



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

Outlook and Review:

Domestic Front

Most of the edible oils quoted higher during the month under review on better buying and seasonal demand. Sesame, soybean, palm and sunflower oil featured gains on bullish fundamentals and supportive international market. However, mustard and groundnut oil featured losses.

Sesame oil was the top gainer among the edible oil pack and prices rose 15.7 percent on M-o-M basis followed by soybean (Indore) and palm (Kandla 5%) oil 7.3 and 4.68 respectively on bullish cues from international market and better buying at physical market. However, mustard oil witnessed losses in expectation of higher mustard seed production in the current season.

Sown area for Rabi oilseed stood at 86.23 lakh hectares as on 31 Jan. 2013 up 1.90 % compared to corresponding period last year - Ministry of Agriculture.

On the currency front, Indian rupee against USD closed at 53.21, up 1.77 percent as compared to the previous month which makes edible oil imports cheaper, but trims the returns of oil meals exporters. We expect edible oil complex to trade sideways to weak tone in the days ahead on upcoming Rabi oilseed arrivals and in expectation of higher supplies from South American countries. However, ongoing marriage season may cap excessive downside.

International Veg. Oil Market Summary:

CBOT soy oil (Mar) is expected to stay in the range 48.00 cents/lb to 53.50 cents/lb. CPO at BMD (March) is likely to trade sideways and stay in the range of 2400-2620 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.

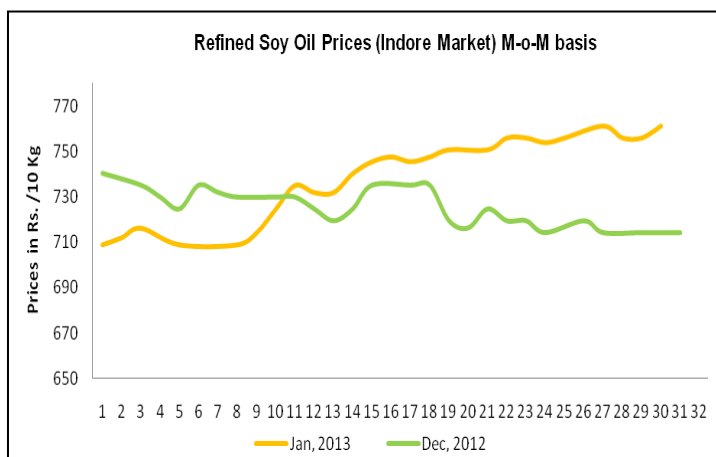
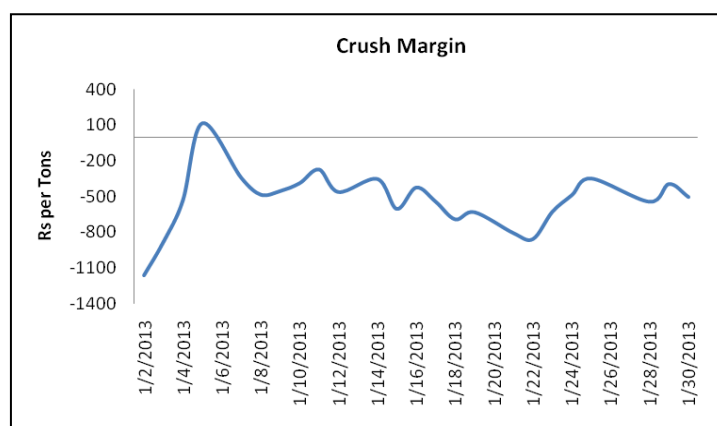
Malaysian palm oil products exports for January fell 6.4 percent to 1,421,865 tons compared with 1,518,750 tons shipped during December - Societe Generale de Surveillance.

The market expects Argentina soybean production near to 530 lakh tons vs. the current USDA estimate of 540 lakh tons. Brazilian estimates near 826 lakh tons vs. the current USDA forecast of 82.50 lakh tons. Medium term outlook – higher South American soybean production favors the bears. However, talks of dry weather concern over Argentina may limit excessive losses.

Higher palm oil stocks at South East Asian countries and non aggressive buying from top buyers may impede bullishness in the coming days. 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 firm tone due to bullish cues from international CBOT soy oil and seasonal demand underpin the domestic prices during the month in review.
- Sources revealed that soy oil demand at major physical counters is moderate. However, strong Indian rupee against US dollar and in view of higher soybean production in South American countries might weigh on the market sentiments.
- India's total vegetable oil imports are likely to rise by 15% to around 115 lakh tons in the current marketing year ending October 2013 due to cheaper availability of imported edible oils - SEA of India.
- We expect soy oil may trade with a steady to weak bias on dull demand for oil meals and upcoming Rabi oilseed arrivals may weigh on the markets. However, ongoing wedding season may limit excessive gains.


