

## **Domestic Veg. Oil Market Summary**

*Most of the edible oils witnessed steady to firm tone during the week under review on base price hike for palm and soybean oil. Groundnut oil witnessed weak tone on dull demand.*

*Sesame oil was the top gainer among the edible oil pack on bullish fundamentals. Prices rose by 3.7 percent on w-o-w comparison followed by refined sunflower oil by 1.26 percent due to better buying and firm trend in overseas market. Crude palm oil and refined soybean oil featured sideways to firm tone on increase in the base import price and slow soybean offloading by farmers. However, weak export demand for soy meal limit upside.*

*Sown area for Rabi oilseed stood at 85.92 lakh hectares as on 24 Jan. 2013 up 1.97 % compared to corresponding period last year - Ministry of Agriculture.*

*On the currency front, Indian rupee against USD closed at 53.85, down 0.24 percent as compared to the previous week. We expect edible oil complex to trade sideways in the days ahead on seasonal demand and lower soybean crushing. However, weak international edible oil fundamentals may limit upside.*

## **Recommendation**

*Market participants are advised to go long in RSO in the range of 725-728 levels for a target of 739 and 742 with a stop loss at 719.50 on closing basis and go long in CPO in the range of 439-442 for a target of 454 and 458 with a stop loss at 433.50 on closing basis.*

## **International Veg. Oil Market Summary**

*CBOT soy oil (Mar) is expected to stay in the range 51.00 cents/lb to 53.20 cents/lb. CPO at BMD (Mar) is likely to trade sideways and stay in the range of 2360-2470 ringgits per tons. Focus during the coming days will be on the Malaysian palm oil export figures, South American soybean production estimates and weather over key soybean producing regions of South America.*

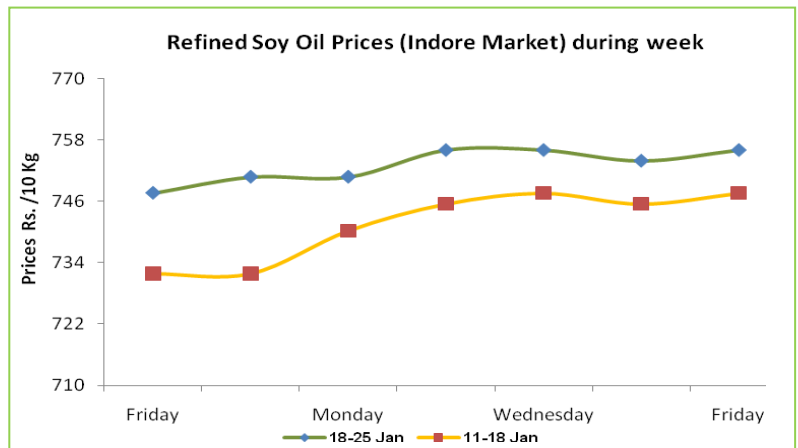
*CPO prices are in downward trend due to lackluster buying from Asian buyers and rising palm oil stocks in the South East Asian countries may weigh on the market sentiments. However, palm oil is offered at higher discount against other premium oils, which may limit downside risk in the prices.*

*Good demand from Chinese soybean importers witnessed during the bygone week and good weather in South America support an optimistic Latin American soybean production outlook may favor the bears medium term.*

### Soy oil:

#### Domestic Fundamentals:-

- Soybean oil featured steady to firm tone on lower domestic crushing and import base price hike by government. However, weak demand for soy meal in overseas market limits excessive gains.
- As per sources, big soybean buyers refrain from the active buying due to lackluster trade in meals and higher estimates of South American soybean production may weigh on the market sentiments. Moreover, weak overseas meal demand adds fuel to the bearishness.
- Soybean oil parity weekly average narrows during the week and reported Rs - 2 per 10 Kg against Rs 3 per 10 Kg in the bygone week due to better prices of soybean relative to soybean meal prices. Soybean oil parity is likely to narrow in the coming weeks in anticipation of range bound movement in oil and meals.
- We expect soy oil may trade range bound to slight firm tone in the coming week on slow soybean offloading by farmers and lower domestic crushing. However, bearish international fundamentals could limit gains.



