



Veg. Oil Monthly Research Report

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Domestic Veg. Oil Market Summary:

Edible oil basket witnessed mixed tone during the month under review. Sesame and groundnut oil featured gains on bullish fundamentals. However, refined soybean and sunflower oil quoted lower on limited buying and adequate supply against active buying.

Sesame oil was the top gainer among the edible oil pack and prices rose 28.2 percent followed by groundnut oil due to lower availability of raw material. However, mild recovery witnessed in the CPO Kandla 5% on bullish international palm oil market and weakness in the Indian rupee against US dollar makes edible oil import costlier. However, refined soybean and sunflower oil witnessed losses during the month under review

Sown area for Rabi oilseed stood at 80.99 lakh hectares as on 03 Jan. 2013 up 1.98 % compared to corresponding period last year - Ministry of Agriculture.

On the currency front, Indian rupee against USD closed at 54.98, down 0.72 percent as compared to the previous week. We expect edible oil complex to trade sideways in the days ahead on seasonal demand for the edible oils. However, average demand for soy meal in the international counters and higher palm oil stocks in the South East Asian countries may cap upside.

International front,

CBOT soy oil (Jan) is expected to stay in the range 47.50 cents/lb to 52.00 cents/lb. CPO at BMD (March) is likely to trade sideways and stay in the range of 2335-2500 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 soybean production estimate.

Recommendation:

We recommend 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 and go long in CPO in the range of 442-445 for a target of 422 and 425 with a stop loss at 389 on closing basis. Market Participants can buy refined soy oil Indore in the cash markets at 425-430 for the target of 455-460, if needed.

International Veg. Oil Market Summary:

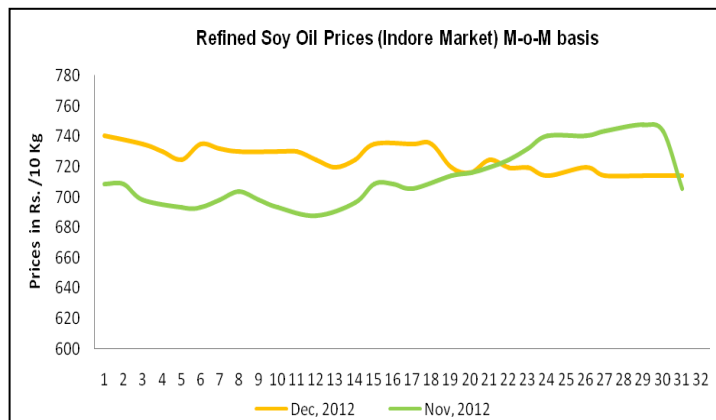
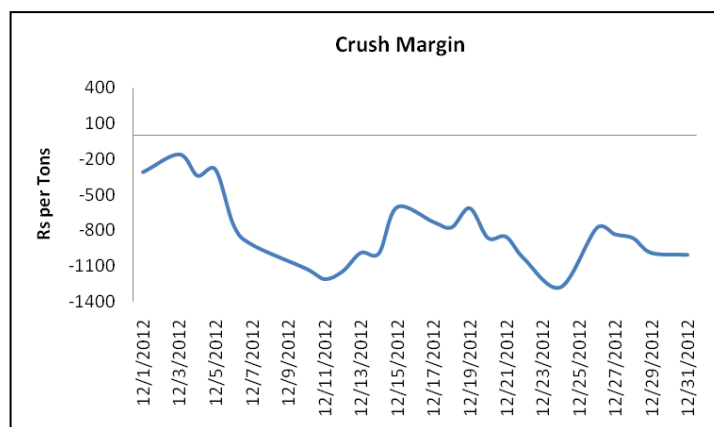
Malaysian palm oil products exports for December fell 7.9 percent to 1,518,750 tons compared with 1,648,162 tons shipped during November - Societe Generale de Surveillance.

China canceled another 315,000 tons of US soybean purchases for the 2012/13 MY and in expectation of higher South America soybean production may weigh on the CBOT soy oil prices in the near term. Moreover, in some parts of Brazil soybean harvest has begun.

Revised crude palm oil export tax and in anticipation of higher shipment to India and Europe could ease record palm oil stocks. However, stringent quality norms of China with effect from January 1 may depress Chinese buying prospects. Market participants eyeing on the palm oil export figures and MPOB's report on Malaysian palm oil statistics in the next week, which may confirm fresh directional moves.