Soybean crush margin (Indore basis):-

Outlook:-

Indore crush margin disparity narrows during the initial days of the month but couldn't sustain in the positive side due to dull demand in oil meal. We expect crush margin disparity may widen in the near term in expectation of higher relative losses in oil and meal compared to soybean.

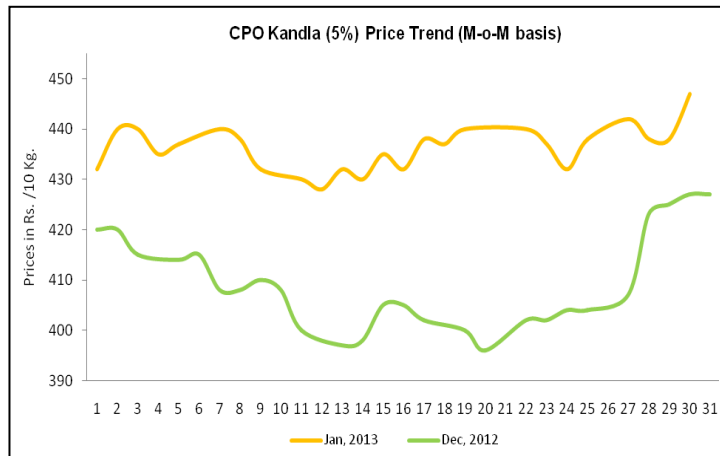
International Market Fundamentals

- Chinese soybean stocks may fall to 20 percent by the end of March on expectations of lower imports and high production by crushers. CNGOIC estimated China's soy imports in the first quarter of 2013 at about 116 lakh tons; down 13 percent from first quarter of 2012 to 132.6 lakh tons.
- Oil World has cut its estimate of Argentina's 2012-13 soybean harvest to 52 million tons from previous estimate of 53 million tons over concerns of dryness in producing areas. However, Brazil's 2012-13 season soybean crop harvest estimate has been raised to 81.5 million tons from 81 million tons forecast in December on improved weather conditions.
- The market expects Argentina soybean production near to 530 lakh tons vs. the current USDA estimate of 540 lakh tons. Brazilian estimates near 826 lakh tons vs. the current USDA forecast of 82.50 lakh tons. Medium term outlook – higher South American soybean production favors the bears. However, talks of dry weather concern over Argentina may limit excessive losses.

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 firm tone in December in line with the bullish international palm oil market. Moreover, stockists covered need based position in ready to use palm oil for the ongoing wedding season.
- Indian government has set a base price for crude palm oil imports at \$815 per tons to prevent under-invoicing by local buyers and 2.5% import tax rate on crude oil shipments. Indian palm oil including crude and refined imports has surged by 8.06 percent to 1,397,665 tons till Dec in the current oil year as compared to the corresponding period last year.
- India may go for a second round of an import duty hike on edible oils to protect domestic oilseed farmers and expect the government would raise import duty on unrefined oils to 10 percent and 17.5 percent on refined oils by the end of March 2013 - Mistry.
- As per sources, improved buying could be witness from vansaspati millers due to upcoming marriage season in the February, which may support palm oil prices in the coming days. However, higher palm oil inventories in the South East Asian countries favors bear in the medium term.
- Palm oil may trade steady to weak note in the coming month on higher palm products imports in the coming month. However, excessive losses might be cap due to cheaper availability of palm oil products.


International Market Fundamentals

- Malaysian palm oil products exports for January fell 6.4 percent to 1,421,865 tons compared with 1,518,750 tons shipped during December - Societe Generale de Surveillance.

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

Palm Products	Jan	Dec	% Change
Crude palm oil	324,187	448,815	-27.77
RBD palm oil	140,849	114,390	23.13
RBD palm olein	572,227	630,262	-9.21
RBD palm stearin	137,405	98,698	39.22
Crude palm kernel oil	18,260	25,640	-28.78
Oleochemicals	56,990	46,977	21.31

