



Veg. Oil Monthly Research Report

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Domestic Veg. Oil Market Summary:

Most of the edible oils quoted lower during the month under review on higher edible oil imports and lackluster buying. Palm and sunflower oil featured gains on supportive international market. However, mustard, coconut and groundnut oil featured losses on m-o-m basis.

Coconut oil (Erode Based) was the top loser among the edible oil pack due to higher palm oil imports and comfortable copra stocks in the hands of millers followed by mustard oil on an estimated rise in the mustard seed production in the current season and slack demand. Meanwhile, crude palm oil and refined sunflower oil featured gain on m-o-m in line with the international market. Coconut oil (Erode basis) prices fell by 6.68 percent to Rs 658.3 per 10 Kg on monthly average basis and mustard oil (Kota basis) prices quoted lower to Rs 727.58/10 Kg monthly averages, down 2.95 percent.

Sown area for Rabi oilseed stood at 88.91 lakh hectares as on 28 Feb. 2013 up 1.53 % compared to corresponding period last year - Ministry of Agriculture.

On the currency front, Indian rupee against USD closed at 54.35, up 1.44 percent as compared to the previous month which makes edible oil imports expensive. 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, delay in soybean shipments from Brazil and yield losses in Argentina may limit downside risk in the prices.

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 (April) is likely to trade sideways and stay in the range of 2340-2550 ringgits per tons. Focus during the coming days will be on the Malaysian palm oil export figures, South East Asian palm oil ending stocks, South American soybean export pace and geopolitical conditions in Malaysia.

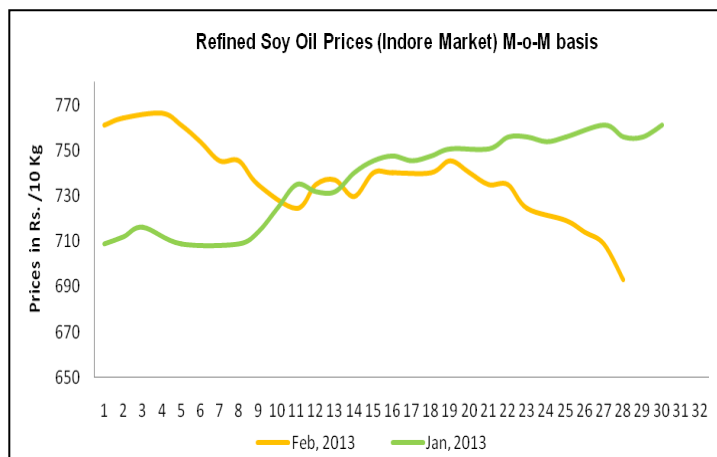
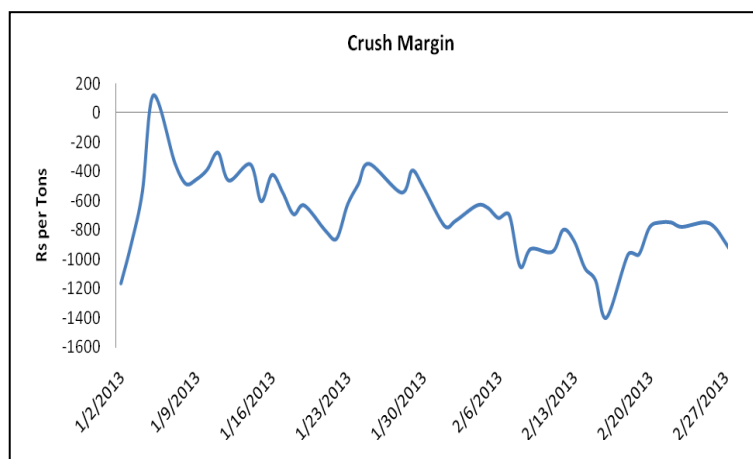
Exports of Malaysian palm oil products for Feb. fell 8.8 percent to 1,297,320 tons compared with 1,421,865 tons shipped during Jan. - Societe Generale de Surveillance.

Higher global oilseed supplies and soybean harvesting pressure in South American countries may weigh on the market sentiments. While, growing concerns that the delays in vessel loading in the ports of Brazil and losses in the soybean yield in Argentina will shift more demand to the US Borders in the coming days. Medium term outlook – higher South American soybean production favors the bears. However, talks of soybean yield concern in Argentina and port strike in Brazil may limit excessive losses.

Weak palm oil products exports from cargo surveyor wherein February figures depicts a fall of 8.8% M-o-M from Malaysia, market is expected to remain under pressure in the near term. On the other hand, soaring inventory levels of palm oil in the South East Asian countries shall negate any positive momentum in the prices. However, palm oil is traded with a higher discount against other edible oils which may limit excessive losses in the coming months.