#### International Fundamentals:-

- 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.
- Informa Economics has released latest 2013 planting estimates and pegged the 2013 soybean acreage at 78.78 million acres vs. previous estimate of 78.96 in December.
- Good demand from Chinese soybean importers witnessed during the bygone week and good weather in South America support an optimistic Latin American soybean production outlook may favor the bears medium term.

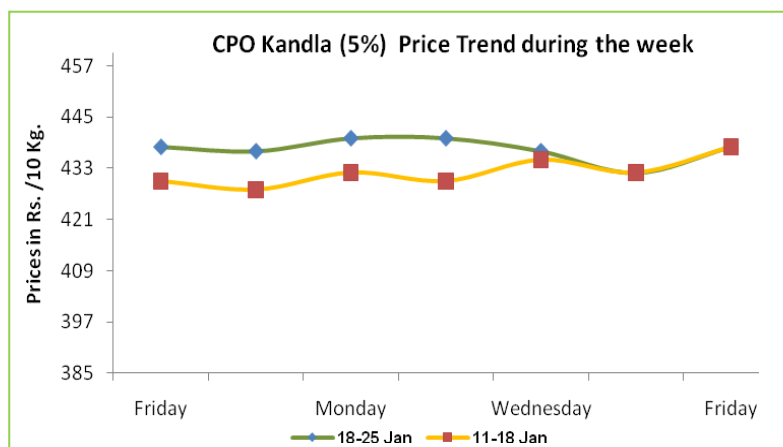
#### Price Outlook:

We expect refined soy oil at Indore (with VAT) to stay in the range of 742-767 per 10 Kg in the near term.

### Palm Oil:

#### Domestic Fundamentals:-

- CPO Kandla 5% witnessed steady to firm tone during the week under review on import duty hike on crude edible oils and need based demand.
- Indian government has set a base price for crude palm oil imports at \$802 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.
- Edible oils stocks at various ports as on Jan 1, 2013 is reported at 0.7 Mln.T and about 0.76 Mln.T at pipeline – Sea of India.
- We expect domestic palm oil prices may trade with a steady tone on upcoming wedding season. However, in expectation of higher palm oil imports and strengthens in Indian rupee against US dollar, which could limit upside.



#### International Fundamentals:-

- Malaysian palm oil products exports for Jan. 1-25 fell 14.6 percent to 1,104,890 tons compared with 1,293,765 tons shipped during Dec. 1-25 - cargo surveyor Societe Generale de Surveillance.

#### Breakdown of SGS palm export figures for 1-25 Jan. compared to a month ago (in tons):

Palm Products	1-25 Jan	1-25 Dec	% Change
Crude palm oil	213,367	415,815	-48.69
RBD palm oil	116,498	105,040	10.91
RBD palm olein	481,688	492,492	-2.19
RBD palm stearin	114,705	90,867	26.23
Crude palm kernel oil	18,260	25,640	-28.78
Oleochemicals	40,390	46,077	-12.34

Top Palm Products Importers	1-25 Jan	1-25 Dec	% Change
European Union	91,107	224,877	-59.49
China	252,250	325,582	-22.52
Pakistan	115,750	94,650	22.29
United States	123,410	103,980	18.69
India	123,050	222,755	-44.76

- India imported 123,050 tons of palm oil products from Malaysia during 1-25 Jan, down 44.7 percent from same period previous month. Chinese strict quality norms for palm oil imports remain in action. However, Chinese authorities have allowed discharge of two palm oil cargos from Malaysia, these cargos are the first in the current year. China imported 252,250 tons of Malaysian palm oil products for the first twenty-five days of Jan.
- CPO prices are in downward trend due to lackluster buying from Asian participation and rising palm oil stocks in the South East Asian countries may weigh on the market sentiments. However, palm oil is offered at higher discount against other premium oils, which may limit downside risk in the prices.