Soy oil:
Domestic Market Fundamentals

- Ref. soy oil prices featured steady to slight weak due to bearish cues from CBOT soy oil and lackluster trade activities.
- Soy oil demand at domestic front is moderate. However, lower than expected soybean crushing and slow soybean selling by farmers featured in the market. As per Solvent Extractors' Association of India, Indian buyers bought 14,160 tons of crude soy oil (degummed) in November.
- As per sources, lower export demand from traditional Indian based oil meal buyers may weigh on the oil complex in the near term. However, upcoming wedding season and need based demand for edible oils may limit downside.
- Refined soy oil may trade steady to slight firm note in the coming month on upcoming wedding season. However, higher South American soybean production estimates and average demand for soy meal 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 and soy oil prices.

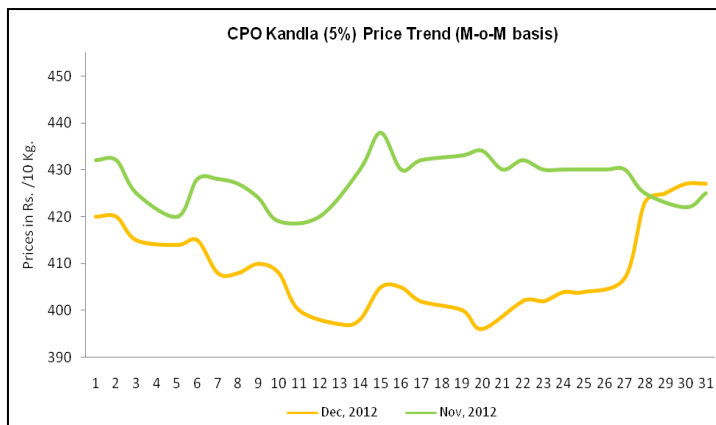
International Market Fundamentals

- As per Buenos Aires Grains Exchange, farmers have planted 80.1 percent of the estimated acreage for soybean to 19.355 million hectares as on 20 Dec, down 0.5 percent from the previous year. The total soybean area is projected at 19.7 million hectares for 2012/13. Early Argentina soybean acreage lagging would offset by higher planting in the distant part of the country due to the beneficial moisture.
- According to Oil World, China's soybean imports are likely to climb 4.2 per cent in the year through September. China is predicted to import 19.8 million tons of soybeans from the U.S. in the six months through March compared with 16.6 million tons in the year-earlier October to March period.
- China canceled another 315,000 tons of US soybean purchases for the 2012/13 MY and in expectation of higher South America soybean production may weigh on the CBOT soy oil prices in the near term. Moreover, in some parts of Brazil soybean harvest has begun.

Price Outlook: We expect Ref. soy oil with VAT to trade in the price band of Rs 705-740 per 10 Kg.

Palm oil:
Domestic Market Fundamentals

- CPO kandla 5% prices featured sideways to firm tone in December in line with the bullish international palm oil market. Moreover, active buying stockists and wholesalers support domestic prices.
- Government has slashed the base import price for RBD palmolein to \$835 per tons from \$872 per tons. However, the other crude and refined oils have been left unchanged.
- Palm oil quoted higher on improved buying from vanaspati millers and wholesalers covered need based position in the bygone week due to upcoming wedding season.
- Palm oil may trade steady to firm note in the coming month on bullish Malaysian market and demand may shift to cheaper palm oil in the near term. However, in expectation of higher palm products imports in the coming month may limit upside.


International Market Fundamentals

- Malaysian palm oil products exports for December fell 7.9 percent to 1,518,750 tons compared with 1,648,162 tons shipped during November - Societe Generale de Surveillance.

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

Palm Products	Dec	Nov	% Change
Crude palm oil	448,815	449,621	-0.18
RBD palm oil	114,390	126,364	-9.48
RBD palm olein	630,262	719,574	-12.41
RBD palm stearin	98,698	153,694	-35.78
Crude palm kernel oil	25,640	42,070	-39.05
Oleochemicals	46,977	40,245	16.73

