



Veg. Oil Monthly Research Report

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Executive Summary

Domestic Veg. Oil Market Summary

Edible oil basket featured steady to weak tone during the month under review on lackluster buying in the cash market. Meanwhile, soy and palm oil quoted higher tracking bullish cues from international palm oil market.

Groundnut oil (Rajkot basis) was the top loser among the edible oil pack owing to lackluster buying from repackers and demand shift to cheaper cottonseed and palm oil. While, Coconut oil (Erode Based) was the second worst performer during the month in review owing to dull demand from government agencies and upcountry buyers. Meanwhile, crude palm oil (Kandla based) featured gain on m-o-m in line with the international palm oil market and persistent weakness in the Indian rupee against US dollar.

Groundnut oil (Rajkot based) prices quoted lower to Rs 1089.6 per 10 Kg monthly average; down 11.02 percent from last month. While, crude palm oil (Kandla Based) prices edged higher by 1.62 percent to Rs 468.9 per 10 Kg on monthly average basis.

On the currency front, Indian rupee against USD closed at 56.49, down 5.03 percent as compared to the previous month which makes imported edible oils dearer. We expect edible oil complex to trade sideways to firm tone in the coming days in expectation of stock build up from wholesalers ahead of Ramadan. However, normal monsoon forecast and adequate edible oils supplies may limit upside.

International Veg. Oil Market Summary

CBOT soy oil (July) is expected to stay in the range of 47.50 cents/lb to 51.25 cents/lb. CPO at BMD (July) is likely to trade sideways to slightly firm tone and stay in the range of 2370-2525 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 Weather over key soybean producing regions of US.

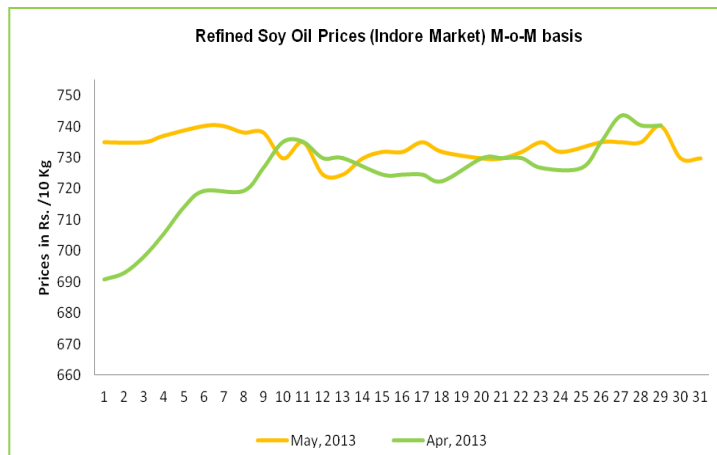
As per cargo surveyor Societe Generale de Surveillance, Malaysian palm oil products exports for May figures depicts a drop of 3.4% on m-o-m basis to 12.48 lakh tons.

Slow soybean selling witnessed from Brazilian farmers with a report of just 5 percent of the total soybean production in Brazil have sold up, which is 35 percent less compared to the same period of last year. However, good supplies in South American countries and soybean acreage is likely to increase in US may limit excessive gains in soybean oil in the coming days. Weather over key soybean producing regions of US may determine soybean yields in US and may give fresh directional moves to the market.