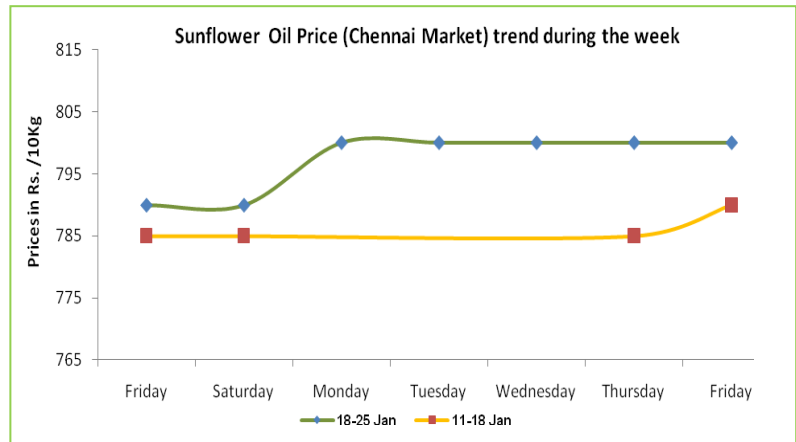
#### Price Outlook:

We expect CPO Kandla 5% (without VAT) to stay in the range of 428-455 per 10 Kg in the near term.

### Sunflower Oil:

#### Domestic Fundamentals:-

- Sunflower oil featured steady tone at its benchmark market Chennai during the week. Moreover, volumes were thin in the major cash 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 4.83 lakh hectares as on 24 Jan. 2013 up 10.27 % compared to corresponding period last year. Higher planting witnessed in Karnataka and Tamil Nadu.
- We expect sunflower oil prices may trade range bound in the near term. However, new crop may weigh on the markets in the medium term.



#### International Fundamentals:-

- Ukraine sunflower oil production in 2012/2013 may reduce to 36 lakh tons due to reduction of the sunflower seed yield compared to the previous year 2011/2012 marketing year - Ukroliyaprom Association.

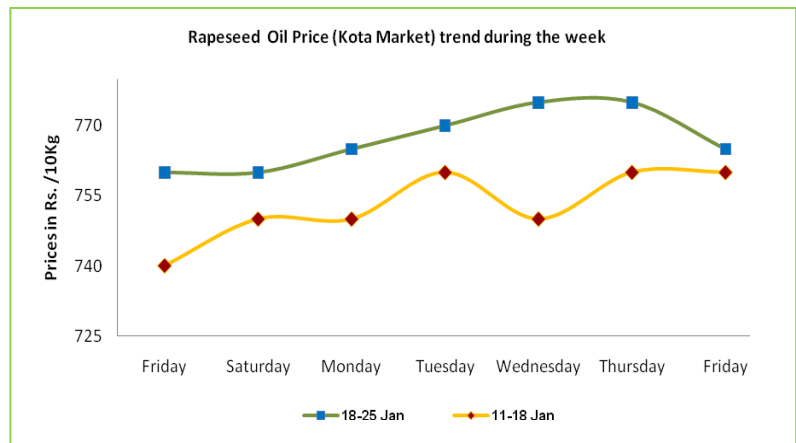
#### Price Outlook:

Sunflower oil prices in Chennai may stay in the range of Rs 785-810 per 10 Kg.

