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# **Veg. Oil Monthly Research Report**

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## **Executive summary**

### **Domestic Front**

*Edible oil basket featured mixed tone during the month under review on need based buying against adequate edible oils stocks. However, refined soybean oil quoted higher due to wedding season and restricted soybean supplies in the cash market.*

*Mustard oil (Kota basis) was the top loser among the edible oil pack on an estimated rise in the mustard seed production and arrival pressure. While, refined sunflower oil (Chennai Based) was the second worst performer during the month in review owing to dull demand and adequate imported sun oil supplies. Meanwhile, refined soybean oil (Indore based) featured gain on m-o-m thanks to dwindling soybean supplies in the cash market and wedding season support the demand prospects.*

*Mustard oil (Kota basis) prices quoted lower to Rs 648.68 per 10 Kg monthly averages; down 2.29 percent from last month and refined soybean oil (Indore Based) prices gain by 4.98 percent to Rs 723.74 per 10 Kg on monthly average basis.*

*On the currency front, Indian rupee against USD closed at 53.79, up 0.90 percent as compared to the previous month which makes imported edible oils cheaper. We expect edible oil complex to trade sideways in the days ahead on need based demand and ongoing wedding season. However, soybean supplies from South American countries may limit excessive gains.*

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

*CBOT soy oil (May) is expected to stay in the range of 47.25 cents/lb to 51.80 cents/lb. CPO at BMD (June) is likely to trade sideways to slightly firm tone and stay in the range of 2210-2400 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 export pace.*

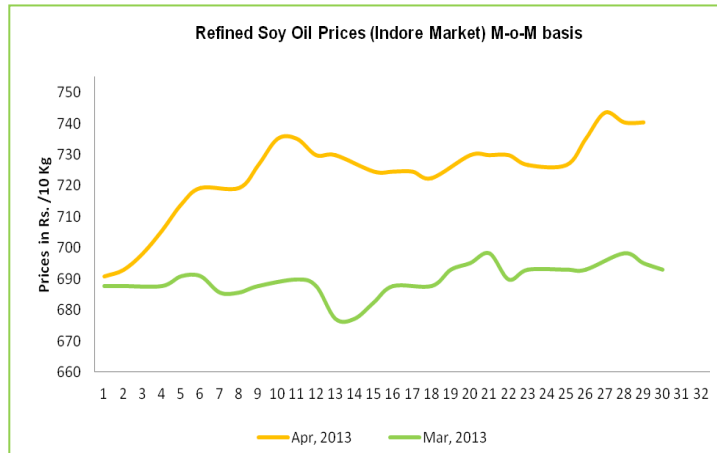
*As per cargo surveyor Societe Generale de Surveillance, Malaysian palm oil products exports for April figures depicts a drop of 5.6% on m-o-m basis to 12.9 lakh tons.*

*Market participants eyed on upcoming MPOB's report on Malaysian palm oil ending stocks for April. Prices may trade higher if inventories drop below 2 million tons. However, market participants seen slight drop in Malaysian palm oil inventories figures from last month owing to weak Malaysian palm oil exports and probably gains in palm oil production.*

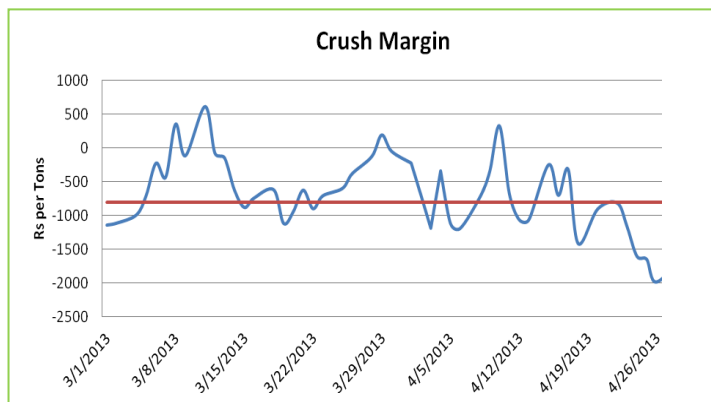
*Soybean shipments from South American countries are expected to pick up in the coming days, which may support supply prospects and rising bird flu cases in China may hamper Chinese demand for soybean which could tab on global soy oil and meal prices.*