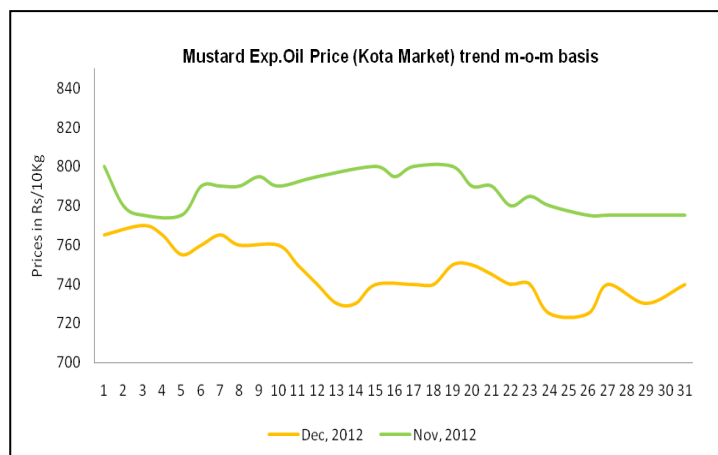
Top Palm Products Importers	Dec	Nov	% Change
European Union	258,260	280,948	-8.08
China	349,582	516,760	-32.35
Pakistan	134,150	96,575	38.91
United States	107,007	120,528	-11.22
India	262,461	168,146	56.09

- India imported 262,461 tons of palm oil products from Malaysia during December, up 56 percent from previous month. However, Chinese and European palm oil imports were lag by 35.32 and 8.08 percent respectively on M-o-M basis.
- Malaysian palm oil ending stocks is likely to ease by 2.5 percent to 24.9 lakh tons from November. However, Malaysia's palm oil output in November may fall by 10 percent to 16.9 lakh tons from a month ago on seasonally lower palm oil production – Reuters Poll.
- Indonesia cuts its crude palm oil export tax by 1.5 percent to 7.5 percent for January. Moreover, Indonesian government also reduces RBD palmolein export tax to 2 percent for January - Trade Ministry.
- As per GAPKI, Indonesian palm oil exports for 2013 seen at 170-180 lakh tons, up 9 percent compared to the previous year on improving global economic condition which may improve palm oil demand prospects. However, current palm oil stocks in Indonesia seen at 30 -40 lakh tons which is higher than the normal levels.
- Revised crude palm oil export tax and in anticipation of higher shipment to India and Europe could ease record palm oil stocks. However, stringent quality norms of China with effect from January 1 may depress Chinese buying prospects. Market participants eyeing on the palm oil export figures and MPOB's report on Malaysian palm oil statistics in the next week, which may confirm fresh directional moves.

Price Outlook: We expect CPO Kandla 5% to trade in the price band of Rs 422-460 per 10 Kg.

Rapeseed oil:
Domestic Market Fundamentals

- Rapeseed oil featured weak tone during the month of December in anticipation of higher RM seed production in the current Rabi season.
- As per Ministry of Agriculture, sown area for Rabi mustard seed stood at 66.18 lakh hectares as on 03 Jan. 2013, up 2.84 percent compared to the corresponding period last year.
- Market participants eyed on weather conditions over Key RM seed producing regions, which could give fresh directional moves in the near term. However, overall RM seed oil fundamentals are weak due to higher supply of cheaper palm oil products and higher mustard acreage in the current Rabi season.
- We expect RM seed oil prices may trade range bound tone in the coming days in expectation of higher production 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.

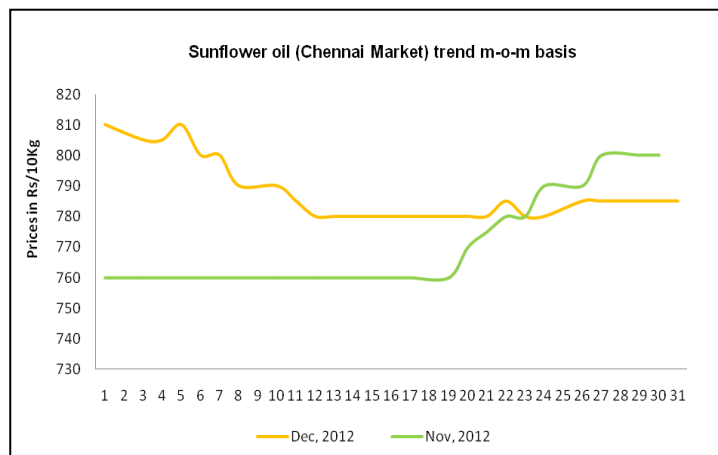

International Fundamentals:-

- According to Oil World, the European Union 2013 rapeseed crop may witness an expected rise to 20.50 million tons from 19.07 million tons in 2012 on increased rapeseed plantings.