### Rapeseed oil:

#### Domestic Market Fundamentals

- Rapeseed oil featured firm tone at Kota market during the bygone week due to improved buying from wholesalers. Meanwhile, in expectation of higher RM seed production in the current season limit upside.
- As per Ministry of Agriculture, sown area for Rabi mustard seed stood at 67.11 lakh hectares as on 24 Jan. 2013, up 2.69 percent compared to the corresponding period last year.
- Improved buying against dried up mustard seed pipeline supply support bulls for short term. . However, higher acreage in the current season and cheaper palm oil products may limit upside in the medium term.
- We expect RM seed oil prices may trade range bound in the coming days. However, seasonal demand for edible oils in the winter season may curb downside risk in the prices.

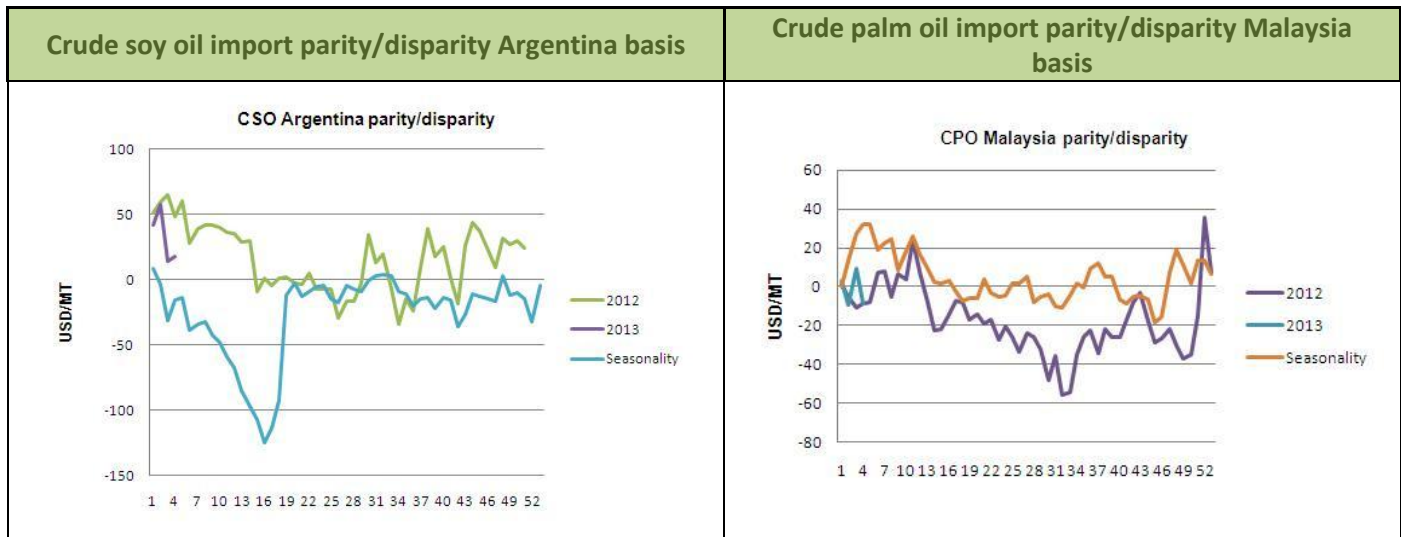


#### Price Outlook:

Rapeseed oil in Kota market is likely to trade in the price band of Rs 745-785 per 10 Kg.

