

Summary:

Edible oil prices at major trading centers improved during the week ended on 18th Feb. Optimistic domestic demand and sluggish imports m-o-m is likely to keep edible oil prices on encouraging note.

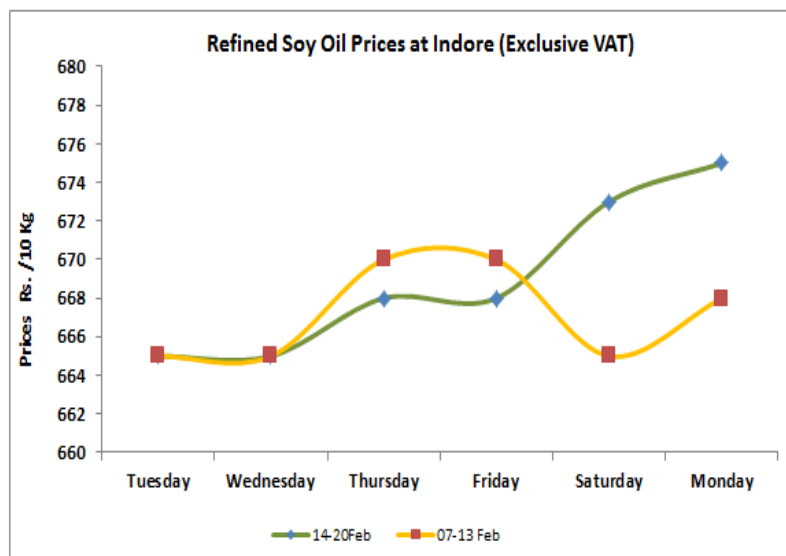
Cold wave conditions in Rajasthan during second week of Feb resulted in frost injury to Mustard in Kota division. Trade anticipates loss in mustard crop to the tune of 20-25% but the exact situation will only be known once the harvest starts during mid- March. Expectation of loss in RM seed production and the subsequent lower RM oil availability lent spill over support to the major edible oils. At the same time, domestic market prices also derived positive cues from the bench mark markets of CBOT and BMD futures.

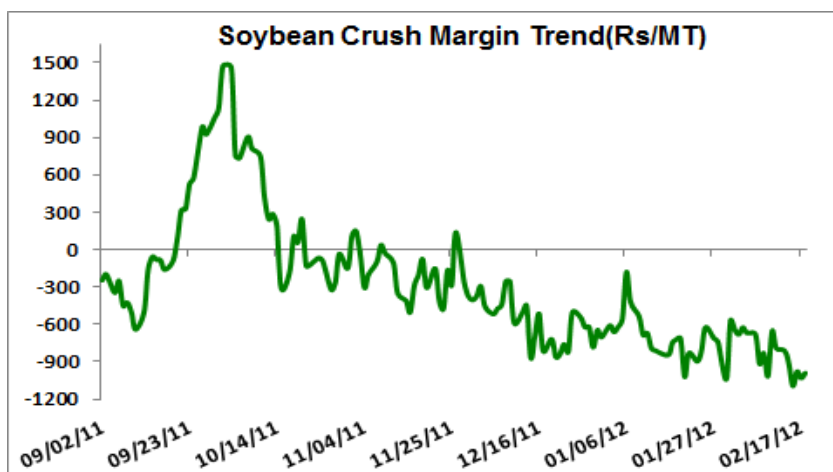
International Veg. Oil Market Summary:

- Argentina Agricultural Ministry has projected soybean output (2011-12) in the range of 43.5 million to 45 million tons which is well below the latest USDA estimate of 48 million tons. Severe drought in Argentina should lead to lower crop production compared to previous year when Argentina produced 49 million tons.
- However, we expect Argentina soybean production to stay in the range of 45-46 million tons which is lower than USDA estimates. If realized (which would be clear during March), it might keep soybean and oil prices at higher levels.
- China inks a major trade deal for purchase of record soybean to the tune of 13.4 million tons as confirmed by US Soybean Export Council, to ensure supply given the lower south American harvest expected. This shall stand supportive to CBOT prices for short to medium term.
- Malaysian palm oil export during the period of 1-20th Feb fell by only 0.60 percent to 777,728 tons compared to the same period during Jan as per SGS survey report against the earlier expectation of 2%. This should limit excessive decline in BMD futures.
- With indications of ease in Chinese monetary policy and the acceptance of the new bailout package by Greece, we expect demand for plam oil from China and EU should improve in the next couple of weeks and lend support to the palm futures at BMD.