## Soy oil: Domestic Market Fundamentals

- Ref. soy oil prices featured firm tone during the month in review due to thin soybean supplies and good demand from oil millers. However, cautious buying in soy oil limits excessive gains.
- As per the third advance estimates of production released by Ministry of agriculture, the soybean production for 2012/13 is estimated at 14.1 million tons. While, Agriwatch estimated soybean output for 2012/13 at 12.5 million tons.
- Indian government reduced the base import price on crude soybean oil by US \$9 per tons to US \$1,103 due to gains in the international soy oil FOB prices. While, SEA has reported that Indian buyers imported 248,728 tons of crude degummed soybean oil in the current oil year until March 2013, up 2.9 percent from last year of a corresponding period.
- Sources revealed that weak demand for oil meals and lackluster buying in oils may hurt the market sentiments in the coming days. However, firmness in soybean may limit downside risk in the soy oil.
- We expect soy oil may trade with a steady to slightly firm bias on dwindling soybean supplies. However, upcoming soybean supplies from South American countries and need based demand in oils may limit excessive gains.



## Soybean crush margin (Indore basis):-



## Outlook:-

Crush margin (Indore) disparity widens during the month on higher relative gains in soybean prices compared to soybean meal and oils prices. We expect crush margin disparity is likely to remain in the negative zone. Crushers are in comfortable state above-800 levels.

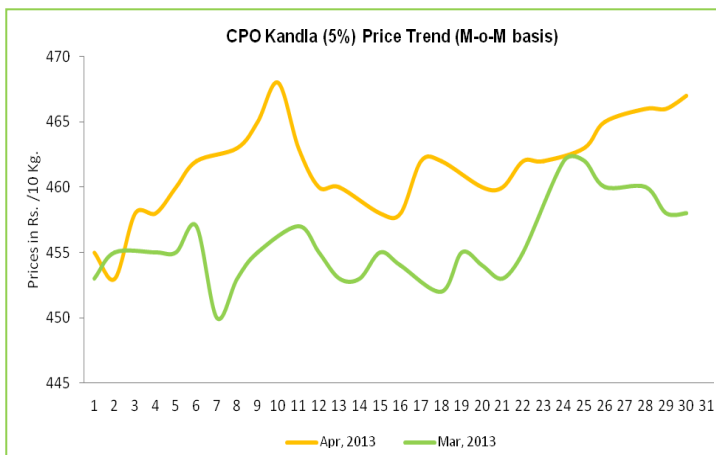
## International Market Fundamentals

- As per Safras e Mercado, Brazil's farmers have harvested 97% of the soybean acreage by May 3, 2013, up 3 percent compared to last week and 97% at the corresponding period of last year. The average percentage for this time of the year is 95%.
- As per Buenos Aires Grains Exchange, Argentina's soybean yields are better than expected as the 2012/13 harvest advances and farmers have harvested 66.2 percent of the 19.7 million hectares planted with soybeans, up 10 percent from a week earlier.
- Soybean shipments from South American countries are expected to pick up in the coming days, which may support supply prospects and rising bird flu cases in China may hamper Chinese demand for soybean could tab on global soy oil and meal prices.

**Price Outlook:** We expect Ref. soy oil with VAT to trade in the price band of Rs 708-733 per 10 Kg.

**Palm oil:**
**Domestic Market Fundamentals**

- CPO kandla 5% prices featured firm tone in April owing to falling palm oil inventories trend in the South East Asian countries.
- At the import front, IBIS figures revealed that Indian buyers imported 4.06 lakh tons of crude palm oil, 2.48 lakh tons of RBD palmolein and 0.19 lakh tons of crude palm kernel oil in the month of April.
- The Indian Government has lowered base import price on crude palm oil to US \$ 824, slashed US \$3 per tons in line with global prices and reduced base import price on refined palmolein by \$6 per tons to US \$ 861 per tons.
- At the tender front, STC has issued an international tender to purchase 30,000 tons of refined palmolein for delivery in June and the shipments are required to the western port of Mumbai by June 13. STC discard the previous tender to import refined palmolein due to only one bid for the tender.
- Weakness in the international market and higher palm oil ending stocks in the South East Asian counties may hurts the sentiments. However, international palm oil market trading at lower quotes and cheaper palm oil products may support the palm oil demand prospects.
- Palm oil may trade range bound in expectation of easing palm oil stockpiles in the South East Asian countries. However, good supplies in the cash market may limit upside risk in the prices.