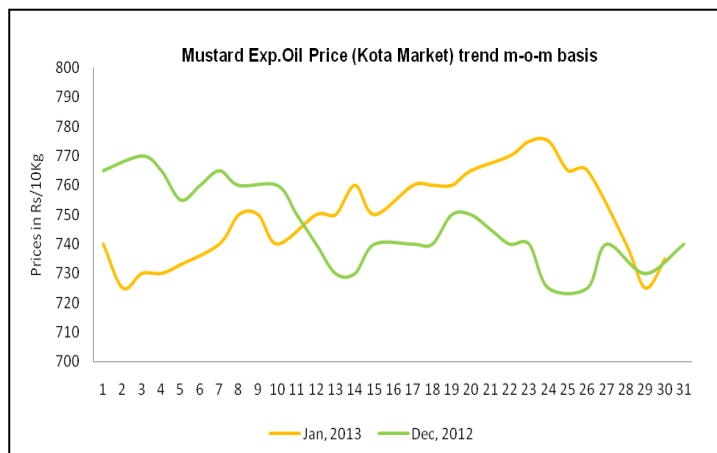
Top Palm Products Importers	Jan	Dec	% Change
European Union	162,917	258,260	-36.92
China	288,250	349,582	-17.54
Pakistan	142,830	134,150	6.47
United States	173,045	107,007	61.71
India	157,550	262,461	-39.97

- India imported 157,550 tons of palm oil products from Malaysia during January, down 39.97 percent from previous month. Moreover weak buying witnessed from Chinese and European palm oil buyers and imports were lag by 17.54 and 36.92 percent respectively on M-o-M basis.
- Palm oil exports from Indonesia fell 4 percent to 1.896 million tons in December compared to the previous month. Exports to India in Jan – Dec 2012 were 5.851 million tons, while China and EU received 2.960 and 4.167 million tons respectively. - Sources. On South East Asian palm oil stocks, current inventories in Indonesia are about 5 million tons and do not expect Malaysian stocks to decline below 2 million tons in the coming months – Mistry.
- Malaysian palm oil ending stocks is likely to ease by 2.9 percent to 25.5 lakh tons from December. However, Malaysia's palm oil output in December may fell by 15 percent to 15.1 lakh tons from a month ago on seasonally lower palm oil production – Reuters Poll.
- Higher palm oil stocks at South East Asian countries and non aggressive buying from top buyers may impede bullishness in the coming days. 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 425-460 per 10 Kg.

Rapeseed oil: Domestic Market Fundamentals

- Rapeseed oil featured range bound to slightly firm tone during the month of January on seasonal demand and diminishing RM seed stocks. However, higher mustard seed acreage and good crop prospects limit upside.
- As per Ministry of Agriculture, sown area for Rabi mustard seed stood at 67.17 lakh hectares as on 31 Jan. 2013, up 2.78 percent compared to the corresponding period last year.
- Farm sources revealed that mustard seed harvesting have commence in key growing belt of Uttar Pradesh (Hapur and Agra) and is likely to pickup pace in the coming days. Moreover, no major crop loss witnessed over major RM seed producing regions of Rajasthan and harvesting may starts in coming 8-10 days.
- Indian government removes limits on edible oils export with a minimum export price of \$1500 per tons without any volume restrictions to cater small expatriate appetite for cooking oils. Branded small pack cooking oils has been allowed until 30 Sept 2013. India mainly exports groundnut, rapeseed, and coconut oil in consumer packs to the U.S., Middle East, and Europe.
- We expect RM seed oil prices may fall followed by new crop arrivals in the coming days. However, seasonal demand for edible oils in the winter season may limit excessive downside.



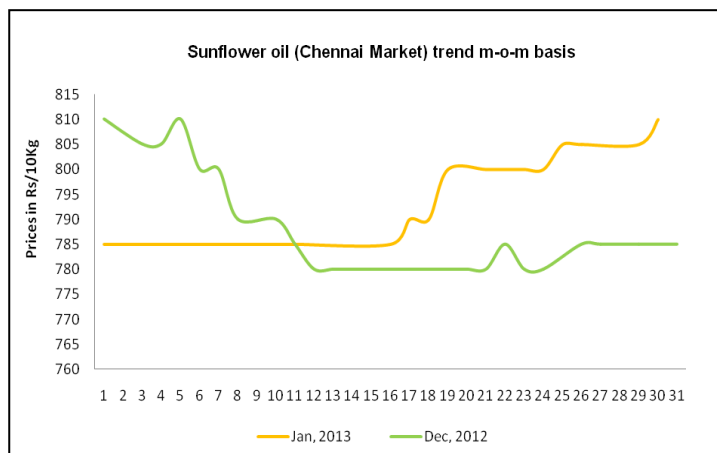
International Fundamentals:-

- Canadian farmers are expected to sown spring's canola crop in 7.7 Mln Ha, down 10 percent from last year due to disappointing canola yields last year, disease problems due to lack of crop rotation, higher wheat prices, increased soybean planting and may switch to wheat on relatively attractive than canola. Moreover, canola production seen at 14.5-15 Mln T. last year canola output was 13.9 Mln T- Oil World.
- Informa Economics trims its global 2013/14 (Jun/May) rapeseed production estimate to 65.2 Mln. T (previous forecast: 65.3) comprise of EU-27 at 20.7 (20.8) Mln. T, in Canada at 16.5 (16.5) Mln. T, in China at 12.8 (12.8) Mln. T and in India at 6.9 (6.9) Mln. T.