Market Recap and Fundamental Analysis
Soy oil:
Domestic Fundamentals:-

- Soy oil prices at its bench mark market of Indore improved during week end due to supportive demand from MP and Maharashtra.
- Tight supply of soy oil in MP could be seen as the plants are holding oil and releasing it slowly. This is due to the lower trade margin fetched by the plants located in Indore region. This resulted into flow of soy oil from Maharashtra to MP.
- Considering transportation and handling costs, soy oil transported from Maharashtra to MP costs nearly Rs 3-5/10 kg than locally available soy oil in MP thereby raising the prices.
- Meanwhile crush disparity also widened with the recent surge in soybean prices compared to relatively stable meal and oil prices. Average crush disparity during the week under review (13th to 18th Feb) was -968/ton compared to -814/ton during previous week. Widening crush disparity in plants located near Indore would encourage plants to hold soy oil until prices recover. Crush disparity trend is shown in the following chart:





- Meanwhile bullish cues from international front with greater Chinese buying interest and lower pace of imports by India stand supportive for soy oil prices during coming couple of weeks.

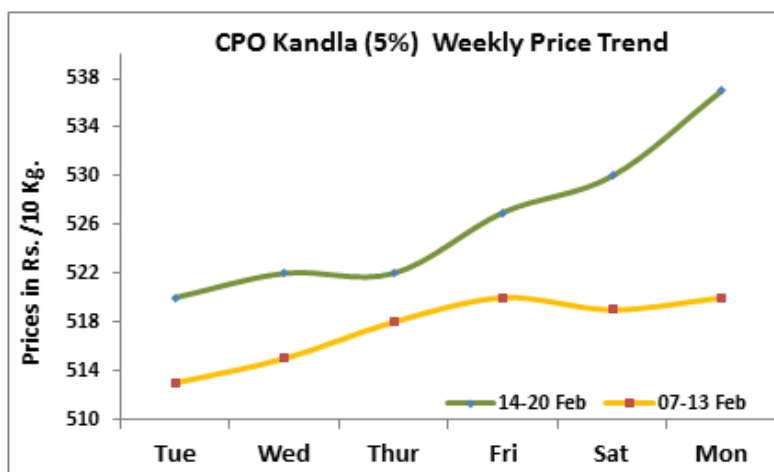
Soy oil Trade Margin analysis:-

Values in Rs per 10Kg	Soy oil Trade Margin on 18 th Feb 2012	Soy oil Trade Margin on 18 Jan 2012
Indore	-40	-28
Kota	+7	-18
Outlook – Trade margin disparity widen during the week due to surge in soybean prices. We expect a tight supply of soy oil in near term.		

Palm Oil:

Domestic Fundamentals:-

- CPO (5%) at Kandla improved significantly during the week under review as the market derived positive cues from BMD futures.
- At the same time greater demand of palm oil in south and relatively lower stocks of ready to use palmolein at ports lent underlying support to the CPO prices.
- Tepid demand for palm could be seen from the retailers while wholesalers are showing buying interest in imported oils which held palm oil prices at higher levels. Moving forward we expect domestic demand to stay firm and keep palm oil prices on an encouraging note.
- Meanwhile, RBD palmolein stock at port was reported lower compared to previous month. However, a few vessels containing palmolein may berth in the next 2-3 weeks which is likely to ease the existing short supply. The same might underpin the domestic palm oil prices in the short term.



International Fundamentals:-

- Malaysian palm oil exports during the period of 1-20th Feb fell by 0.60 percent to 777,728 tons compared to the same period during Jan as per SGS survey report. However, the market expected a higher decline at 2 percent. This better performance should lend underlying support to the palm oil prices in the short term. Details of the edible palm oil products exported from Malaysia are enlisted in the following table:

Malaysian Palm Oil Exports (SGS)			
Unit in ton	Feb 1 - 20	Jan 1 - 20	% Change
CPO	96406	74640	29.16%
RBD Palm Oil	90043	67198	34.00%
RBD Palm Olein	400885	426797	-6.07%