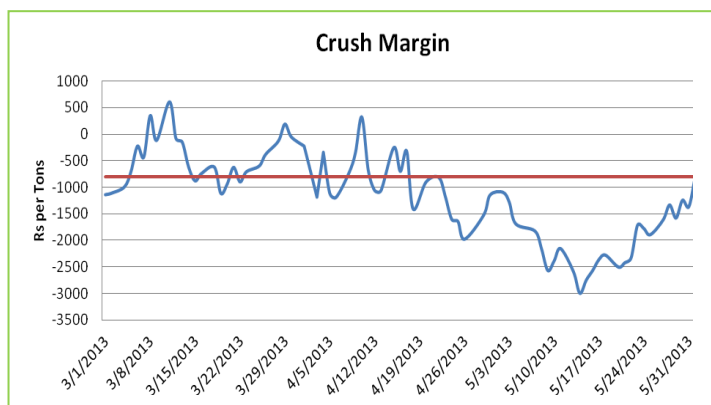
Stagnant CPO production in Malaysia, expectation of stock build up from top palm oil buyers in the coming weeks and stiff discount against soy oil may support palm oil prices in the days ahead. However, palm oil production is likely to pick up in June and July onwards, support the palm oil supply prospects and may cushion excessive gains in the medium term.

Soy oil: Domestic Market Fundamentals

- Ref. soy oil prices featured slight firm during the month in review tracking bullish cues from international palm oil market. However, weak demand for meals limits excessive gains.
- As per SEA of India, soybean area may climb 5-7 percent from 10.7 million hectares (26.4 million acres) last year due to good return in soybean compared to the cotton. The harvest was an all-time high 12.6 million metric tons last year. However, we expect soybean acreage is likely to increase by 2-3 percent in the current season.
- As per India Meteorological Department, monsoon rains are likely to reach Kerala in the next two to three days due to favorable weather conditions. The rainy season usually starts in the first week of June and likely to be normal in the current year. We expect timely onset of monsoon in the Kharif season for the country overall likely to boost the oilseed supplies prospects, which may limit upside risk in the soy oil prices in the coming months.
- The import tariff value of crude soybean oil has been kept unchanged at \$1075 per tons. Crude soy oil parity is likely to stay in the positive territory in the coming days owing to good soy oil supplies from South America. We expect soy oil may trade with a steady to slightly firm bias in expectation of stock build up from wholesalers ahead of Ramadan. However, normal monsoon forecast and adequate edible oils supplies may limit upside.



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.

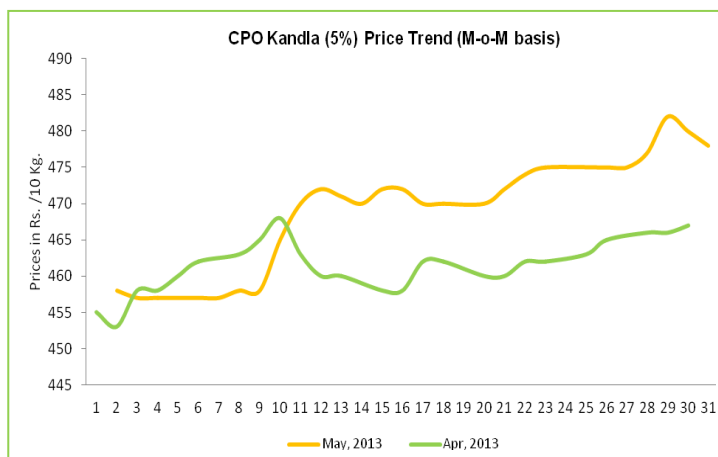
International Market Fundamentals

- As per the latest crop progress report released by USDA, the soybean crop has been planted at a slower pace with 44 per cent of the soybean growing areas as of 28 May 2013 which was 43 percent lower compared to the corresponding period of last year.
- Chinese soybean imports in January to April 2013 is reported to 15.4 Mln. t, fell 14.77 percent compared to the same period of the last year. Soybean oil imports deceased by 43.55 percent to 220,014 tons in Jan-Apr - Chinese Customs Department.
- Slow soybean selling witnessed from Brazilian farmers with a report of just 5 percent of the total soybean production in Brazil have sold up, which is 35 percent less compared to the same period of last year. However, good supplies in South American countries and soybean acreage is likely to increase in US may limit excessive gains in soybean oil in the coming days. Weather over key soybean producing regions of US may determine soybean yields in US and may give fresh directional moves to the market.

Price Outlook: We expect Ref. soy oil with VAT to trade in the price band of Rs 695-718 per 10 Kg.