Price Outlook: We expect Rapeseed oil (Kota) to trade in the price band of Rs 700-760 per 10 Kg.

Sunflower oil: Domestic Market Fundamentals

- Sunflower oil featured steady to firm tone during the month of January on better buying from wholesalers and supportive international market.
- Indian government raised import duty to 2.5 percent on crude edible oils grade, which will make sunflower oil imports costlier from European Union. However, upcoming crop from Karnataka would limit upside. Indian buyers imported 66,000 tons of sunflower oil during the month of December, up 45 percent on M-o-M basis – Sea of India.
- As per Ministry of Agriculture, sown area for Rabi Sunflower stood at 4.89 lakh hectares as on 31 Jan. 2013 up 13.1 % compared to corresponding period last year. Higher planting witnessed in Karnataka.



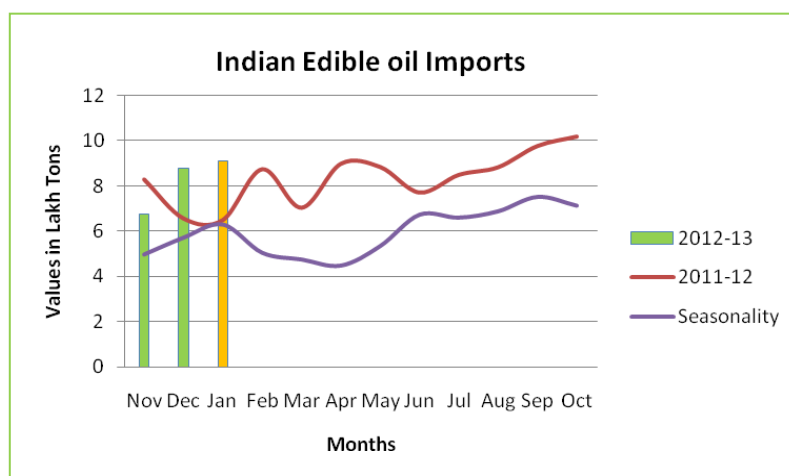
Price Outlook: We expect Rapeseed oil (Kota) to trade in the price band of Rs 765-800 per 10 Kg.

Indian Supply and Demand Scenario:

Balance sheet of Indian Edible Oil	2010-11	2011-12	2012-13	% Change
Beginning Stock	0.67	0.52	1.29	147.47
Production	7.98	8.04	8.34	3.77
Imports	8.37	9.98	9.90	-0.80
Total Supply	17.02	18.54	19.53	5.34
Exports
Total Demand(Consumption)	16.50	17.25	18.10	4.93
Ending Stock	0.52	1.29	1.43	10.88

Balance Sheet Highlights

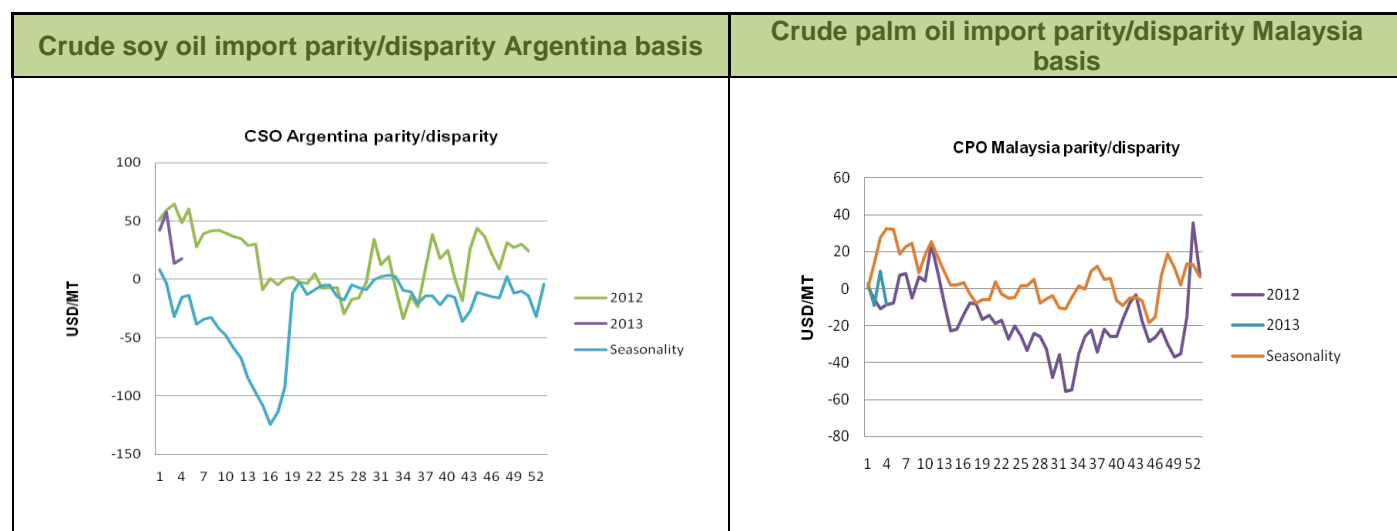
Net edible oil output would likely be 8.34 Million MT in 2012/13 on the back of higher soybean and mustard seed production in the current year. On import front, Edible oil imports likely to fell by 0.80 percent compared to previous year. Total demand of Indian edible oil is likely to grow at a rate of 4.93%. Ending stocks are projected higher compared to 2012-13 at 1.43 million tons.