Soy oil:
Domestic Market Fundamentals

- Ref. soy oil prices featured steady to weak tone during the month in review due to subdued demand from wholesalers and in view of higher soybean supplies from South American countries.
- Indian government reduced the base import price on crude soybean oil by \$27 per tons to \$1202 due to falling international soy oil FOB prices.
- As per sources, demand for soy oil was moderate in the cash markets. However, rising Rabi oilseed arrivals and falling seasonal usage with rising temperature might weigh on the edible oil complex in the coming months.
- In the Union Budget, the average annual growth rate of agriculture and allied sector during the 11th Plan was 3.6 per cent as against 2.5 per cent and 2.4 per cent in the 9th and 10th Plans respectively.
- We expect soy oil may trade with a steady to weak bias on dull demand for soy oil and upcoming Rabi oilseed arrivals may weigh on the markets.


Soybean crush margin (Indore basis):-

Outlook:-

Crush margin (Indore) disparity widens during the initial days of the month but couldn't sustain at lower levels due to rise in the soy meal prices compared to soybean prices. We expect crush margin disparity is likely to remain in the negative zone and may widen further in anticipation of range bound movement in soy meal and oil prices.

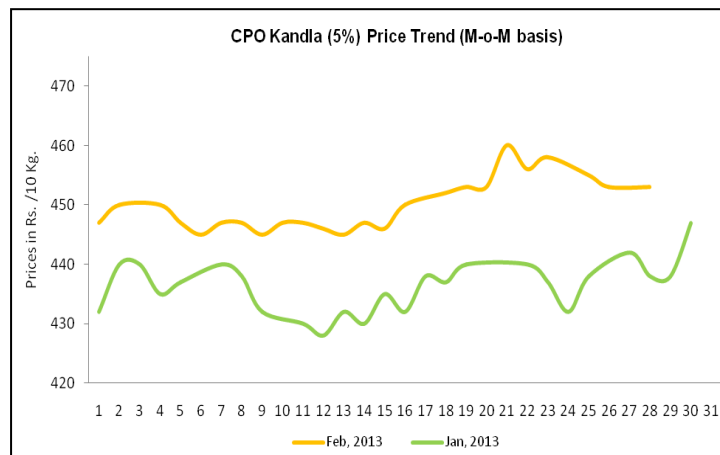
International Market Fundamentals

- Brazil's government slashed its soybean crop by 1.3 million tons for the 2012/13 citing too little rain in parts of the south Brazil in January and too much rain in top-producing Mato Grosso state in February. Brazil soybean crop seen at 82.1 million tonnes, a huge increase from last season's 66.4 million tonnes, but less than the 83.4 million tons forecast in February. Moreover, SAFRAS & Mercado reported 37% of the estimated soybean area in Brazil has been completed as of March 1. The historic average for the period is 23%.
- China, the largest importer of soybean, is estimated to produce 11 per cent less soybean this year, boosting its imports. China may buy 61.7 million tons of soybeans in 2012-13, up from 59.2 million tons a year earlier.
- Higher global oilseed supplies and harvesting pressure from record South American soybean production may weigh on the market sentiments. However, growing concerns that the delays to vessel loading in the ports of Brazil and losses in the soybean yield in Argentina will shift more demand to the US Borders in the coming days. Medium term outlook – higher South American soybean production favors the bears. However, talks of soybean yield concern in Argentina and port strike in Brazil may limit excessive losses.

Price Outlook: We expect Ref. soy oil with VAT to trade in the price band of Rs 648-700 per 10 Kg.

Palm oil:
Domestic Market Fundamentals

- CPO kandla 5% prices featured firm tone in February in line with the bullish international palm oil market. However, upside was capped due to higher palm oil stocks in the South East Asian countries.
- Current Indian stocks of all oils (imported as well as domestic) at almost 2 million tons, up 80 percent from March last year. India is likely to import 8.55 million tons of palm oil in the current oil year (Nov/Oct) 2012-2013. Expecting the Indian government to revise the import duty on crude edible oils to 10 percent and on refined oil to 17.5 percent in April or latest May and by the end of August to September, the import duty on crude oil will be further hiked to 20 percent and on refined oil to 27.5 percent - Mistry.
- The Indian Government has hiked base import price on palmolein crude as well as refined by \$2 per tons in line with global prices. The base price for refined, bleached, and de-odorized (RBD) palmolein has been hiked to \$914 a tons, up from \$912 a tons and the base price for crude palmolein has increased to \$911 a tons.
- Palm oil may trade steady note in the coming month on higher palm products imports in the coming month. However, in view of easing palm oil stocks in South East Asian in the coming months may limit excessive downside.