**Landed Cost at the Indian Ports - Crude soy oil**

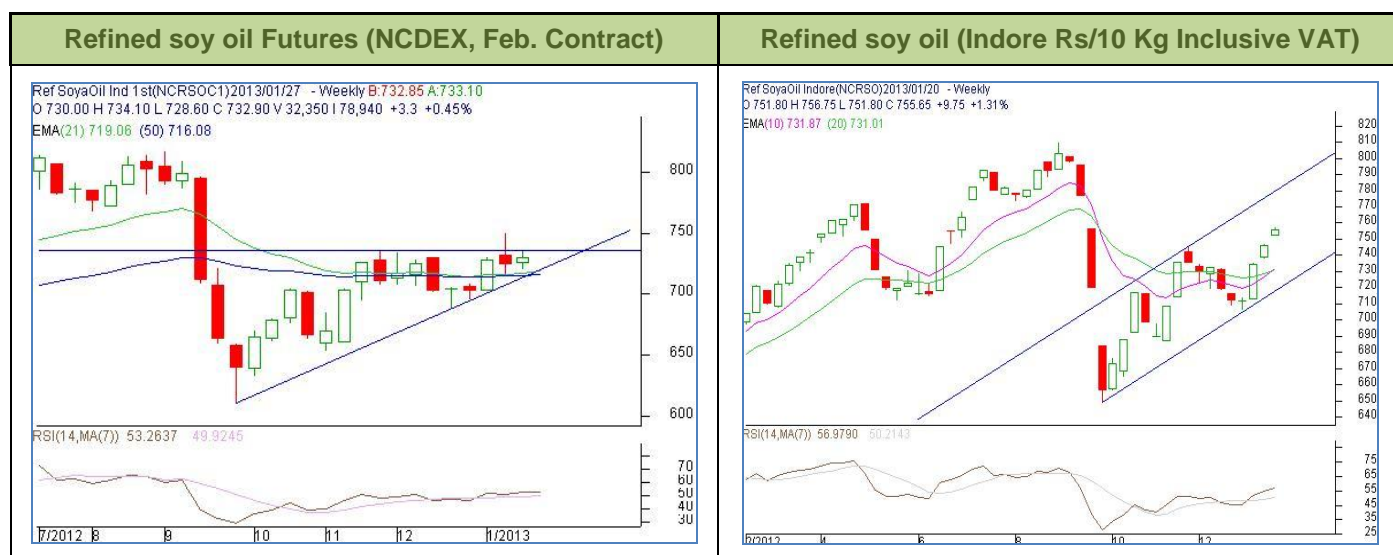
<b>Landed Cost Calculation as on 24/01/2013</b>	<b>CSO Argentina</b>	<b>CSO Brazil</b>	<b>CSO US</b>
FOB USD per ton	1159	1109	1092
Freight (USD/MT)	65	55	50
C & F	1224.0	1164.0	1142.0
Weight loss (0.25% of FOB)	2.90	2.77	2.73
Finance charges (0.4% on CNF)	4.64	4.44	4.37
Insurance (0.3% of C&F)	4	3	3
CIF (Indian Port - Kandla)	1235	1175	1153
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	53.8515	53.8515	53.8515
Landed cost without customs duty in INR per ton	66518	63259	62065
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	68597	65339	64145
Domestic Market price INR per ton Soy Degum Kandla	68500	68500	68500
Total landed cost USD per ton	1274	1213	1191
Domestic Market price USD per ton Soy Degum Kandla	1272	1272	1272
<b>Parity INR/MT (Domestic - Landed)</b>	<b>-97</b>	<b>3161</b>	<b>4355</b>
<b>Parity USD/MT (Domestic - Landed)</b>	<b>-1.81</b>	<b>58.70</b>	<b>80.87</b>
Source: Agriwatch/ Reuters , Argentina prices - Ministry of Agriculture			



\* Seasonality based on 2009-2012 data averages for CPO Malaysia and 2010-12 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 move towards positive territory.