- Marked improvement in imports could be seen from India, US, China and EU during the period of 1-20 Feb. However, import from Pakistan and other destinations were lower which led to total the imports to decline by 0.60 percent. Major importing nations of Malaysian palm oil are tabulated below:

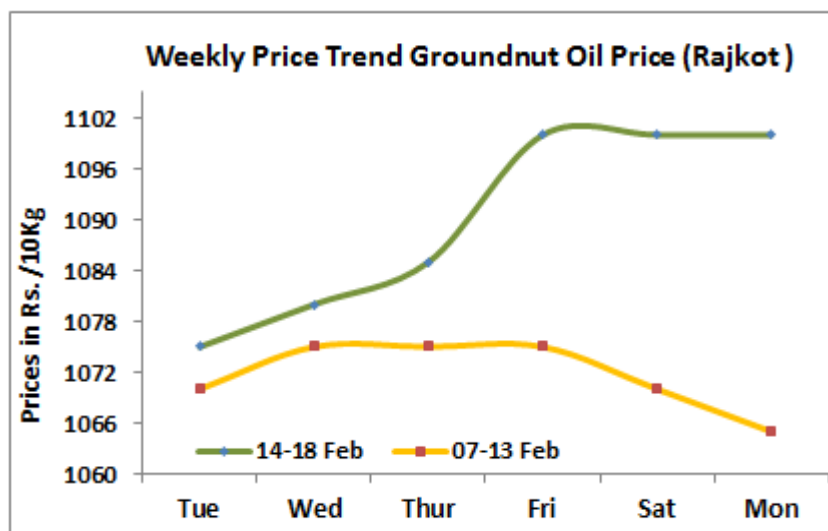
Malaysian Palm Oil Importing Nations			
Unit in ton	Feb 1 - 20	Jan 1 - 20	% Change
European Union	98016	89069	10%
China	204465	169519	21%
USA	80414	58705	37%
India	89800	58000	55%
Pakistan	14500	58640	-75%

- We expect Chinese demand to improve in the coming weeks following ease in the monetary policy. At the same time demand from EU could pick up with resolution of the Greek financial situation. The same shall lend underlying support to the palm oil prices at its bench mark BMD futures.
- Despite severe EU financial crisis, EU palm oil import is pegged at 5.5 million tonnes in 2012 which is the same as last year.

Groundnut Oil:

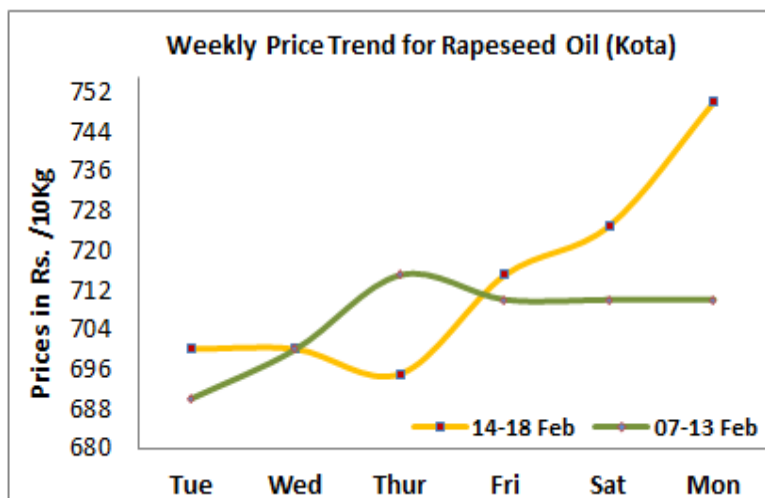
Domestic Fundamentals:-

- Groundnut oil prices at Rajkot improved during the week with emerging oil demand at spot coupled with tight supply of seeds.
- Groundnut seed export demand stay high during the current period. Keeping in view the higher export demand for seed and lower seed production during the year, stockists are holding seeds in anticipation of further rise in seed prices.
- As per trade sources shortage of G/N seeds has resulted in operation of plants at lower capacity (30-40%).
- Lower crushing and subsequent lower availability of oil kept G/N oil prices at higher levels. Moving forward we expect G/N oil prices to stay range bound with a bullish bias in the short term.
- Rabi acreage of groundnut is up by 6.8% at 7.85 lakh hectare and the crop condition is stated to be good. Active G/N harvest will start from March and arrivals peak during April. We expect seed availability to improve March onwards which might help to soften G/N oil prices during the period.