International Market Fundamentals

- Exports of Malaysian palm oil products for Feb. fell 8.8 percent to 1,297,320 tons compared with 1,421,865 tons shipped during Jan. - Societe Generale de Surveillance.

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

Palm Products	Feb	Jan	% Change
Crude palm oil	386,294	324,187	19.16
RBD palm oil	101,260	140,849	-28.11
RBD palm olein	463,478	572,227	-19.00
RBD palm stearin	137,774	137,405	0.27
Crude palm kernel oil	16,890	18,260	-7.50
Oleochemicals	33,438	56,990	-41.33

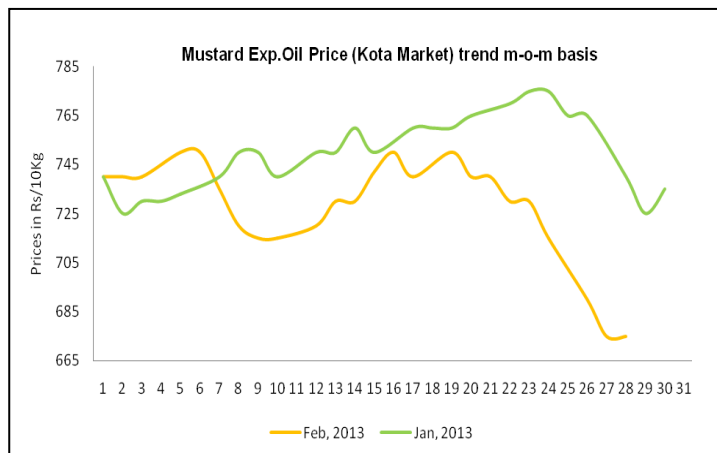
Top Palm Products Importers	Feb	Jan	% Change
European Union	272,805	162,917	67.45
China	246,829	288,250	-14.37
Pakistan	102,900	142,830	-27.96
United States	148,603	173,045	-14.12
India	158,250	157,550	0.44

- The third-month palm futures contract is likely to trade at 2,300-2,500 ringgit per tons from now until end-April, and trading may become more volatile in the event elections are called in Malaysia during this period. Moreover, expects prices to decline to 2,200 ringgit or lower from mid-April and July to August as a critical for the market. However, palm oil futures below 1,800 ringgit per tons seen unviable – Dorab Mistry.
- CPO futures prices and local delivery prices will come together at 2,625 ringgit (\$845) per tons by mid-year, if Brent crude falls to \$105 per barrel. However, CPO prices on an FOB basis would be near 2,775 ringgit (\$890) in June or July taking palm oil prices in Europe near \$950 – James Fry.
- As per trade ministry official, Indonesia will increase its export tax for CPO to 10.5 percent for March, from 9 percent in Feb. The government would also lift its export tax for RBD palm olein to 4 percent for March from 3 percent in February.
- Weak palm oil products exports from cargo surveyor wherein February figures depicts a fall of 8.8% M-o-M from Malaysia, market is expected to remain under pressure in the near term. On the other hand, soaring inventory levels of Palm oil in the South East Asian countries shall negate any positive momentum in the prices. However, palm oil is traded with a higher discount against other edible oils which may limit excessive losses in the coming months.

Price Outlook: We expect CPO Kandla 5% to trade in the price band of Rs 435-468 per 10 Kg.

Rapeseed oil:
Domestic Market Fundamentals

- Rapeseed oil featured weak tone during the month of February on an estimated rise in the mustard seed production and slack demand from wholesalers.
- As per Agriwatch estimates, average yield to mustard in India would be around 1170 kg/Hectare. As on 14 Feb RM seed sowing area was reported at 67.30 lakh hectares. Considering the above factors RM seed production for 2012-13 is projected at 79 lakh ton which is higher than our previous year estimates of 65 lakh tons. Moreover, higher mustard seed production would lead to boost local mustard oil supplies.
- Sown area for Rabi mustard stood at 67.46 lakh hectares as on 28 Feb. 2013 up 2.38 % compared to corresponding period last year - Ministry of Agriculture.
- We expect RM seed oil prices may fall followed by new RM seed arrivals in the coming days. However, lower quotes may trigger fresh buying.