**Technical Analysis (Refined soy oil Weekly 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).**

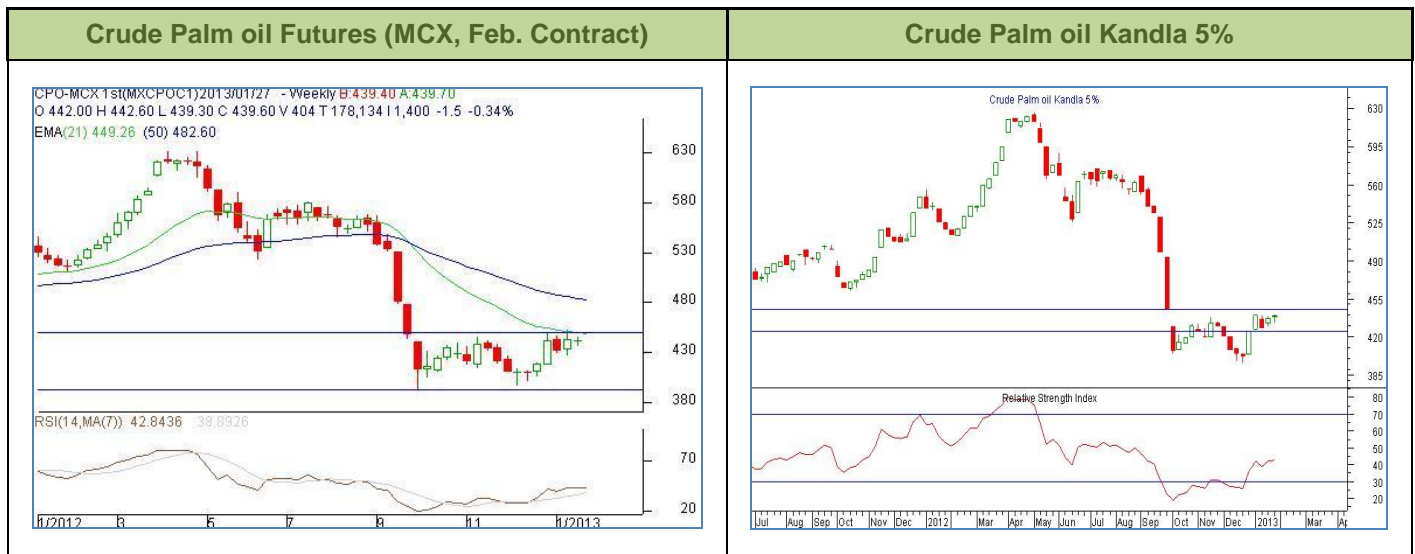
- ❖ Weekly chart of refined soy oil at NCDEX featured sideways to firm movement. Any dips in the prices may act as buying opportunity.
- ❖ Any close below 709.50 in weekly chart shall change the sentiments and might take the prices to a bearish phase.
- ❖ Expected price band for next week is 725-745 level in near to medium term. RSI is in neutral 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 725-728 levels for a target of 739 and 742 with a stop loss at 719.50 on closing basis.

**RSO NCDEX**

Support and Resistance				
S2	S1	PCP	R1	R2
695.00	703.00	729.60	748.00	756.00

**Spot Market outlook:** Refined soy oil Indore is likely to stay in the range of 742-767 per 10 Kg.

**Technical Analysis (Crude Palm oil Weekly Charts)**


**Outlook - Prices may trade with a steady to firm 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 in the prices. We expect prices may trade with a steady to firm note in the near term.
- ❖ Any close below 433.50 in weekly chart shall change the sentiments and might bring the prices to a bearish phase.
- ❖ Expected price band for next week is 439-458 level in near to medium term. RSI is in between oversold 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 439-442 for a target of 454 and 458 with a stop loss at 433.50 on closing basis.

**CPO MCX**

Support and Resistance				
S2	S1	PCP	R1	R2
425.00	430.00	445.70	457.00	465.00

**Spot Market outlook:** Crude palm oil 5% is likely to trade sideways in the coming week. The prices are likely to stay in the range of 428-455 per 10 Kg.