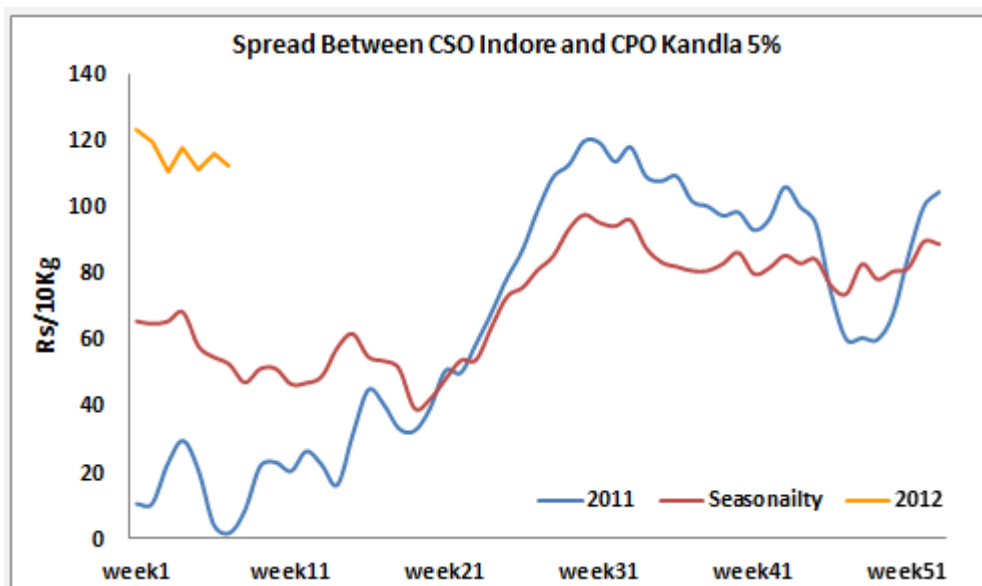


Rapeseed oil: Domestic Market Fundamentals

- RM seed oil prices registered significant surge in prices backed by lower production estimates. Prices improved further on Monday supported by improved demand.
- Severe cold wave in Kota division, Sri Ganganagar and adjoining regions of Alwar during the first and second week of Feb led to frost damage. Trade anticipates loss due to frost is as high as 20-25%. However the actual condition will be known in the 2nd week of March when active harvest begins.
- We estimate average yield to mustard in India to stay near 910 kg/hect compared to 985 kg/hect previous year which is down by 7.6%. As on 16th Feb RM seed sowing area was reported at 65.9 lakh hectares (Ministry of Agriculture). Considering the above factors RM seed production for 2011-12 is projected at 60 lakh ton which is lower than our early estimates of 65 lakh tons.
- Lower production estimates should keep seed and oil prices on encouraging note moving forward.



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



Average weekly spread between CSO Indore and CPO Kandla (5%) converged during the week and stood at Rs 112/10 Kg compared to 116/10 Kg during the previous week. Convergence is as per the spread seasonality with expectation of higher supply of domestic soy oil and relatively expensive imported palm oil prices. In view of the new crop supply (oil) from Argentina that will begin in March and the existing import parity, we expect soy oil prices to stay under pressure in the short term while palm oil prices should stay relatively stable. This might favour more soy oil imports by India in the next couple of weeks. We expect current spread to further narrow by Rs 10-15/ 10Kg in near term.

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

Landed Cost Calculation as on 17/02/2012	CSO Argentina	CSO Brazil	CSO US
FOB USD per ton	1185	1174	1160
Freight (USD/MT)	55	50	50
C & F	1240.0	1224.0	1210.0
Weight loss (0.25% of FOB)	2.96	2.94	2.90
Finance charges (0.4% on CNF)	4.74	4.70	4.64
Insurance (0.3% of C&F)	4	4	4
CIF (Indian Port - Kandla)	1251	1235	1221
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	49.25	49.25	49.25
Landed cost without customs duty in INR per ton	61633	60839	60143
Customs duty %	0%	0%	0%
Base import price	580	580	580
Fixed exchange rate by customs department	50.20	50.20	50.20
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	62069	61275	60579
Domestic Market price INR per ton Soy Degum Kandla	64000	64000	64000
Total landed cost USD per ton	1260	1244	1230
Domestic Market price USD per ton Soy Degum Kandla	1299	1299	1299
Parity INR/MT (Domestic - Landed)	1931	2725	3421
Parity USD/MT (Domestic - Landed)	39.22	55.34	69.47
Source: Agriwatch/ Reuters , Argentina prices - Ministry of Agriculture			

Importers might look towards US and Brazil for relatively cheaper soy oil imports during the coming couple of weeks as they may get encouraging margin for soy oil imports. This is likely to increase soy oil supply in Indian ports moving forward.