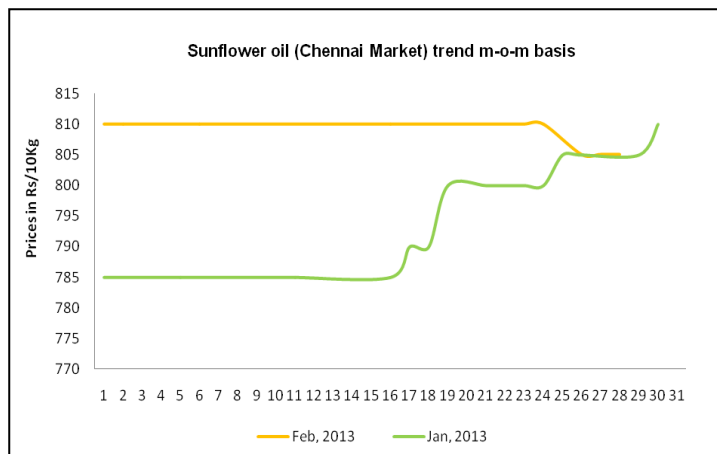

International Fundamentals:-

- January-June 2013 rapeseed crushing in the European Union are likely to fall to 9.68 million tons from 10.55 million tons in the same period last year. Moreover, EU's rapeseed stocks fell to 9.40 million tonnes on Jan. 1, 2013 from 10.24 million tons same period last year - Oil World estimates.
- China will sell 100,000 metric tons of rapeseed oil from state reserves in an auction on March 8 to make room for a fresh round of stockpiling in June. The Chinese government has around 4 million tons in reserves as it stockpiled every year to encourage production.

Price Outlook: We expect Rapeseed oil (Kota) to trade in the price band of Rs 648-705 per 10 Kg.

Sunflower oil:
Domestic Market Fundamentals

- Sunflower oil featured steady tone during the month of February on better buying from wholesalers and supportive international market.
- Sown area for Rabi Sunflower stood at 5.16 lakh hectares as on 28 Feb. 2013 up 10.0 % compared to corresponding period last year. Higher planting witnessed in Karnataka - Ministry of Agriculture.
- India imported 130,285 tons of crude sunflower oil during January, up 12.5 percent on M-o-M basis. However, imports were down during Nov 12-Jan 13 by 5.85 to 246,785 tons compared to the same period last month.
- As per sources, new Rabi sunflower crop is likely to hit the markets in the second week of March and no crop loss witnessed in the Key sunflower growing areas.

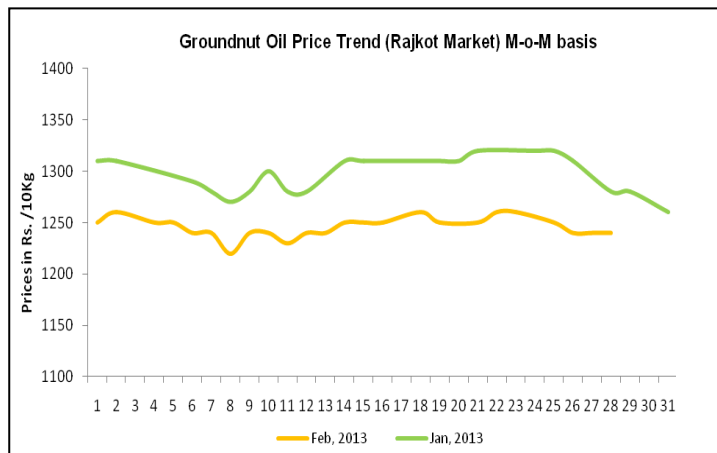

International Fundamentals:-

- January-June 2013 European Union sunflower seed crushing are likely to fall to 2.67 million tons from 2.98 million tons the last year because of low supplies – Oil world.

Price Outlook: We expect sunflower oil (Chennai) to trade in the price band of Rs 768-805 per 10 Kg.

Groundnut oil: Domestic Market Fundamentals

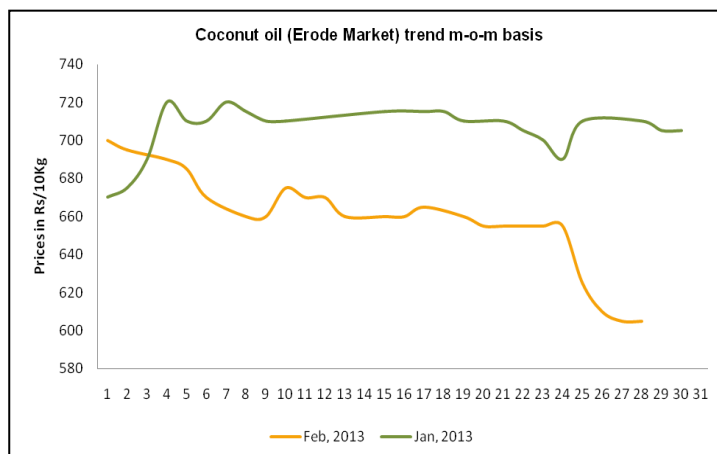
- Groundnut oil quoted lower on lackluster buying interest and strict norms for groundnut seed exports by DGFT-APEDA.
- As per IOPEPC, India's groundnut exports for 2012/13 are estimated to be around 6 lakh tons, down 30 percent from last year due to good crop prospects in US, Argentina and . India's groundnut (shelled) exports stood at around 3.30 lakh tons in 2012-13 (till September).
- 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.
- Railways hiked the basic freight charges of groundnut oil by nearly six per cent due to deregulation of diesel prices. Freight rates for groundnut oil are increased to Rs 1,848 per tons from Rs 1,746.60 per tons at an average lead of 1650 km.
- We expect groundnut oil prices may remain in pressure in the coming month due to cheaper availability of edible oils and dull demand from end user.