**International Market Fundamentals**

- Malaysian palm oil products export for April fell 5.6 percent to 12.9 lakh tons from 1.36 lakh tons in the March period. India imports 189,999 tons of Malaysian palm oil products in April, up 134.16 percent from last month - Societe Generale de Surveillance

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

Palm Products	Apr	Mar	% Change
Crude palm oil	222,920	143,382	55.47
RBD palm oil	90,706	144,412	-37.19
RBD palm olein	618,048	700,753	-11.80
RBD palm stearin	116,027	116,408	-0.33
Crude palm kernel oil	26,440	27,190	-2.76
Oleochemicals	37,377	61,090	-38.82

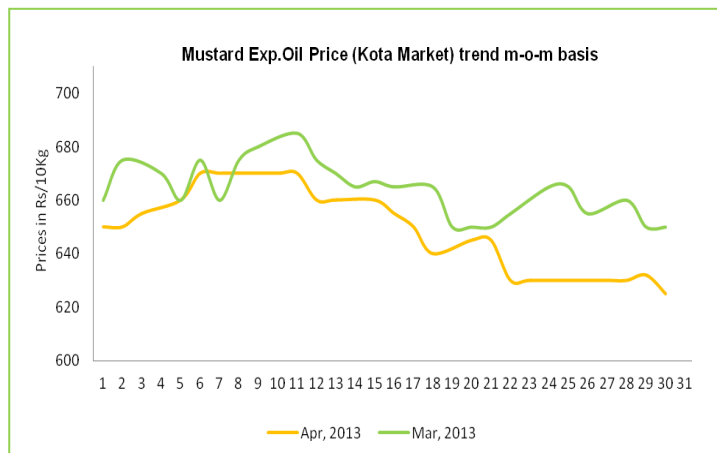
Top Palm Products Importers	Apr	Mar	% Change
European Union	239,422	206,113	16.16
China	355,042	401,120	-11.49
Pakistan	51,100	83,500	-38.80
United States	113,200	94,437	19.87
India	189,999	81,142	134.16

- Indonesia cut its export tax for crude palm oil for May to 9 percent from 10.5 percent in April – Indonesian Ministry.
- On the supply side, Malaysian palm oil inventories is likely to further ease in April and may touch 20.5-21.0 lakh tons level, down from March level. However, palm oil production is likely to pick up from May onwards support the palm oil supply prospects.
- Affin investment Bank cut its crude palm oil price forecast for 2013 to 2,600 ringgit per tons, down ringgit 200 per tons from previous estimates.
- Market participants eyed on upcoming MPOB's report on Malaysian palm oil ending stocks for April. Prices may trade higher if inventories drop below 2 million tons. However, market participants seen slight drop in Malaysian palm oil inventories figures from last month owing to weak Malaysian palm oil exports and probably gains in palm oil production.

**Price Outlook:** We expect CPO Kandla 5% to trade in the price band of Rs 443-470 per 10 Kg.

## Rapeseed oil: Domestic Market Fundamentals

- Rapeseed oil featured weak tone during the month of April due to higher palm oil imports and on an estimated rise in the mustard seed production.
- As per the third advance estimates of production released by Ministry of agriculture, the oilseed production for 2012/13 is estimated at 30.7 million tonnes, up 1.23 million tons, mustard seed is estimated at 7.4 million tons. As per Agriwatch estimates, mustard oil output seen at 29.2 lakh tons, up 22 percent from the previous oil year.
- As per sources, higher palm oil imports and subdued demand for mustard oil may drag down mustard oil further. However, slow mustard seed selling by farmers may limit excessive downside risk in the prices from current level.
- USDA lowers its Indian mustard oil import estimate to 45,000 tons, down 50,000 tons in its report owing to higher mustard seed production in India and cheaper palm oil product looks attractive against other edible oil.
- We expect RM seed oil prices may rise on renewed demand from oil millers. However, ongoing RM seed arrivals may limit excessive gains.