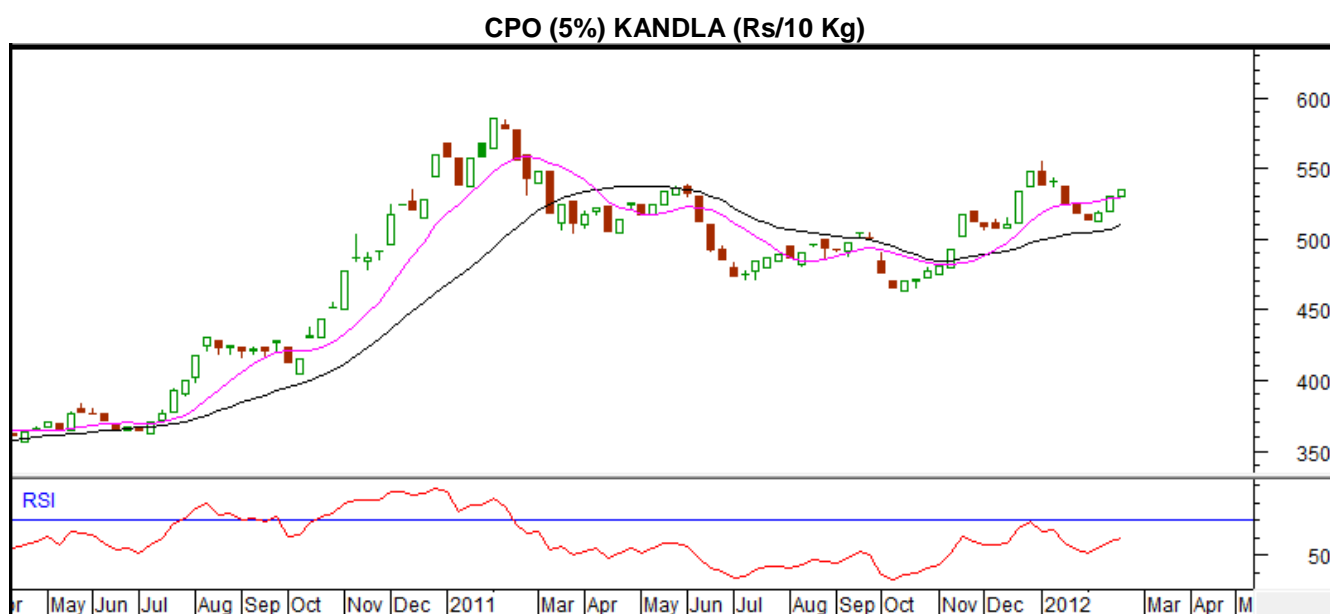
Technical Analysis (Spot Market Weekly Charts)
SOYOIL REFINED (INDORE Rs/10 Kg Exclusive VAT)



- ❖ Prices of refined soy oil at Indore improved during the previous week with formation of outside day trading pattern indicating prices should surge in the short term. The same might lead the prices to test the resistance.
- ❖ Near term price surge might bring the prices to face strong resistance at 700/710. Closing above the same might instigate a bull run.
- ❖ RSI stayed in tune with the prices with no indication of any convergence/ divergence. This stands supportive of an upside price movement in the short term.

Strategy: Market Participants can wait to liquidate their Ref. soy oil (INDORE Rs/10 Kg without VAT) stocks price is likely to move up towards 685 to 689/ 10kg.