Price Outlook: We expect Groundnut oil (Rajkot) to trade in the price band of Rs 1145-1225 per 10 Kg.

Coconut oil: Domestic Market Fundamentals

- Coconut oil featured steady to weak tone during the month of Feb on cheaper availability of palm oil products and ample copra stocks.
- In the Union Budget, Indian government provided an additional sum of Rs. 75 crores for a pilot scheme to replant and rejuvenate coconut gardens in the State of Kerala and the Andaman & Nicobar Islands.
- The government has increased minimum support price (MSP) for copra by Rs 150 per quintal for both the crop varieties. The MSP for milling copra would now be Rs 5,250/quintal, while support price of ball copra stands increased to Rs 5,500 per quintal.
- As per sources, prices are likely to remain firm for short term due to scarcity of water in south. However, higher copra stocks in the cash market shall negate any positive price momentum in the medium term.
- We expect coconut oil prices may trade range bound in the coming month on higher imported palm oil products and comfortable copra stocks in the hands of millers.



International Fundamentals:-

- As per Oil World, lower prices of coconut oil will spur demand in the European Union, China and United States, resulting in higher imports. Moreover, Philippines government is considering raising the mandatory biodiesel blend to 5 percent from 2 percent currently, which could lift prices.
- The Philippines' monthly coconut oil exports increased to 115,000 tons in January, up from 64,000 tons a year ago and coconut oil exports is likely o surge by 27 percent to 1.01 million tonnes in 2012/2013 (Oct/Sept) – Oil World.

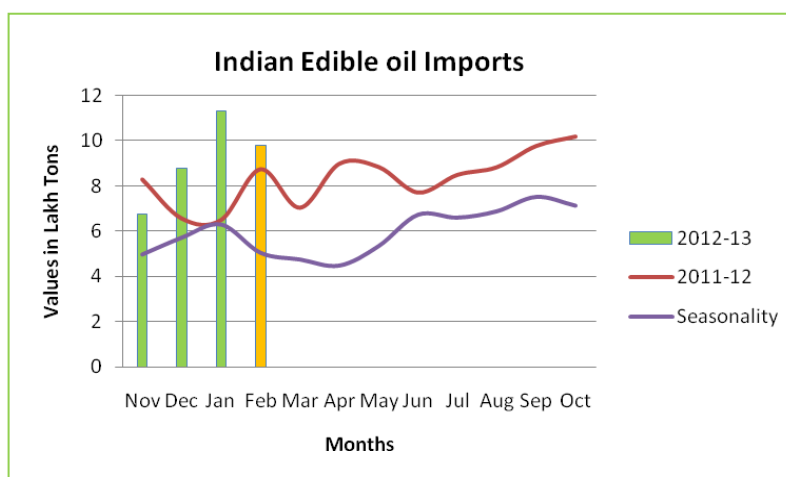
Price Outlook: We expect coconut oil (Erode) to trade in the price band of Rs 765-800 per 10 Kg.

