Groundnut Oil	Rajkot (Loose)	1020	1020	UNCH
	Chennai (Loose)	960	950	+10
	Delhi (Loose)	1010	1040	-30
	Hyderabad Exp +VAT	-	950	-
	Mumbai + VAT	1010	1015	-5
	Gondal+VAT	1030	1025	+5
	Jamnagar +VAT	1035	1025	+10

	Narsarropeth+VAT	891	906	-15
	Prodattour+VAT	931	941	-10
Rapeseed Oil	Mumbai (Exp. Oil) +VAT	788	798	-10
	Alwar (Expeller Oil)(Loose)	771	783	-12
	Kota (Expeller Oil) (Loose)	740	750	-10
	Jaipur (Expeller Oil) (Loose)	755	765	-10
	Delhi (Exp. Oil) (Loose)	790	790	UNCH
	Sri Ganga Nagar(Exp Oil-Loose)	771	771	UNCH
	Hapur+VAT	775	780	-5
	Kolkatta	-	-	-
	Agra (Kacchi Ghani Oil) +VAT	775	790	-15
Refined Cottonseed Oil	Mumbai +VAT	648	660	-12
	Rajkot (Loose)	645	665	-20
	Delhi (Loose)	630	635	-5
	Hyderabad (Loose)	-	680	-
Sesame Oil	Delhi	770	790	-20
	Mumbai	780	780	UNCH
Rice Bran Oil (40%)	Delhi	535	555	-20
	Punjab	535	535	UNCH
Rice Bran Oil (70%)	Delhi	425	445	-20
Malaysia Palmolein USD/MT	FOB (Jan)	1060	1083	-23
	CNF(Jan) - India	1060	1118	-68
Indonesia/Malaysia CPO USD/MT	FOB (Jan)	1003	1020	-17
	CNF(Jan) - India	1020	1055	-35
Argentina FOB (\$/MT)		13/1/2012	9/1/2012	Change
Crude Soybean Oil Ship (Jan)		1100	1133	-33
Refined Soy Oil (Bulk) Ship (Jan)		1138	1172	-34
Sunflower Oil Ship (Jan)		-	-	-
Cottonseed Oil Ship (Jan)		1080	1113	-33
Refine Linseed Oil(Bulk) Ship (Jan)		1120	1153	-33

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