Palm oil:
Domestic Market Fundamentals

- CPO Kandla 5% prices featured firm tone in May owing to falling palm oil inventories trend in the South East Asian countries and stagnant palm oil production.
- At the import front, IBIS figures revealed that Indian buyers imported 4.42 lakh tons of crude palm oil, 4.15 lakh tons of RBD palmolein and 0.30 lakh tons of crude palm kernel oil in the month of April. While SEA of India has reported 44.2 lakh tons of crude palm oil in the current oil year until April, which is 34.53 percent higher against corresponding period of last year. Meanwhile, RBD palmolein imports were lags by 4.89 percent to 8.74 lakh tons until April as compared to the same period of a last year.
- The Indian Government has hiked base import price on crude palm oil to US \$ 843, increased by US \$12 per tons in line with global prices and also increased base import price on refined palmolein by \$20 per tons to US \$ 863 per tons.
- Weakness in the Indian rupee against US dollar and easing palm oil ending stocks in the South East Asian countries may support the sentiments. However, adequate supplies in domestic cash market may limit gains.
- Palm oil may trade range bound to firm tone in expectation of easing palm oil stockpiles in the South East Asian countries.


International Market Fundamentals

- Weak palm oil products exports witnessed from Malaysia during May. Cargo surveyor Societe Generale de Surveillance reported a 3.4 percent drop in the exports of Malaysian palm oil products for May to 12.48 lakh tons compared to the last month. While, market participants expecting better buying from Indian subcontinent ahead of Muslim festivities and stagnant CPO production, might support palm oil in the days ahead.

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

Palm Products	May	Apr	% Change
Crude palm oil	282,200	222,920	26.59
RBD palm oil	120,755	90,706	33.13
RBD palm olein	499,896	618,048	-19.12
RBD palm stearin	113,480	116,027	-2.20
Crude palm kernel oil	19,000	26,440	-28.14
Oleochemicals	37,377	61,090	-38.82

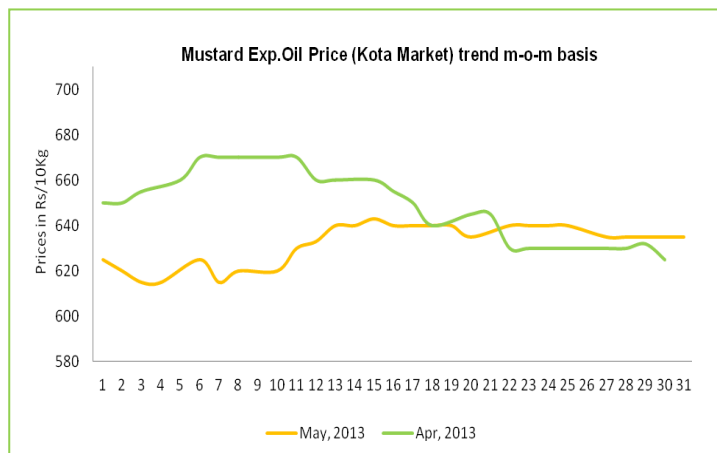
Top Palm Products Importers	May	Apr	% Change
European Union	260,422	239,422	8.77
China	155,545	233,415	-33.36
Pakistan	34,500	34,000	1.47
United States	83,140	110,140	-24.51
India	105,800	136,999	-22.77

- Malaysian palm oil ending stocks is likely to ease by 7.6 percent to 17.8 lakh tons from April. While, Malaysia's palm oil output in May might rose by 2 percent to 13.9 lakh tons from a month ago – Reuters Poll.
- Indonesia has set its export tax for crude palm oil at 9 percent for June remained unchanged from last month. Dorab Mistry told Bloomberg that palm oil might fell to RM 2000 per metric tons from July in expectation of rebuilding palm oil stockpiles from July due to peak production phase during July.
- Stagnant CPO production in Malaysia, expectation of stock build up from top palm oil buyers in the coming weeks and stiff discount against soy oil may support palm oil prices in the coming days. However, palm oil production is likely to pick up in June and July onwards, support the palm oil supply prospects and may cushion excessive gains in the medium term.