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

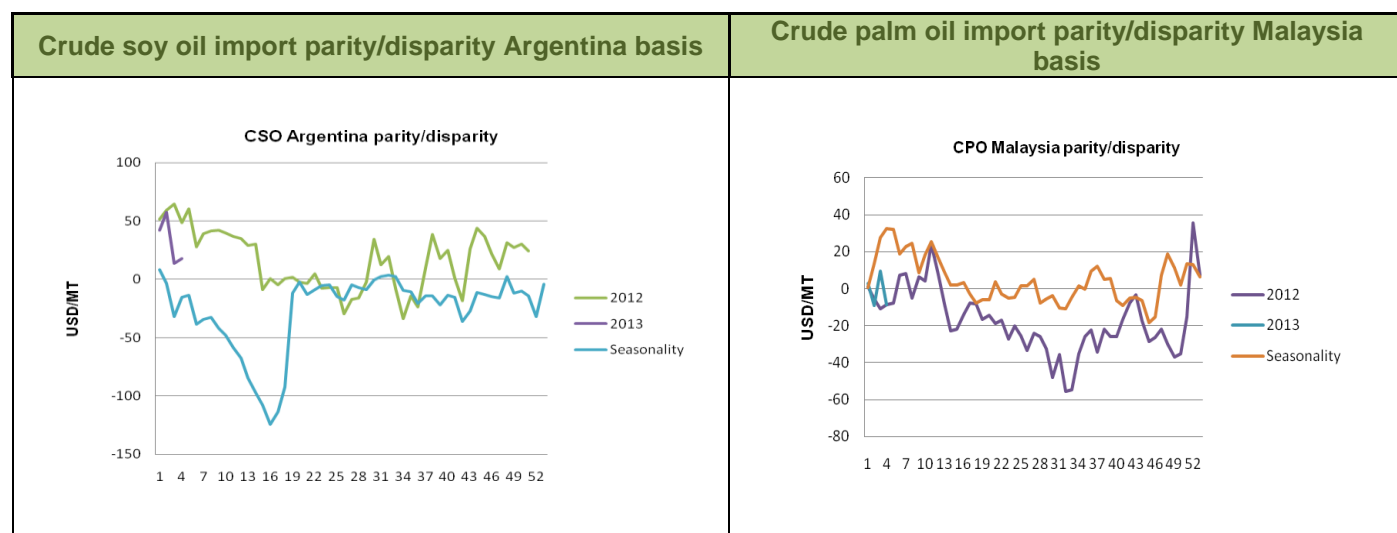
Net edible oil output would likely be 8.34 Million MT in 2012/13 on the back of higher soybean and mustard seed production in the current year. On import front, Edible oil imports likely to fell by 0.80 percent compared to previous year. Total demand of Indian edible oil is likely to grow at a rate of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

Indian edible oil imports for Feb. 2013 projection –:


As per Solvent Extractors' Association of India, India imported 2.69 million tons of edible oil in the 2013 oil year (Nov.-Oct). However, edible oil imports were 2.13 million tons in the corresponding period last year. We expect Indian edible oil imports for the month of Feb. is likely to decrease by 10-12 percent on M-o-M basis.

Landed Cost at the Indian Ports - Crude soy oil

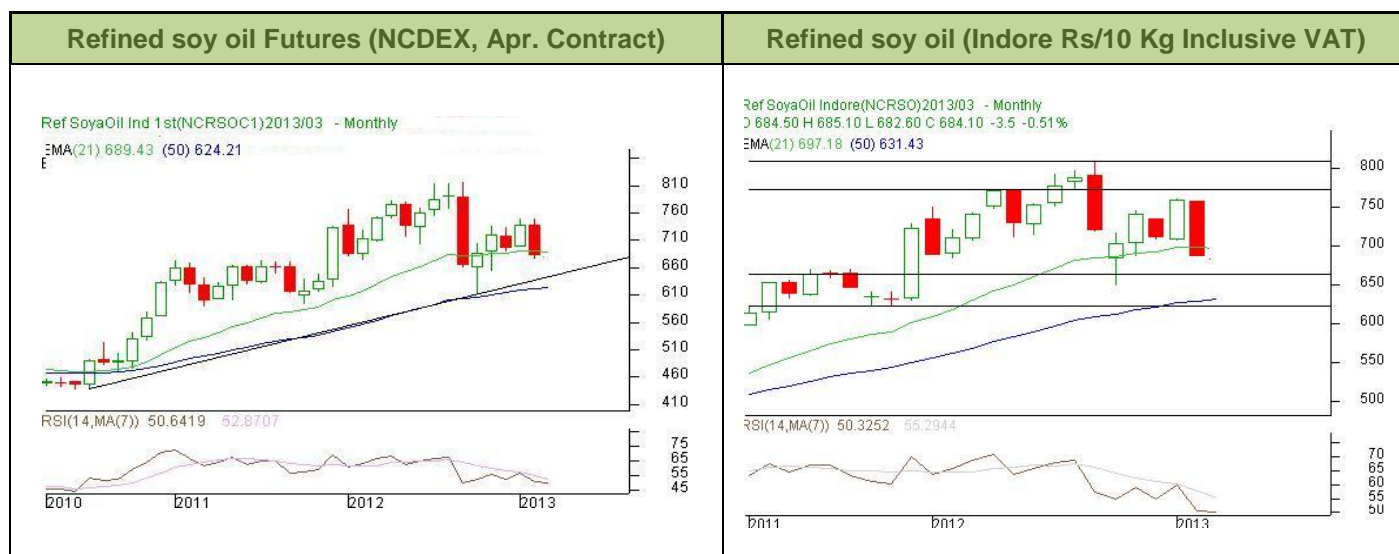
Landed Cost Calculation as on 5/3/2013	CSO Argentina	CSO Brazil	CSO US
FOB USD per ton	1070	1039	1072
Freight (USD/MT)	75	55	50
C & F	1145.0	1094.0	1122.0
Weight loss (0.25% of FOB)	2.68	2.60	2.68
Finance charges (0.4% on CNF)	4.28	4.16	4.29
Insurance (0.3% of C&F)	3	3	3
CIF (Indian Port - Kandla)	1155	1104	1132
CVD	0	0	0
Duty USD per ton	30.725	30.725	30.725
CVD value USD per ton	0	0	0
Cess (2% on duty) USD per ton	0.6145	0.6145	0.6145
Exchange rate	54.652	54.652	54.652
Landed cost without customs duty in INR per ton	63144	60338	61884
Customs duty %	2.5%	2.5%	2.5%
Base import price	1229	1229	1229
Fixed exchange rate by customs department	53.50	53.50	53.50
Duty component in INR per ton	1643.7875	1643.7875	1643.7875
Clearing charges INR per ton	353	353	353
Brokerage INR per ton	83	83	83
Total landed cost INR per ton	65224	62418	63964
Domestic Market price INR per ton Soy Degum Kandla	67500	67500	67500
Total landed cost USD per ton	1193	1142	1170
Domestic Market price USD per ton Soy Degum Kandla	1235	1235	1235
Parity INR/MT (Domestic - Landed)	2276	5082	3536
Parity USD/MT (Domestic - Landed)	41.64	93.00	64.70
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.