Indian edible oil imports for Jan. 2013 projection –:


As per Solvent Extractors' Association of India, India imported 1.55 million tons of edible oil in the 2013 oil year (Nov.-Oct). However, edible oil imports were 1.48 million tons in the corresponding period last year. We expect Indian edible oil imports for the month of Jan. is likely to increase by 5-6 percent on M-o-M basis.

Landed Cost at the Indian Ports - Crude soy oil

Landed Cost Calculation as on 1/2/2013	CSO Argentina	CSO Brazil	CSO US
FOB USD per ton	1164	1133	1124
Freight (USD/MT)	65	55	50
C & F	1229.0	1188.0	1174.0
Weight loss (0.25% of FOB)	2.91	2.83	2.81
Finance charges (0.4% on CNF)	4.66	4.53	4.50
Insurance (0.3% of C&F)	4	4	4
CIF (Indian Port - Kandla)	1240	1199	1185
CVD	0	0	0
Duty USD per ton	29.75	29.75	29.75
CVD value USD per ton	0	0	0
Cess (2% on duty) USD per ton	0.595	0.595	0.595
Exchange rate	53.3238	53.3238	53.3238
Landed cost without customs duty in INR per ton	66135	63931	63180
Customs duty %	2.5%	2.5%	2.5%
Base import price	1190	1190	1190
Fixed exchange rate by customs department	55.25	55.25	55.25
Duty component in INR per ton	1643.6875	1643.6875	1643.6875
Clearing charges INR per ton	353	353	353
Brokerage INR per ton	83	83	83
Total landed cost INR per ton	68215	66011	65259
Domestic Market price INR per ton Soy Degum Kandla	70000	70000	70000
Total landed cost USD per ton	1279	1238	1224
Domestic Market price USD per ton Soy Degum Kandla	1313	1313	1313
Parity INR/MT (Domestic - Landed)	1785	3989	4741
Parity USD/MT (Domestic - Landed)	33.48	74.81	88.91
Source: Agriwatch/ Reuters , Argentina prices - Ministry of Agriculture			