Price Outlook: We expect CPO Kandla 5% to trade in the price band of Rs 478-508 per 10 Kg.

Rapeseed oil:
Domestic Market Fundamentals

- Rapeseed oil featured sideways movement during the month of May due to higher palm oil imports and on an estimated rise in the mustard seed production.
- As per sources, weak demand witnessed from oil millers and wholesalers in major cash market due to higher edible oils imports and in anticipation of normal monsoon over key oilseed producing regions. Demand from pickle industry is likely to pick up from mid June.
- 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.
- We expect RM seed oil prices may rise on renewed demand from oil millers. However, ongoing RM seed arrivals and on an estimated rise in RM seed output may limit excessive gains.

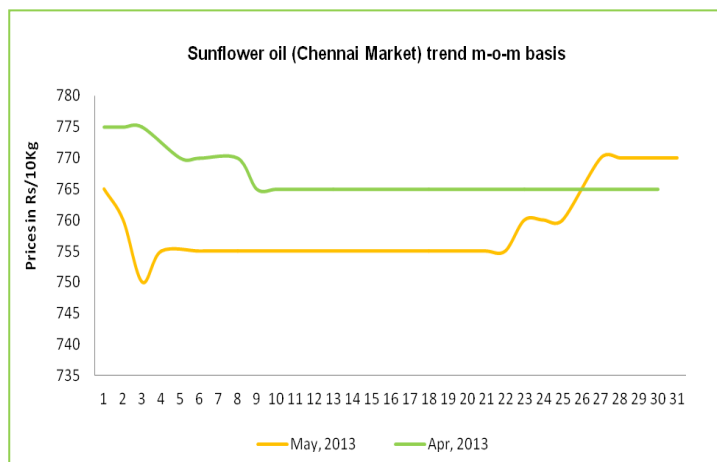

International Fundamentals:-

- 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.
- China is likely to buy about 5 million tons of rapeseed from farmers, up from 4.37 million tons last year, State Grain Administration reported. Chinese rapeseed imports are also expected to hit a high.

Price Outlook: We expect Rapeseed oil (Kota) to trade in the price band of Rs 623-655 per 10 Kg.

Sunflower oil:
Domestic Market Fundamentals

- Sunflower oil featured steady to weak tone during the month of May on account of subdued demand and comfortable sun oil stocks.
- At import front, IBIS data revealed that India imported 1.01 lakh tons of crude sunflower oil majorly from Ukraine in the month of May. While, SEA of India reports that crude sunflower oil imports by India reached 510,118 tons in the current oil year 2012/13 until April and were thus lower than the 607,121 tons imports against same period last year. Moreover, imports were lower on m-o-m basis in April by 1 percent to 88,368 tons.
- Normal demand witness for sun oil in Southern India and supportive international sun oil market is likely to support the domestic sun oil prices. We expect sunflower oil prices may trade sideways in the coming days.


International Fundamentals:-

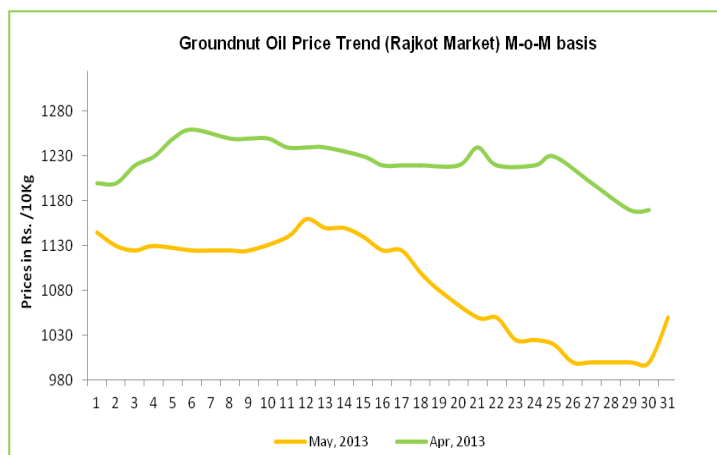
- Global production of sunflower seed may be 38.7 million tons, up from 36.2 million tons a year earlier. Farmers in Ukraine, planted 3.96 million hectares (9.8 million acres) of sunflowers as of May 15, while 4.7 million hectares were sown in Russia - Oil World.