Price Outlook: We expect Rapeseed oil (Kota) to trade in the price band of Rs 725-765 per 10 Kg.

Sunflower oil:
Domestic Market Fundamentals

- Sunflower oil featured steady to weak tone during the month of December on bearish cues from international sunflower oil market. Moreover, new sun oil stocks at ports weigh on the sentiments.
- As per Ministry of Agriculture, sown area for Rabi Sunflower stood at 4.38 lakh hectares as on 04 Jan. 2013 up 16.18 % compared to corresponding period last year. Higher planting witnessed in Karnataka and Tamil Nadu.
- Thin trading witnessed at Chennai market during the week under review and buyers remained cautious, as new sunflower crop is likely to hit the market in the month of January.


International Fundamentals:-

- Farmers have planted 99 percent (1.632 million hectares) of the estimated acreage for soybean to 1.635 million hectares as on 27 Dec, down 1 percent from the corresponding period last year - Argentina's Agriculture Ministry

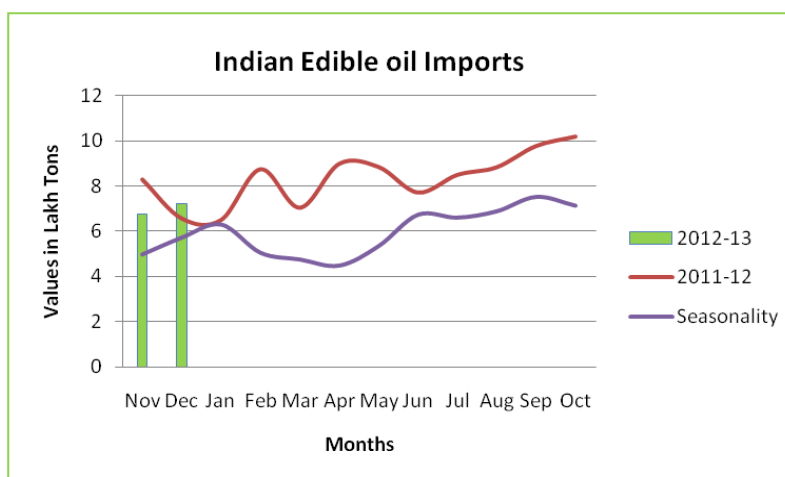
Price Outlook: We expect Rapeseed oil (Kota) to trade in the price band of Rs 765-800 per 10 Kg.

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

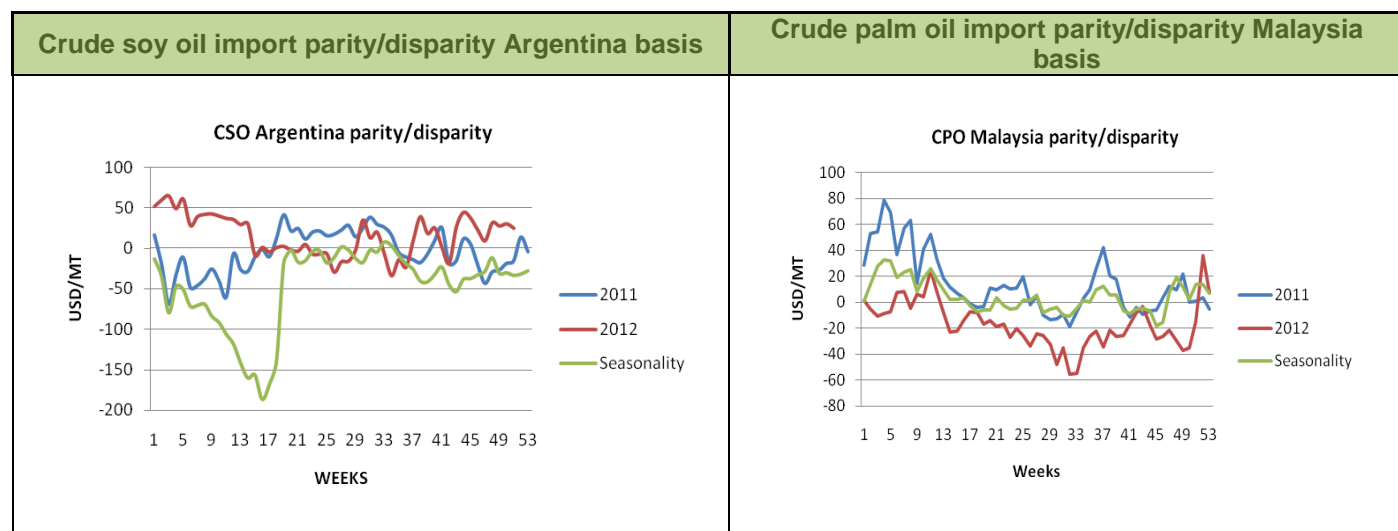
Net edible oil output would likely be 8.34 Million MT in 2012/13 on the back of higher soybean production in the current year. On import front, Edible oil imports likely to surge by 5.32 percent compared to previous year. Higher imports are mainly due to meet rising domestic consumption. Total demand 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 Dec. 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 Dec. is likely to increase by 7-8 percent on M-o-M basis.