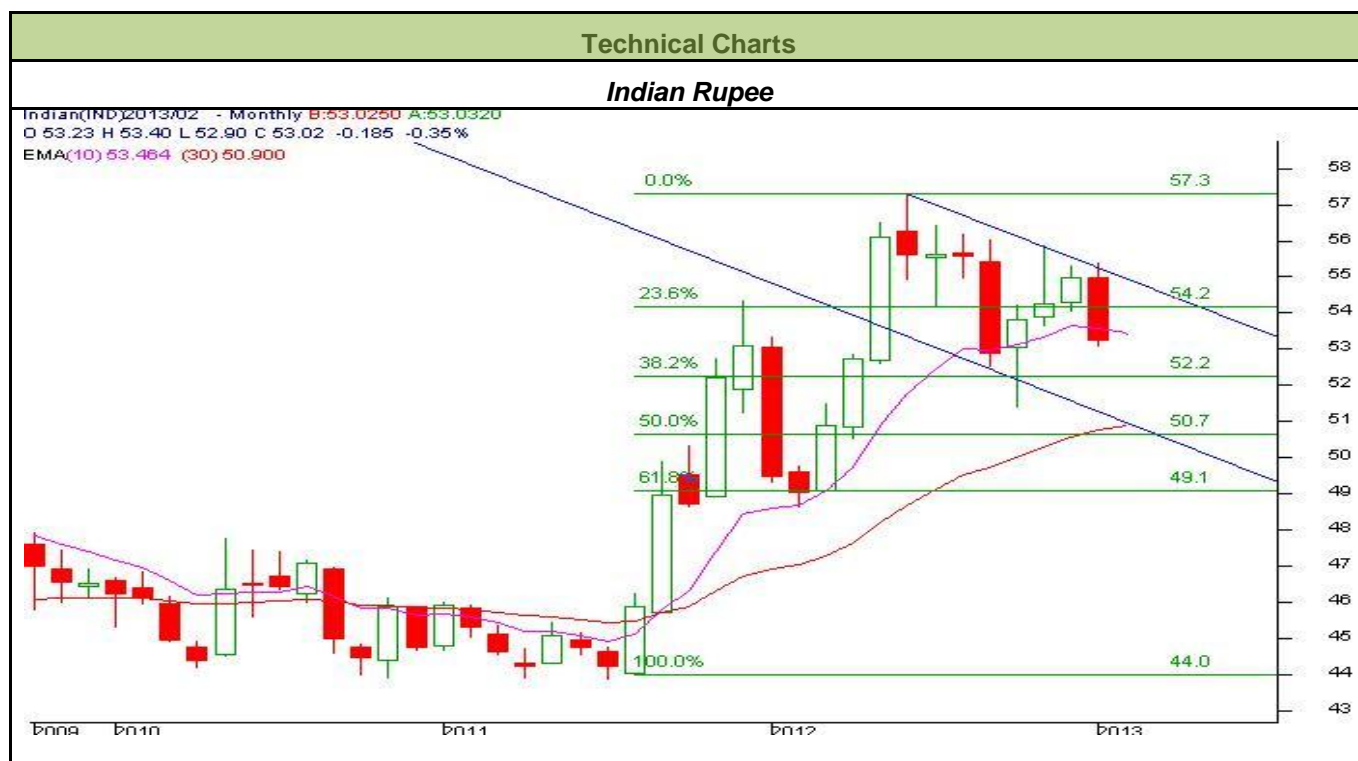


* Seasonality based on 2009-2011 data averages for CPO Malaysia and 2010-11 data averages for CSO Argentina.

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 near to negative side in the coming month in view of lower prices at international market. However, palm oil import parity may widen in the coming days.