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 (Apr. contract).

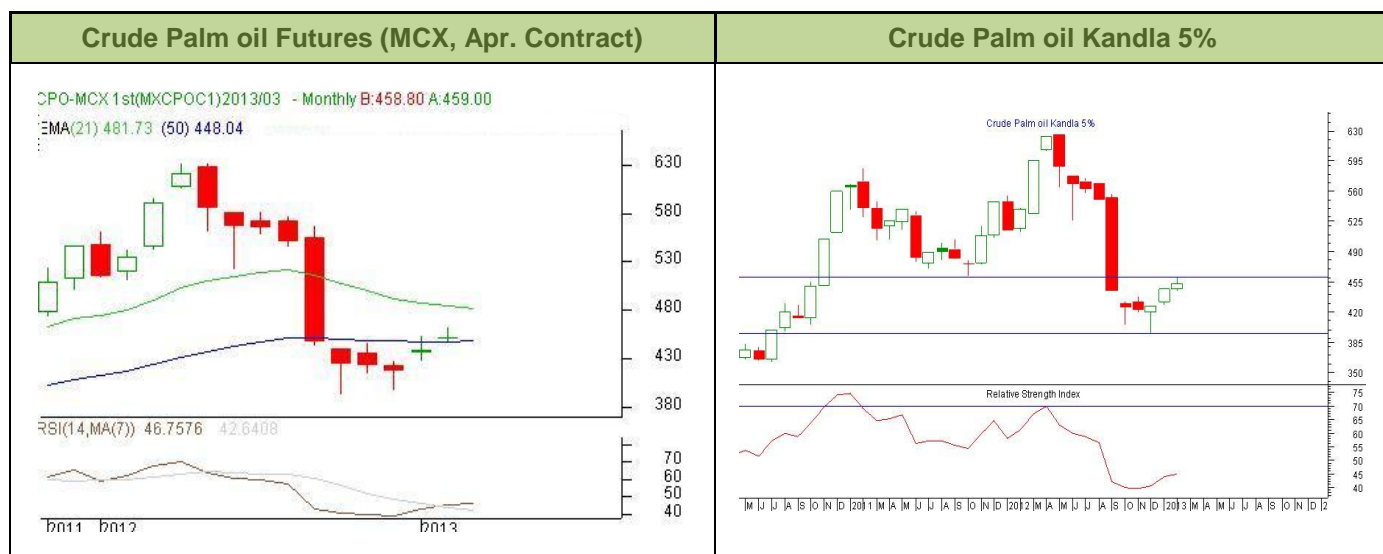
- ❖ Monthly chart of refined soy oil at NCDEX featured losses. We expect steady to weak movement in the coming days.
- ❖ Any close above 700 in monthly chart shall change the sentiments and might take the prices to a bullish phase.
- ❖ Expected price band for next month is 691-662 level in near to medium 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 687-691 for a target of 668 and 662 with a stop loss at 700 on closing basis.