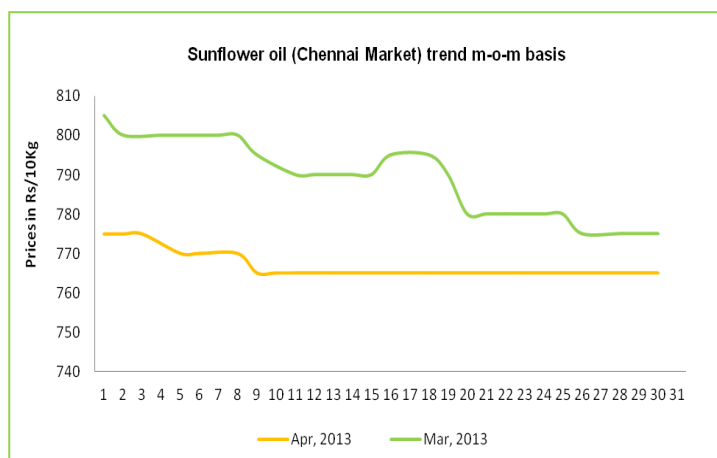
### International Fundamentals:-

- Oil World forecasts global rapeseed production to 641 lakh tons, up 16 lakh tons in 2013/14 from previous estimates. Value in parenthesis are previous rapeseed production estimates wherein Canada is estimated at 145 (139) lakh tons, India at 70 (72) lakh tons, and EU-27 at 202 (192) lakh tons.
- According to the Statistics Canada survey, Canola seeding will fall 11.1 percent to 19.1 million acres from 2012 in expectation of oilseed-cereal rotation.

**Price Outlook:** We expect Rapeseed oil (Kota) to trade in the price band of Rs 600-635 per 10 Kg.

## Sunflower oil: Domestic Market Fundamentals

- Sunflower oil featured weak tone during the month of April on subdued demand.
- At import front, IBIS data revealed that India imported 1.04 lakh tons of crude sunflower oil majorly from Ukraine in the month of April. While, SEA of India reports that crude sunflower oil imports by India reached 421,750 tons in the current oil year 2012/13 until March and were thus lower than the 477,583 t imports against same period last year. Moreover, imports were lower on m-o-m basis in March by 12.9 percent to 90,655 tons.
- We expect sunflower oil prices may trade range bound to slightly weak tone owing to cheaper availability of palm oil in the domestic market and adequate sun oil supply likely to weigh on the sunflower oil prices in the coming days.



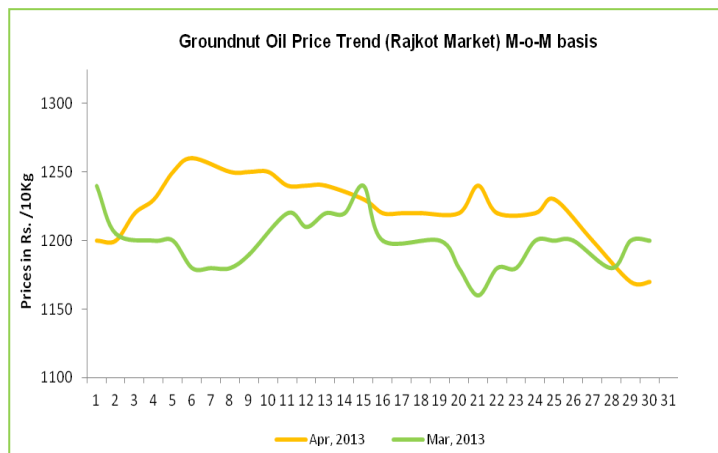
### International Fundamentals:-

- According to Argentina's agriculture ministry, 77 percent of the sunflower seed was harvested as of March 22, 2013 ahead of last year's pace of 71%.
- Ukraine is likely to increase sunflower seed production by 11 percent in 2013 to 9.51 million tons due to higher yields. Higher sunflower seed yields would be offset a decrease in the sowing area and farmers were likely to sow 5.3 million hectares of sunflower this year against 5.7 million hectares in 2012 - UkrAgroConsult.