Landed Cost at the Indian Ports - Crude soy oil

Landed Cost Calculation as on 04/01/2013	CSO Argentina	CSO Brazil	CSO US
FOB USD per ton	1109	1085	989
Freight (USD/MT)	65	55	50
C & F	1174.0	1140.0	1038.5
Weight loss (0.25% of FOB)	2.77	2.71	2.47
Finance charges (0.4% on CNF)	4.44	4.34	3.95
Insurance (0.3% of C&F)	4	3	3
CIF (Indian Port - Kandla)	1185	1151	1048
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	54.84	54.84	54.84
Landed cost without customs duty in INR per ton	64971	63094	57477
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	65407	63530	57913
Domestic Market price INR per ton Soy Degum Kandla	68500	68500	68500
Total landed cost USD per ton	1193	1158	1056
Domestic Market price USD per ton Soy Degum Kandla	1249	1249	1249
Parity INR/MT (Domestic - Landed)	3093	4970	10587
Parity USD/MT (Domestic - Landed)	56.41	90.64	193.06
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. However, palm oil import parity may narrow in the coming week.

Currency Technical Analysis



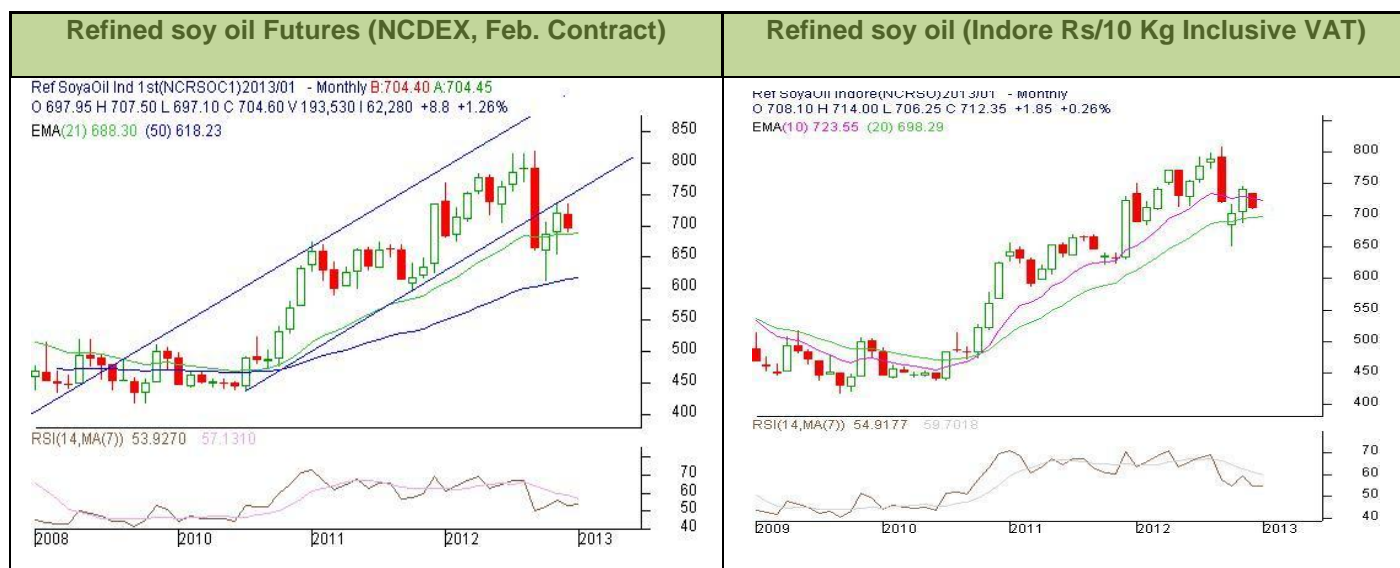
Technical Summary for INR

Moving Averages		MA (9)		MA(21)	
Exponential		54.11		52.03	
Technical Indicators		RSI (21)		SSTK/SSTD(9,3,3)	
		63.77		71.58/69.36	
Support and Resistance					
S2	S1	PCP	R1	R2	
53.00	54.00	55.29	56.50	57.32	

Expected Price Band and Outlook