RSO NCDEX

Support and Resistance				
S2	S1	PCP	R1	R2
638.00	648.00	681.50	708.00	715.00

Spot Market outlook: Refined soy oil Indore is likely to stay in the range of 648-700 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 Apr 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 479 in monthly chart shall change the sentiments and might bring the prices to a bullish phase.
- ❖ Expected price band for next month is 472-450 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 468-472 for a target of 455 and 450 with a stop loss at 479 on closing basis.

CPO MCX

Support and Resistance				
S2	S1	PCP	R1	R2
425.00	435.00	464.50	485.00	492.00

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 435-468 per 10 Kg.

Monthly spot price comparison

Commodity	Centre	Prices(Per 10 Kg)		Change
		2/28/2013	1/31/2013	
Refined Soybean Oil	Kota(Loose)	675	735	-60
	Rajkot (Loose)	690	725	-35
	Jaipur (Loose)	-	-	-
	Hyderabad+ VAT	-	-	-
	Delhi (Loose)	700	770	-70
	Kakinada	-	-	-
	Mumbai +VAT	680	730	-50
	Indore	660	725	-65
	Soy Degum Mumbai+VAT	685	695	-10
	SoyDegum Kandla/Mundra+VAT	690	700	-10
	Haldiya Port (Loose)	716	-	-
	Akola (Loose)	699	744	-45
	Amrawati (Loose)	699	744	-45
	Jalna	695	740	-45
	Nagpur	699	744	-45
Palm Oil	Chennai.RBD.Palmolein.(Loose)	510	510	Unch
	Hyd. RBD Palmolein VAT	-	-	-
	Delhi RBD Palmolein (Loose)	550	555	-5
	Kandla CPO (5%FFA)	453	447	6
	Kakinada.RBD.Palmolein(Loose)	480	511	-31
	Mumbai RBD Pamolein+ VAT	517	515	2
	Kandla RBD Palmolein +VAT	515	508	7
Refined Sunflower Oil	Mumbai + VAT	780	800	-20
	Kandla/Mundra	700	730	-30
	Erode (Exp. Oil)+VAT	785	795	-10
	Hyderabad Exp +VAT	756	781	-25
	Chennai (Loose)	805	810	-5
	Bellary (Exp. Oil)+VAT	646	663	-17
	Latur (Exp. Oil)+VAT	731	746	-15
	Chellakere (Exp. Oil)+VAT	711	721	-10
Groundnut Oil	Rajkot (Loose)	1240	1260	-20
	Chennai (Loose)	1110	1180	-70
	Delhi (Loose)	1080	1150	-70
	Hyderabad Exp +VAT	1156	1209	-53



	Mumbai + VAT	1235	1280	-45
	Gondal+VAT	-	1270	-
	Jamnagar +VAT	-	1270	-
	Narsarropeth+VAT	1091	1101	-10
	Prodattour+VAT	1101	1141	-40
Rapeseed Oil	Mumbai (Exp. Oil) +VAT	690	777	-87
	Alwar (Expeller Oil)(Loose)	706	783	-77
	Kota (Expeller Oil) (Loose)	675	735	-60
	Jaipur (Expeller Oil) (Loose)	706	761	-55
	Delhi (Exp. Oil) (Loose)	753	790	-37
	SriGangaNagar(ExpOil-Loose)	721	761	-40
	Hapur+VAT	815	859	-44
	Kolkata	-	-	-
	Agra (Kacchi Ghani Oil) +VAT	760	815	-55
Refined Cottonseed Oil	Mumbai +VAT	622	622	Unch
	Rajkot (Loose)	615	620	-5
	Delhi (Loose)	610	615	-5
	Hyderabad (Loose)	-	-	-
Sesame Oil	Delhi	1350	1450	-100
	Mumbai	1360	1470	-110
Coconut Oil	(Crude Rs/10kg) - Kangayan	605	705	-100
Kardi	Mumbai	1250	1225	25
Rice Bran Oil (40%)	Delhi	540	570	-30
Rice Bran Oil (4%)	Punjab	510	535	-25
Rice Bran Oil (70%)	Delhi	-	-	-
Malaysia Palmolein USD/MT	FOB (Jan Shipment)	810	840	-30
	CNF (Jan) India	860	870	-10
Indonesia/Malaysia CPO USD/MT	FOB (Feb Shipment)	775	805	-30
	CNF) (Jan) India	810	825	-15
Argentina FOB (\$/MT)		1/30/2013	12/28/2012	Change
Crude Soybean Oil Ship (Feb/Mar)		1070	1161	-91
Refined Soy Oil (Bulk) Ship (Feb/Mar)		1107	1202	-95
Sunflower Oil Ship (Feb/Mar)		-	1145	-
Cottonseed Oil Ship (Feb/Mar)		1050	1141	-91
Refined Linseed Oil (Bulk) Ship		-	-	-



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