**Price Outlook:** We expect sunflower oil (Chennai) to trade in the price band of Rs 740-780 per 10 Kg.

## Groundnut oil: Domestic Market Fundamentals

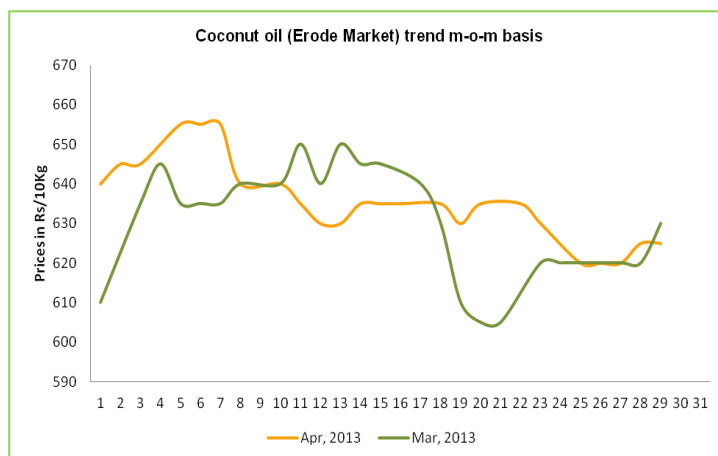
- Groundnut oil quoted higher during the initial days of the month. However, lackluster buying interest and adequate supplies limit upside.
- According to Indian Oilseed and Produce Export Promotion Council (IOPEPC), groundnut exports from India during the first two months of 2013 were reported at 70,917 tons, down 48 percent as compared corresponding period last year. Lower groundnut seed exports during the last couples of months were reported due to stringent quality norms.
- As per sources, groundnut oil is likely to trade with a steady to weak note in the coming days owing to cheaper availability of palm oil products and adequate availability against dull buying from end user.
- We expect groundnut oil prices may trade slightly lower on subdued demand from repackers and correction in meals. However, renewed demand from wholesalers could witness at lower quotes.



**Price Outlook:** We expect Groundnut oil (Rajkot) to trade in the price band of Rs 1120-1210 per 10 Kg.

## Coconut oil: Domestic Market Fundamentals

- Coconut oil featured range bound movement during the month of April on higher palm oil imports and comfortable copra stocks in the cash market. Coconut oil (Erode basis) prices quoted slight higher to Rs 635.42 per 10 Kg on monthly averages; up 0.83 percent from last month.
- Sources revealed that coconut oil prices are likely to remain range bound for short term due higher palm oil imports, lackluster corporate buying amid comfortable copra stocks is likely to weigh on the market sentiments. However, scarcity of water in south may limit excessive losses.
- 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 amid subdued demand in edible oil complex.



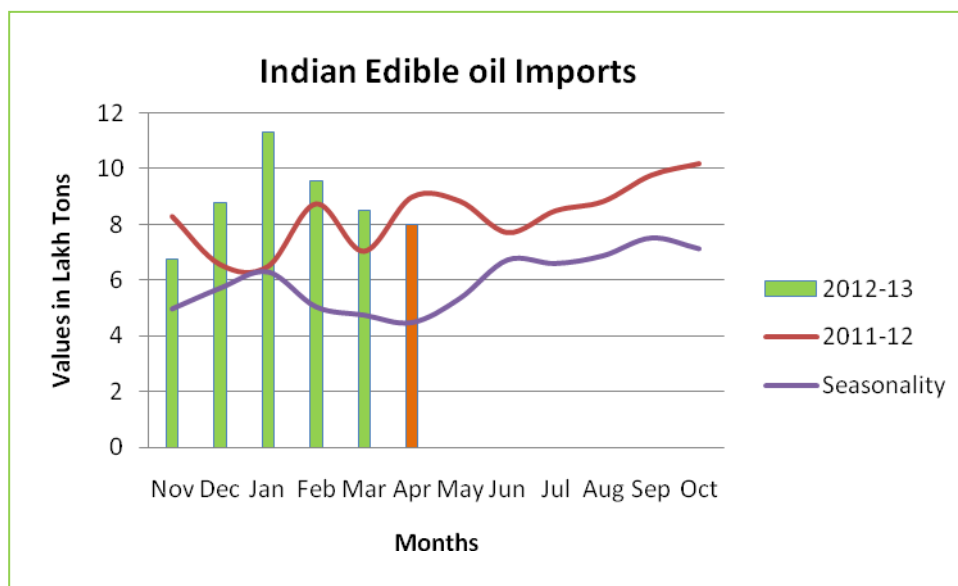
**Price Outlook:** We expect coconut oil (Erode) to trade in the price band of Rs 595-645 per 10 Kg.

**Indian Supply and Demand Scenario:**

Balance sheet of Indian Edible Oil	2010-11	2011-12	2012-13	% Change
Value in million tons				
Beginning Stock	0.67	0.64	1.21	89.06
Production	8.10	7.82	8.20	4.86
Imports	8.37	9.98	10.00	0.20
Total Supply	17.14	18.46	19.54	5.85
Exports	....	....	....	....
Total Demand(Consumption)	16.50	17.25	18.10	4.93
Ending Stock	0.64	1.21	1.44	19.01

**Balance Sheet Highlights**

Net edible oil output would likely be 8.20 Million MT in 2012/13 on the back of higher soybean and mustard seed production in the current oil year. An increment of 22 percent gains in mustard oil production and 4.7 percent in soybean oil witnessed in the current oil year. On import front, edible oil imports likely to rise by 0.20 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 1.44 million tons.