Price Outlook: We expect sunflower oil (Chennai) to trade in the price band of Rs 745-788 per 10 Kg.

Groundnut oil:

Domestic Market Fundamentals

- Groundnut oil witnessed weak tone during the last two weeks of the month due to dull demand from end user. Groundnut oil (Rajkot basis) prices quoted lower to Rs 1089.6 per 10 Kg monthly averages; down 11.02 percent from last month
- As per sources, new summer groundnut crop has started to arrive in the market and cheaper availability of palm and cottonseed oil also pressurized the groundnut oil price. Moreover, repackers stay away from the market due to selling pressure and miller are not interested to offload G/N oil at lower quotes.
- We expect groundnut oil prices may trade range bound on subdued demand from repackers. However, renewed demand from wholesalers could witness at lower quotes.

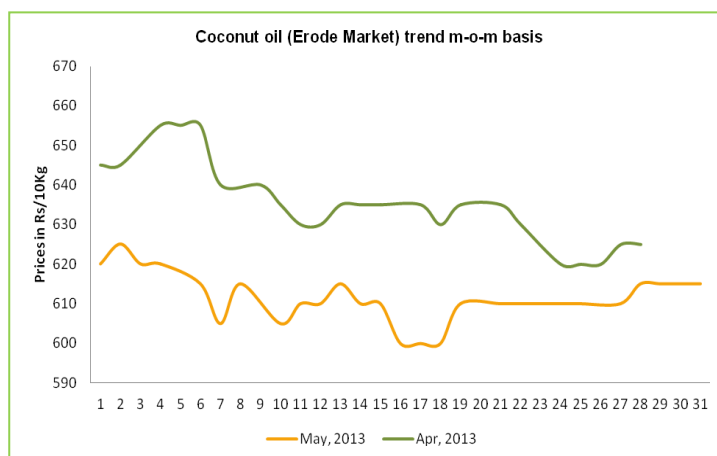


Price Outlook: We expect Groundnut oil (Rajkot) to trade in the price band of Rs 1030-1125 per 10 Kg.

Coconut oil:

Domestic Market Fundamentals

- Coconut oil featured range bound movement to weak tone during the month of May on cheaper availability of palm oil products and comfortable copra stocks in the cash market.
- Coconut oil (Erode basis) prices quoted lower to Rs 611.4 per 10 Kg on monthly averages; down 3.74 percent from last month.
- Sources revealed that coconut oil prices are likely to remain range bound to firm tone in the coming days due gains in the international palm oil prices and timely onset of monsoon over Kerala and Tamil Nadu. Moreover, in expectation of good demand from corporate may support the market sentiments in the coming days.
- We expect coconut oil prices may trade range bound to firm in the coming month.