**Veg. Oil Prices at Key Spot Markets**

Commodity	Centre	Prices(Per 10 Kg)		Change
		1/25/2013	1/18/2013	
Refined Soybean Oil	Kota(Loose)	735	725	10
	Rajkot (Loose)	Closed	700	-
	Jaipur (Loose)	-	-	-
	Hyderabad+ VAT	-	-	-
	Delhi (Loose)	-	760	-
	Kakinada	-	-	-
	Mumbai +VAT	720	700	20
	Indore	720	712	8
	Soy Degum Mumbai+VAT	690	685	5
	SoyDegum Kandla/Mundra+VAT	690	690	Unch
	Haldiya Port (Loose)	-	-	-
	Akola (Loose)	739	736	3
	Amrawati (Loose)	739	736	3
	Jalna	735	732	3
	Nagpur	739	736	3
Palm Oil	Chennai.RBD.Palmolein.(Loose)	505	510	-5
	Hyd. RBD Palmolein VAT	-	-	-
	Delhi RBD Palmolein (Loose)	560	560	Unch
	Kandla CPO (5%FFA)	438	438	Unch
	Kakinada.RBD.Palmolein(Loose)	516	511	5
	Mumbai RBD Pamolein+ VAT	515	512	3
	Kandla RBD Palmolein +VAT	515	512	3
Refined Sunflower Oil	Mumbai + VAT	800	795	5
	Kandla/Mundra	720	720	Unch
	Erode (Exp. Oil)+VAT	790	780	10
	Hyderabad Exp +VAT	766	766	Unch
	Chennai (Loose)	800	790	10
	Bellary (Exp. Oil)+VAT	-	661	-
	Latur (Exp. Oil)+VAT	736	726	10
	Chellakere (Exp. Oil)+VAT	716	716	Unch
Groundnut Oil	Rajkot (Loose)	Closed	1310	-
	Chennai (Loose)	1180	1170	10
	Delhi (Loose)	-	1150	-
	Hyderabad Exp +VAT	1219	1219	Unch



	Mumbai + VAT	1290	1280	10
	Gondal+VAT	1290	1310	-20
	Jamnagar +VAT	1290	1310	-20
	Narsarropeth+VAT	1101	1111	-10
	Prodattour+VAT	-	1151	-
Rapeseed Oil	Mumbai (Exp. Oil) +VAT	790	783	7
	Alwar (Expeller Oil)(Loose)	779	786	-7
	Kota (Expeller Oil) (Loose)	765	760	5
	Jaipur (Expeller Oil) (Loose)	789	783	6
	Delhi (Exp. Oil) (Loose)	-	822	-
	SriGangaNagar(ExpOil-Loose)	786	791	-5
	Hapur+VAT	Closed	861	-
	Kolkata	-	-	-
	Agra (Kacchi Ghani Oil) +VAT	830	840	-10
Refined Cottonseed Oil	Mumbai +VAT	630	630	Unch
	Rajkot (Loose)	Closed	630	-
	Delhi (Loose)	-	615	-
	Hyderabad (Loose)	-	-	-
Sesame Oil	Delhi	-	1350	-
	Mumbai	1450	1380	70
Coconut Oil	(Crude Rs/10kg) - Kangayan	690	715	-25
Kardi	Mumbai	1200	1200	Unch
Rice Bran Oil (40%)	Delhi	-	560	-
Rice Bran Oil (4%)	Punjab	520	520	Unch
Rice Bran Oil (70%)	Delhi	-	-	-
Malaysia Palmolein USD/MT	FOB (Feb Shipment)	820	818	2
	CNF (Feb) India	855	855	Unch
Indonesia/Malaysia CPO USD/MT	FOB (Mar Shipment)	795	765	30
	CNF) (Feb) India	800	800	Unch
<b>Argentina FOB (\$/MT)</b>		<b>1/27/2013</b>	<b>1/17/2013</b>	<b>Change</b>
Crude Soybean Oil Ship (Feb/Mar)		-	1133	-
Refined Soy Oil (Bulk) Ship (Feb/Mar)		-	1172	-
Sunflower Oil Ship (Feb/Mar)		-	-	-
Cottonseed Oil Ship (Feb/Mar)		-	1113	-
Refined Linseed Oil (Bulk) Ship		-	-	-



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