Currency Technical Analysis



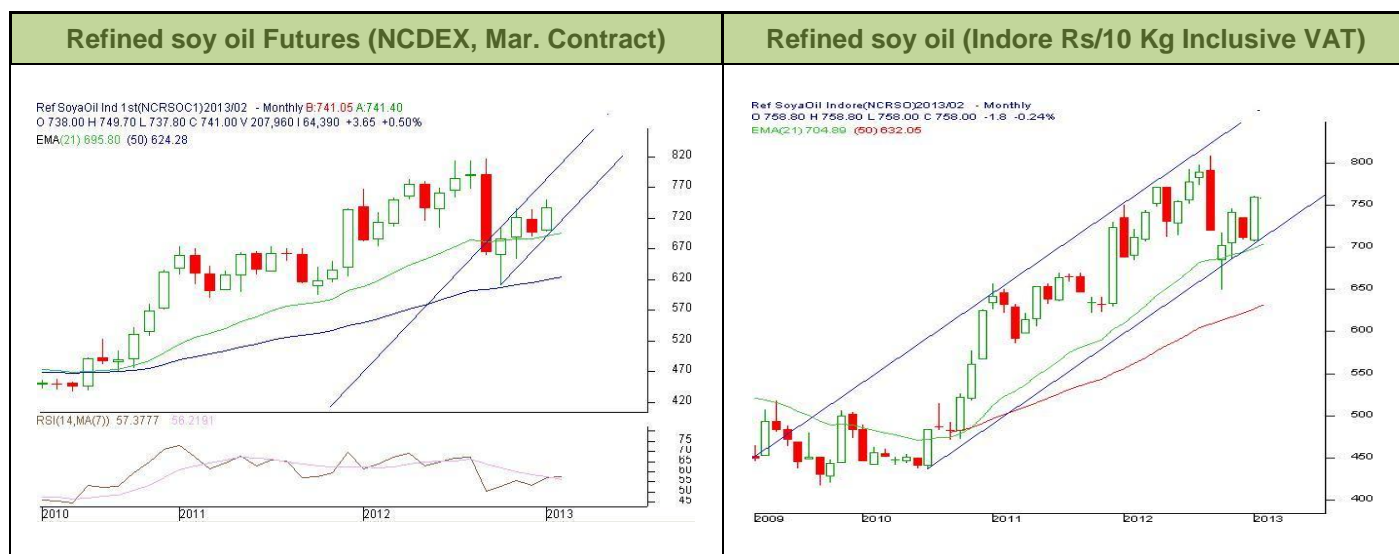
Technical Summary for INR

Moving Averages		MA (9)		MA(21)	
Exponential		53.49		53.90	
Technical Indicators		RSI (14)		SSTK/SSTD(14,3,3)	
		30.40		8.0/8.4	
Support and Resistance					
S2	S1	PCP		R1	R2
50.75	51.32	53.21		55.00	55.80

Expected Price Band and Outlook

Indian Rupee	<p>We observed firmness in the monthly INR against USD technical chart. Indian rupee is likely to trade sideways to firm tone against US dollar in the coming month. Moreover, Breaching 52.50 level prices may touch 51.32. RSI is near to oversold zone. We see a range of 55.00-55.80 on the higher side in the coming month.</p>
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Technical Analysis (Refined soy oil Monthly Charts)



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

- ❖ Monthly chart of refined soy oil at NCDEX featured gains. We expect steady to weak movement in the coming days.
- ❖ Any close above 725.00 in monthly chart shall change the sentiments and might take the prices to a bullish phase.
- ❖ Expected price band for next month is 716-690 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.

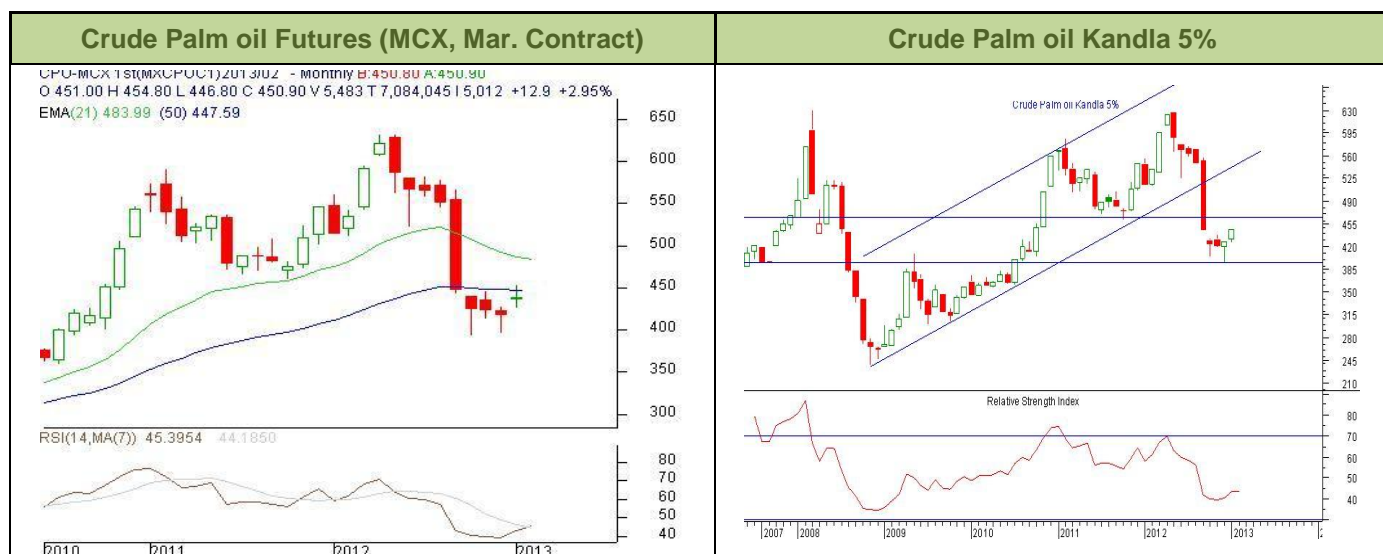
Strategy: Market participants are advised to go short in RSO in the range of 713-716 for a target of 695 and 690 with a stop loss at 725 on closing basis.

RSO NCDEX

Support and Resistance				
S2	S1	PCP	R1	R2
665.00	675.00	706.30	740.00	751.00

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 to slightly weak tone in the coming days. Investors are advised to sell MCX CPO Mar contract.