**Indian edible oil imports for April 2013 projection –:**


As per Solvent Extractors' Association of India, India imported 4.49 million tons of edible oils in the 2013 oil year (Nov.-Oct) until March. However, edible oils imports were 3.70 million tons in the corresponding period last year. We expect Indian edible oils imports for the month of March is likely to be fall by 5-6 percent.



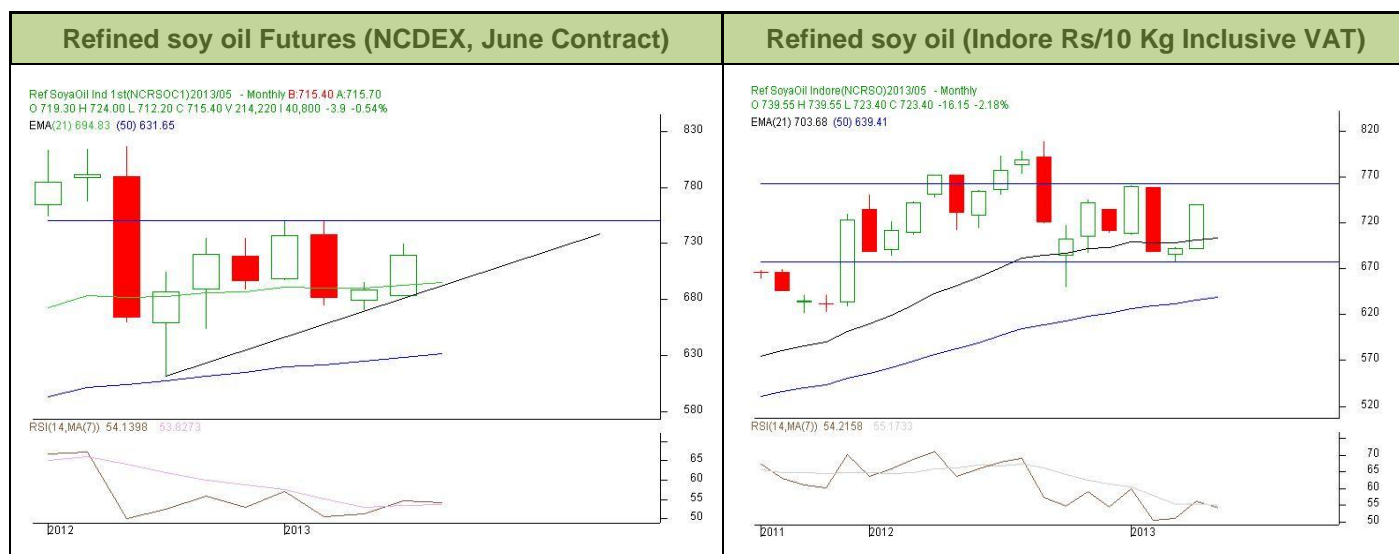
**Landed Cost at the Indian Ports - Crude soy oil**

<b>Landed Cost Calculation as on 09/5/2013</b>	<b>CSO Argentina</b>	<b>CSO Brazil</b>	<b>CSO US</b>	<b>CPO Indonesia</b>
FOB USD per ton	989	981	1082	790
Freight (USD/MT)	75	65	60	30.0
C & F	1064.0	1046.0	1142.0	820.0
Weight loss (0.25% of FOB)	2.47	2.45	2.71	1.98
Finance charges (0.4% on CNF)	3.96	3.92	4.33	3.16
Insurance (0.3% of C&F)	3	3	3	2
CIF (Indian Port - Kandla)	1074	1056	1152	828
CVD	0	0	0	0
Duty USD per ton	27.58	27.58	27.58	20.60
CVD value USD per ton	0	0	0	0
Cess (2% on duty) USD per ton	0.5515	0.5515	0.5515	0.412
Exchange rate	54.26	54.26	54.26	54.26
Landed cost without customs duty in INR per ton	58255	57272	62532	44905
Customs duty %	2.5%	2.5%	2.5%	2.5%
Base import price	1103	1103	1103	824
Fixed exchange rate by customs department	54.50	54.50	54.50	54.50
Duty component in INR per ton	1502.84	1502.84	1502.84	1122.70
Clearing charges INR per ton	483	483	483	483
Brokerage INR per ton	190	190	190	190
Total landed cost INR per ton	60430	59448	64708	46701
Domestic Market price INR/ton Soy Degum Kandla/CPO Kandla 5%	66500	66500	66500	45900
Total landed cost USD per ton	1114	1096	1193	861
Domestic Market price USD/tons Soy Degum Kandla/ CPO Kandla 5%	1226	1226	1226	846
<b>Parity INR/MT (Domestic - Landed)</b>	<b>6070</b>	<b>7052</b>	<b>1792</b>	<b>-801</b>
<b>Parity USD/MT (Domestic - Landed)</b>	<b>111.86</b>	<b>129.97</b>	<b>33.02</b>	<b>-14.76</b>
Source: Agriwatch/ Reuters				