Indian Rupee	We observed weakness in the monthly INR against USD technical chart. Indian rupee is likely to trade sideways to weak tone against US dollar in the coming month. RSI is near to oversold zone. We see a range of 56.50-57.32 on the higher side in the coming month and lower level as 54.00 and below that, we may see selling pressure until 53.00.
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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 (Feb. contract).

- ❖ Monthly chart of refined soy oil at NCDEX featured losses. We expect steady to firm movement in the coming days. Breaching 702-705 levels may lead to bulls rally in the prices.
- ❖ 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 month is 677-729 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.

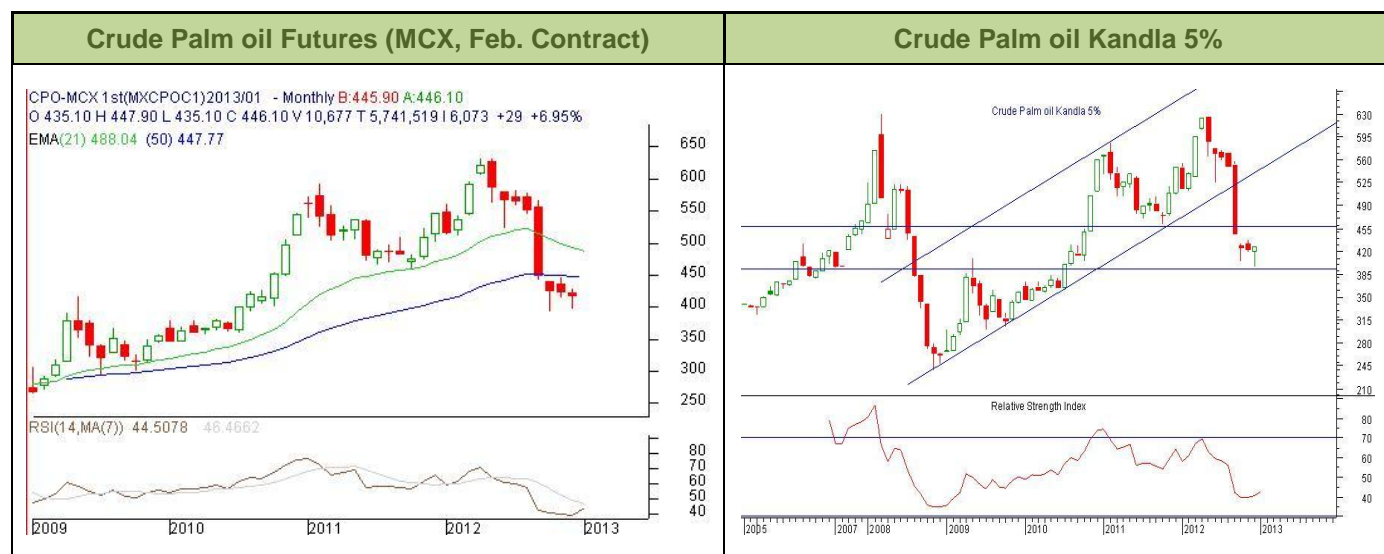
Strategy: Market participants are advised to go long in RSO in the range of 702-705 for a target of 722 and 729 with a stop loss at 693.50 on closing basis.

RSO NCDEX

Support and Resistance				
S2	S1	PCP	R1	R2
658.00	670.00	693.90	741.00	749.00

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 Feb contract.

- ❖ Candlestick Weekly chart of crude palm oil at MCX depicts sideways movement. We expect prices may trade with a steady tone in near term.
- ❖ Any close below 436 in weekly chart shall change the sentiments and might bring the prices to a bearish phase.
- ❖ Expected price band for next month is 442-463 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 442-445 for a target of 457 and 463 with a stop loss at 436 on closing basis.