- ❖ Candlestick Monthly chart of crude palm oil at MCX depicts sideways movement. We expect prices may trade with a steady tone in near term.
- ❖ Any close above 473.50 in monthly chart shall change the sentiments and might bring the prices to a bullish phase.
- ❖ Expected price band for next month is 469-447 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 short in CPO in the range of 464-469 for a target of 451 and 447 with a stop loss at 473.50 on closing basis.

CPO MCX

Support and Resistance				
S2	S1	PCP	R1	R2
435.00	442.00	460.10	475.00	489.00

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 425-460 per 10 Kg.

Monthly spot price comparison

Commodity	Centre	Prices(Per 10 Kg)		Change
		1/31/2013	12/31/2012	
Refined Soybean Oil	Kota(Loose)	735	700	35
	Rajkot (Loose)	725	680	45
	Jaipur (Loose)	-	-	-
	Hyderabad+ VAT	-	-	-
	Delhi (Loose)	770	-	-
	Kakinada	-	-	-
	Mumbai +VAT	730	678	52
	Indore	725	680	45
	Soy Degum Mumbai+VAT	695	665	30
	SoyDegum Kandla/Mundra+VAT	700	680	20
	Haldiya Port (Loose)	-	-	-
	Akola (Loose)	744	704	40
	Amrawati (Loose)	744	704	40
	Jalna	740	700	40
	Nagpur	744	704	40
Palm Oil	Chennai.RBD.Palmolein.(Loose)	510	508	2
	Hyd. RBD Palmolein VAT	-	-	-
	Delhi RBD Palmolein (Loose)	555	540	15
	Kandla CPO (5%FFA)	447	427	20
	Kakinada.RBD.Palmolein(Loose)	511	501	10
	Mumbai RBD Pamolein+ VAT	515	500	15
	Kandla RBD Palmolein +VAT	508	500	8
Refined Sunflower Oil	Mumbai + VAT	800	780	20
	Kandla/Mundra	730	715	15
	Erode (Exp. Oil)+VAT	795	785	10
	Hyderabad Exp +VAT	781	761	20
	Chennai (Loose)	810	785	25
	Bellary (Exp. Oil)+VAT	663	663	Unch
	Latur (Exp. Oil)+VAT	746	721	25
	Chellakere (Exp. Oil)+VAT	721	706	15
Groundnut Oil	Rajkot (Loose)	1260	1310	-50
	Chennai (Loose)	1180	1140	40
	Delhi (Loose)	1150	-	-
	Hyderabad Exp +VAT	1209	1209	Unch



	Mumbai + VAT	1280	1280	Unch
	Gondal+VAT	1270	1300	-30
	Jamnagar +VAT	1270	1310	-40
	Narsarropeth+VAT	1101	1151	-50
	Prodattour+VAT	1141	1151	-10
Rapeseed Oil	Mumbai (Exp. Oil) +VAT	777	785	-8
	Alwar (Expeller Oil)(Loose)	783	803	-20
	Kota (Expeller Oil) (Loose)	735	740	-5
	Jaipur (Expeller Oil) (Loose)	761	789	-28
	Delhi (Exp. Oil) (Loose)	790	811	-21
	SriGangaNagar(ExpOil-Loose)	761	776	-15
	Hapur+VAT	859	857	2
	Kolkata	-	-	-
	Agra (Kacchi Ghani Oil) +VAT	815	850	-35
Refined Cottonseed Oil	Mumbai +VAT	622	625	-3
	Rajkot (Loose)	620	635	-15
	Delhi (Loose)	615	-	-
	Hyderabad (Loose)	-	-	-
Sesame Oil	Delhi	1450	-	-
	Mumbai 15.7	1470	1270	200
Coconut Oil	(Crude Rs/10kg) - Kangayan	705	670	35
Kardi	Mumbai	1225	1200	25
Rice Bran Oil (40%)	Delhi	570	-	-
Rice Bran Oil (4%)	Punjab	535	515	20
Rice Bran Oil (70%)	Delhi	-	-	-
Malaysia Palmolein USD/MT	FOB (Jan Shipment)	840	810	30
	CNF (Jan) India	870	850	20
Indonesia/Malaysia CPO USD/MT	FOB (Feb Shipment)	805	780	25
	CNF (Jan) India	825	783	42
Argentina FOB (\$/MT)		1/30/2013	12/28/2012	Change
Crude Soybean Oil Ship (Feb/Mar)		1161	1100	61
Refined Soy Oil (Bulk) Ship (Feb/Mar)		1202	1139	63
Sunflower Oil Ship (Feb/Mar)		1145	-	-
Cottonseed Oil Ship (Feb/Mar)		1141	1080	61
Refined Linseed Oil (Bulk) Ship		-	-	-



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