Support and Resistance				
S2	S1	PCP	R1	R2
660	665	673	700	710

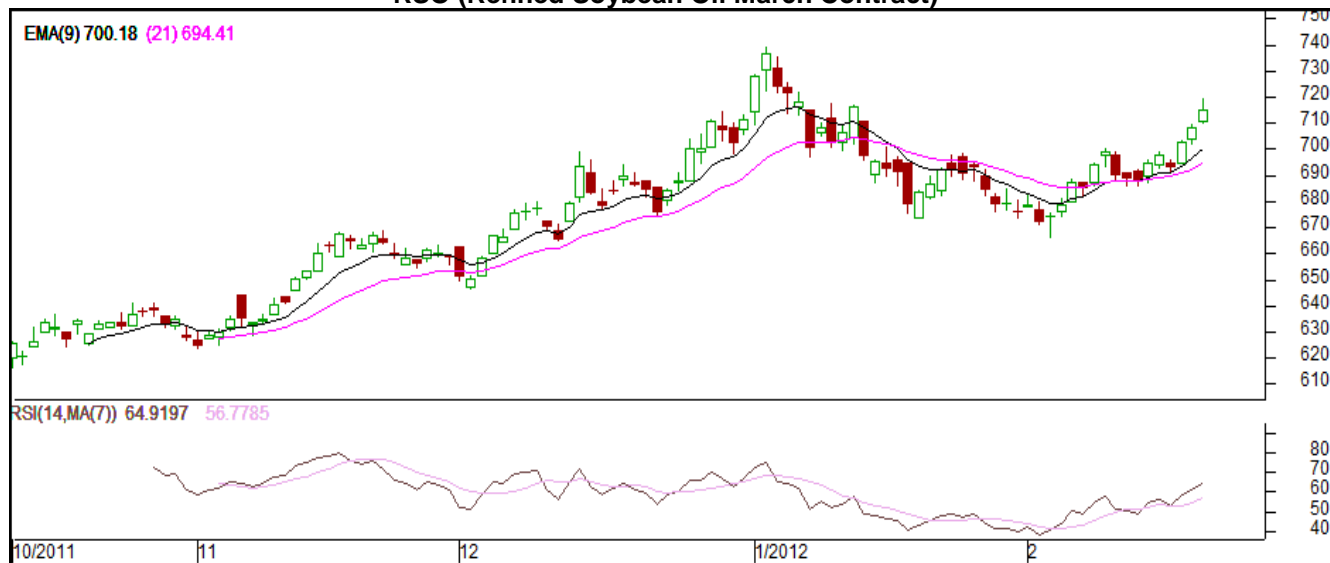


- ❖ CPO (5%) at Kandla extended its previous week gain and was able to breach its key level of 525 during previous week. It -entered a sideways consolidative phase negating any immediate decline.
- ❖ Liquidation of CPO is expected at higher levels and any decline due to liquidation could be a buying opportunity for CPO.
- ❖ 9 & 21 week SMA shall act as a good technical support zone.
- ❖ RSI stayed in tandem with the prices with no indication of any convergence/divergence. This stands supportive for surge in prices.
- ❖ Meanwhile, any major upside is likely to face strong resistance towards 558 and 565.

Strategy: Investors can buy CPO at dips towards 532 to 539 and should liquidate it towards its resistance levels in cash market.

Support and Resistance				
S2	S1	PCP	R1	R2
515	525	530	558	565

Technical Analysis (Futures) RSO (Refined Soybean Oil March Contract)



- ❖ Weekly chart of Refined soy oil at NCDEX shows cup & handle pattern formation with subsequent breaching of its neck line indicating prices should improve further during coming couple of trading sessions.
- ❖ The same might bring the prices to test towards its technical target of 730 which is also its key resistance zone.
- ❖ RSI shows no evidence of divergence indicating the up-trend is likely to extend further.

Strategy: Soy oil price (March contract) at NCDEX is expected to surge towards its resistance and buyers are suggested to go long in the range of 714 – 716 for a target of 720 and 725.

RSO NCDEX (March)

Support and Resistance				
S2	S1	PCP	R1	R2
705	710	708.30	730	735

Technical Analysis (Futures) CPO (Crude Palm Oil March Contract)



- ❖ Candlestick chart pattern reveals extension of the previous bullish trend. The same might bring the prices to test towards its resistance zone of 556-558.
- ❖ However, any near term decline due to long liquidation might find strong support near 545.
- ❖ RSI stands supportive to the prices and remains in tandem with the price direction with no divergence seen. The same might keep bullish trend intact.