CPO MCX

Support and Resistance				
S2	S1	PCP	R1	R2
425.00	432.00	450.40	471.00	480.00

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
		12/31/2012	11/30/2012	
Refined Soybean Oil	Kota(Loose)	700	720	-20
	Rajkot (Loose)	680	680	Unch
	Jaipur (Loose)	-	-	-
	Hyderabad+ VAT	-	-	-
	Delhi (Loose)	-	-	-
	Kakinada	-	-	-
	Mumbai +VAT	678	708	-30
	Indore	680	708	-28
	Soy Degum Mumbai+VAT	665	682	-17
	SoyDegum Kandla/Mundra+VAT	680	685	-5
	Haldiya Port (Loose)	-	-	-
	Akola (Loose)	704	731	-27
	Amrawati (Loose)	704	731	-27
	Jalna	700	727	-27
	Nagpur	704	-	-
Palm Oil	Chennai.RBD.Palmolein.(Loose)	508	510	-2
	Hyd. RBD Palmolein VAT	-	540	-
	Delhi RBD Palmolein (Loose)	540	-	-
	Kandla CPO (5%FFA)	427	422	5
	Kakinada.RBD.Palmolein(Loose)	501	-	-
	Mumbai RBD Pamolein+ VAT	500	500	Unch
	Kandla RBD Palmolein +VAT	500	490	10
Refined Sunflower Oil	Mumbai + VAT	780	780	Unch
	Kandla/Mundra	715	720	-5
	Erode (Exp. Oil)+VAT	785	810	-25
	Hyderabad Exp +VAT	761	830	-69
	Chennai (Loose)	785	800	-15
	Bellary (Exp. Oil)+VAT	663	688	-25
	Latur (Exp. Oil)+VAT	721	736	-15
	Chellakere (Exp. Oil)+VAT	706	731	-25
Groundnut Oil	Rajkot (Loose)	1310	1280	30
	Chennai (Loose)	1140	1120	20
	Delhi (Loose)	-	-	-
	Hyderabad Exp +VAT	1209	1135	74



	Mumbai + VAT	1280	1260	20
	Gondal+VAT	1300	-	-
	Jamnagar +VAT	1310	-	-
	Narsarropeth+VAT	1151	1021	130
	Prodattour+VAT	1151	1126	25
Rapeseed Oil	Mumbai (Exp. Oil) +VAT	785	805	-20
	Alwar (Expeller Oil)(Loose)	803	826	-23
	Kota (Expeller Oil) (Loose)	740	775	-35
	Jaipur (Expeller Oil) (Loose)	789	811	-22
	Delhi (Exp. Oil) (Loose)	811	825	-14
	SriGangaNagar(ExpOil-Loose)	776	801	-25
	Hapur+VAT	857	862	-5
	Kolkata	-	-	-
	Agra (Kacchi Ghani Oil) +VAT	850	875	-25
Refined Cottonseed Oil	Mumbai +VAT	625	675	-50
	Rajkot (Loose)	635	690	-55
	Delhi (Loose)	-	-	-
	Hyderabad (Loose)	-	-	-
Sesame Oil	Delhi	-	-	-
	Mumbai	1270	990	280
Coconut Oil	(Crude Rs/10kg) - Kangayan	670	615	55
Kardi	Mumbai	1200	1200	Unch
Rice Bran Oil (40%)	Delhi	-	-	-
Rice Bran Oil (4%)	Punjab	515	535	-20
Rice Bran Oil (70%)	Delhi	-	-	-
Malaysia Palmolein USD/MT	FOB (Jan Shipment)	810	790	20
	CNF (Jan) India	850	820	30
Indonesia/Malaysia CPO USD/MT	FOB (Feb Shipment)	780	735	45
	CNF (Jan) India	783	753	30
Argentina FOB (\$/MT)		12/28/2012	11/30/2012	Change
Crude Soybean Oil Ship (Dec)		1100	1118	-18
Refined Soy Oil (Bulk) Ship (Dec)		1139	1157	-18
Sunflower Oil Ship (Dec)		-	-	-
Cottonseed Oil Ship (Dec)		1080	1098	-18
Refined Linseed Oil (Bulk) Ship (Dec)		-	-	-



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