**Outlook:-**

Import parity for crude soy oil from Argentina is hovering in positive territory due to higher international prices as compared to the domestic prices. We expect import parity to be in the positive side in the coming week due to higher soybean supplies from South American countries.



**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 on dips (May. contract).**

- ❖ Monthly chart of refined soy oil at NCDEX featured slight gains. We expect steady to firm movement in the coming days.
- ❖ Any close below 674 in monthly chart shall change the sentiments and might take the prices to a bearish phase.
- ❖ Expected price band for next month is 681.50-704 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.

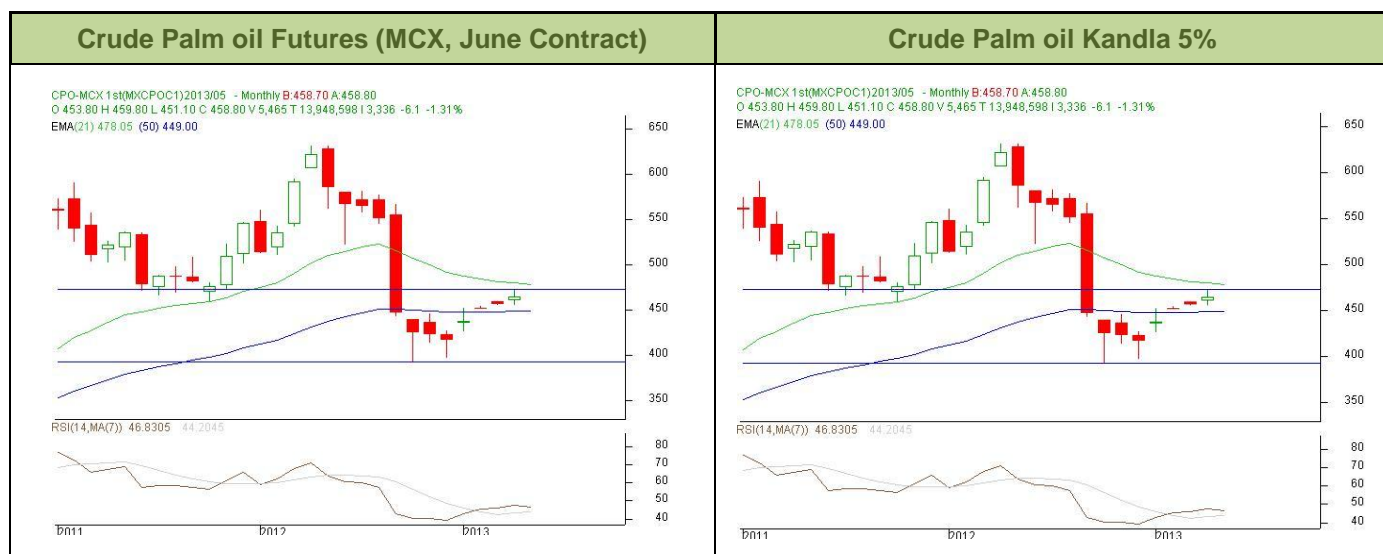
**Strategy:** Market participants are advised to go long in RSO in the range of 681.50-684.50 for a target of 699 and 704 with a stop loss at 674 on closing basis.

**RSO NCDEX**

Support and Resistance				
S2	S1	PCP	R1	R2
655.00	669.00	686.10	708.50	716.00

**Spot Market outlook:** Refined soy oil Indore is likely to stay in the range of 708-733 per 10 Kg.

### Technical Analysis (Crude Palm oil Monthly Charts)



**Outlook - Prices may trade with a steady to slightly firm tone in the coming days. Investors are advised to buy MCX CPO June 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 below 447 in monthly chart shall change the sentiments and might bring the prices to a bearish phase.
- ❖ Expected price band for next month is 451-465 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 451-454 for a target of 462 and 465 with a stop loss at 447 on closing basis.