Strategy: Buy CPO in MCX (Mar. contract) in the range of 548-549 for a target of 556 -558 with a stop loss at 544.00 on closing basis.

CPO MCX (March)

Support and Resistance				
S2	S1	PCP	R1	R2
540	545	545.60	556	558

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

Commodity	Centre	Prices(Per 10 Kg)		Change
		18.2.2012	13.2.2012	
Refined Soybean Oil	Kota(Loose)	700	675	-5
	Rajkot (Loose)	670	660	+10
	Jaipur (Loose)	695	685	+10
	Hyderabad+ VAT	-	-	-
	Delhi (Loose)	720	710	+10
	Kakinada	-	-	-
	Mumbai +VAT	670	663	+7
	Indore	673	668	+5
	Soy Degum Mumbai+VAT	645	640	+5
	SoyDegum Kandla/Mundra+VAT	645	640	+5
	Haldiya Port (Loose)	676	671	+5
	Akola (Loose)	701	696	+5
	Amrawati (Loose)	701	696	+5
	Jalna	703	696	+7
	Nagpur	706	701	+5
Palm Oil	Chennai.RBD.Palmolein.(Loose)	570	565	+5
	Hyd. RBD Palmolein VAT	-	-	-
	Delhi RBD Palmolein (Loose)	615	610	+5
	Kandla CPO (5%FFA)	530	520	+10
	Kakinada.RBD.Palmolein(Loose)	573	566	+7
	Mumbai RBD Pamolein+ VAT	570	565	+5
	Kandla RBD Palmolein +VAT	568	562	+6
Refined Sunflower Oil	Mumbai + VAT	680	675	+5
	Kandla/Mundra	625	615	+10
	Erode (Exp. Oil)+VAT	660	660	+5
	Hyderabad Exp +VAT	651	646	+5

	Chennai (Loose)	682	680	+2
	Bellary (Exp. Oil)+VAT	616	611	+5
	Latur (Exp. Oil)+VAT	636	621	+15
	Chellakere (Exp. Oil)+VAT	616	616	Unch
Groundnut Oil	Rajkot (Loose)	1100	1065	+35
	Chennai (Loose)	980	980	Unch
	Delhi (Loose)	1120	1075	+40
	Hyderabad Exp +VAT	1011	971	+41
	Mumbai + VAT	1080	1060	+20
	Gondal+VAT	1120	1075	+45
	Jamnagar +VAT	1120	1080	+40
	Narsarropeth+VAT	991	911	+80
	Prodattour+VAT	971	951	+20
Rapeseed Oil	Mumbai (Exp. Oil) +VAT	722	752	-30
	Alwar (Expeller Oil)(Loose)	764	746	+18
	Kota (Expeller Oil) (Loose)	725	710	+15
	Jaipur (Expeller Oil) (Loose)	730	720	+10
	Delhi (Exp. Oil) (Loose)	795	760	+35
	SriGangaNagar(ExpOil-Loose)	741	731	+10
	Hapur+VAT	780	750	+30
	Kolkatta	-	-	-
	Agra (Kacchi Ghani Oil) +VAT	775	760	+15
Refined Cottonseed Oil	Mumbai +VAT	622	620	+2
	Rajkot (Loose)	625	610	+15
	Delhi (Loose)	625	610	+15
	Hyderabad (Loose)	-	-	-
Sesame Oil	Delhi	785	775	+10
	Mumbai	780	780	Unch
Rice Bran Oil (40%)	Delhi	555	545	+10
	Punjab	510	510	Unch
Rice Bran Oil (70%)	Delhi	450	430	+20
Malaysia Palmolein USD/MT	FOB (Feb Shipment)	1095	1080	+15
	CNF(Feb) - India	1055	1040	+15
Indonesia/Malaysia CPO USD/MT	FOB (Feb Shipment)	1115	1095	+20
	CNF(Feb) - India	1085	1065	+20
Argentina FOB (\$/MT)		17.2.2012	11.2.2012	Change
Crude Soybean Oil Ship (Feb)		1185	-	-
Refined Soy Oil (Bulk) Ship (Feb)		1226	-	-



Sunflower Oil Ship (Feb)	1115	-	-
Cottonseed Oil Ship (Feb)	1165	-	-
Refine Linseed Oil(Bulk) Ship (Feb)	1205	-	-

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.