#### CPO MCX

Support and Resistance				
S2	S1	PCP	R1	R2
437	445	455.50	471	478

**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 443-470 per 10 Kg.

**Monthly spot price comparison**

Commodity	Centre	Prices(Per 10 Kg)		Change
		4/30/2013	3/30/2013	
Refined Soybean Oil	Kota(Loose)	690	675	15
	Rajkot (Loose)	680	670	10
	Jaipur (Loose)	-	-	-
	Hyderabad+ VAT	-	-	-
	Delhi (Loose)	730	-	-
	Kakinada	-	-	-
	Mumbai +VAT	680	655	25
	Indore	705	660	45
	Soy Degum Mumbai+VAT	-	650	-
	SoyDegum Kandla/Mundra+VAT	665	660	5
	Haldiya Port (Loose)	-	-	-
	Akola (Loose)	721	681	40
	Amrawati (Loose)	721	681	40
	Jalna	710	679	31
	Nagpur	721	681	40
Palm Oil	Chennai.RBD.Palmolein.(Loose)	500	508	-8
	Hyd. RBD Palmolein VAT	495	505	-10
	Delhi RBD Palmolein (Loose)	545	550	-5
	Kandla CPO (5%FFA)	467	458	9
	Kakinada.RBD.Palmolein(Loose)	493	496	-3
	Mumbai RBD Pamolein+ VAT	510	512	-2
	Kandla RBD Palmolein +VAT	508	510	-2
Refined Sunflower Oil	Mumbai + VAT	775	775	Unch
	Kandla/Mundra	685	680	5
	Erode (Exp. Oil)+VAT	750	755	-5
	Hyderabad Exp +VAT	726	711	15
	Chennai (Loose)	765	775	-10
	Bellary (Exp. Oil)+VAT	631	629	2
	Latur (Exp. Oil)+VAT	711	721	-10
	Chellakere (Exp. Oil)+VAT	686	691	-5
Groundnut Oil	Rajkot (Loose)	1160	1200	-40
	Chennai (Loose)	1080	980	100
	Delhi (Loose)	1050	-	-
	Hyderabad Exp +VAT	1146	1072	74

	Mumbai + VAT	1200	1210	-10
	Gondal+VAT	-	1200	-
	Jamnagar +VAT	-	1200	-
	Narsarropeth+VAT	1051	1021	30
	Prodattour+VAT	1061	1081	-20
Rapeseed Oil	Mumbai (Exp. Oil) +VAT	662	672	-10
	Alwar (Expeller Oil)(Loose)	653	666	-13
	Kota (Expeller Oil) (Loose)	625	650	-25
	Jaipur (Expeller Oil) (Loose)	637	661	-24
	Delhi (Exp. Oil) (Loose)	652	-	-
	SriGangaNagar(ExpOil-Loose)	636	661	-25
	Hapur+VAT	753	763	-10
	Kolkata	-	-	-
	Agra (Kacchi Ghani Oil) +VAT	690	710	-20
Refined Cottonseed Oil	Mumbai +VAT	650	625	25
	Rajkot (Loose)	635	600	35
	Delhi (Loose)	620	-	-
	Hyderabad (Loose)	625	565	60
Coconut Oil	Kangayan (Crude)	625	630	-5
	Cochin	630	620	10
	Trissur	615	620	-5
Sesame Oil	Delhi	1300	-	-
	Mumbai	1360	1350	10
Kardi	Mumbai	1250	1250	Unch
Rice Bran Oil (40%)	Delhi	-	-	-
Rice Bran Oil (4%)	Punjab	450	490	-40
Malaysia Palmolein USD/MT	FOB (April Shipment)	790	808	-18
	CNF (April) India	828	835	-7
Indonesia/Malaysia CPO USD/MT	FOB (April Shipment)	780	-	-
	CNF (April) India	815	805	10
Argentina FOB (\$/MT)		4/29/2013	3/29/2013	Change
Crude Soybean Oil Ship		995	-	-
Refined Soy Oil (Bulk) Ship		1029	-	-
Sunflower Oil Ship		-	-	-

Cottonseed Oil Ship	975	-	-
Refined Linseed Oil (Bulk) Ship	-	-	-

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