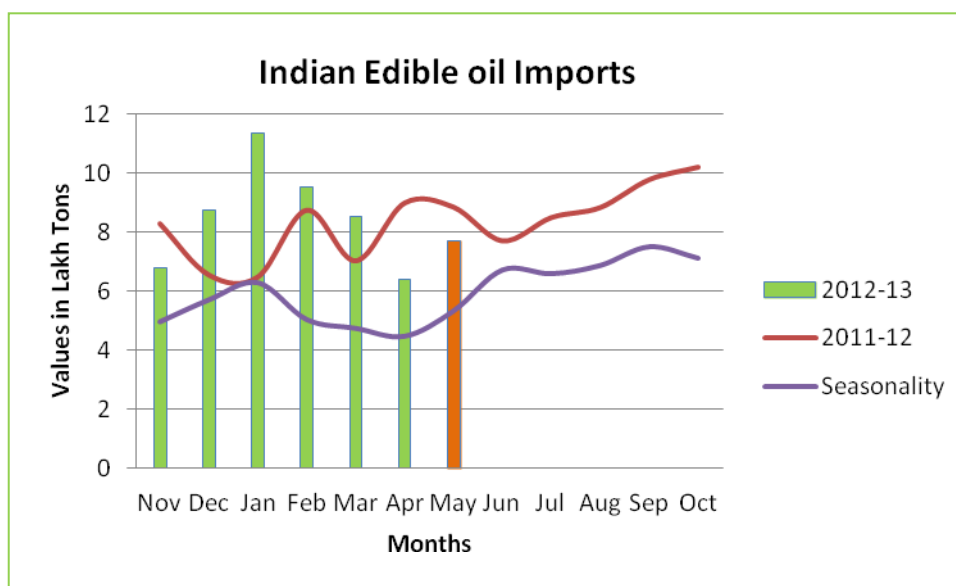
Price Outlook: We expect coconut oil (Erode) to trade in the price band of Rs 605-655 per 10 Kg.

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

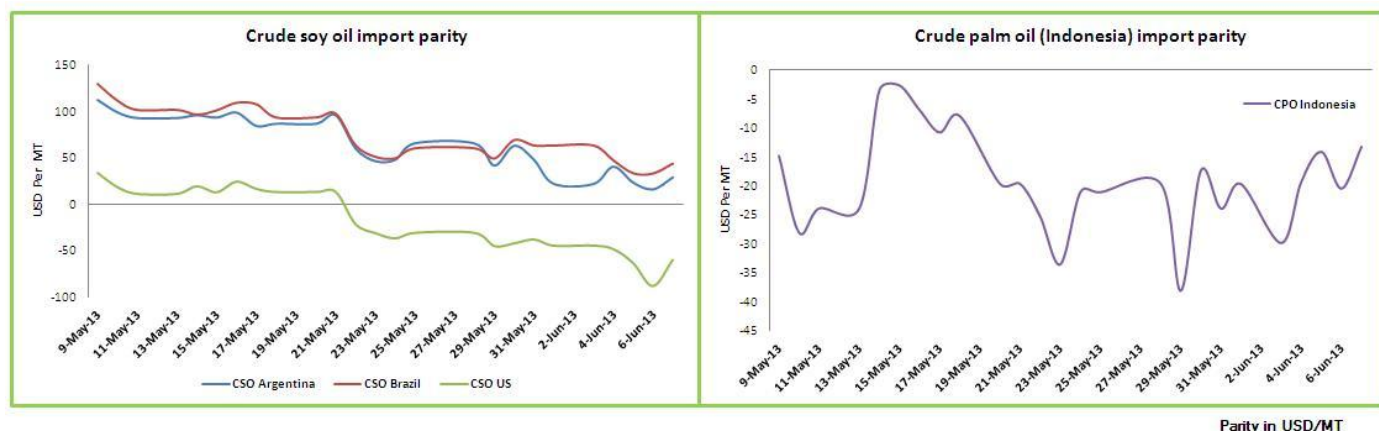
Net edible oil output would likely be 8.20 Million MT in 2012/13 on the back of higher soybean and mustard seed production in the current oil year. An increment of 22 percent gains in mustard oil production and 4.7 percent in soybean oil witnessed in the current oil year. On import front, edible oil 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 May 2013 projection –:


As per Solvent Extractors' Association of India, India imported 5.13 million tons of edible oils in the 2013 oil year (Nov.-Oct) until April. However, edible oils imports were 4.60 million tons in the corresponding period last year. We expect Indian edible oils imports for the month of April is likely to be rise by 18-20 percent.

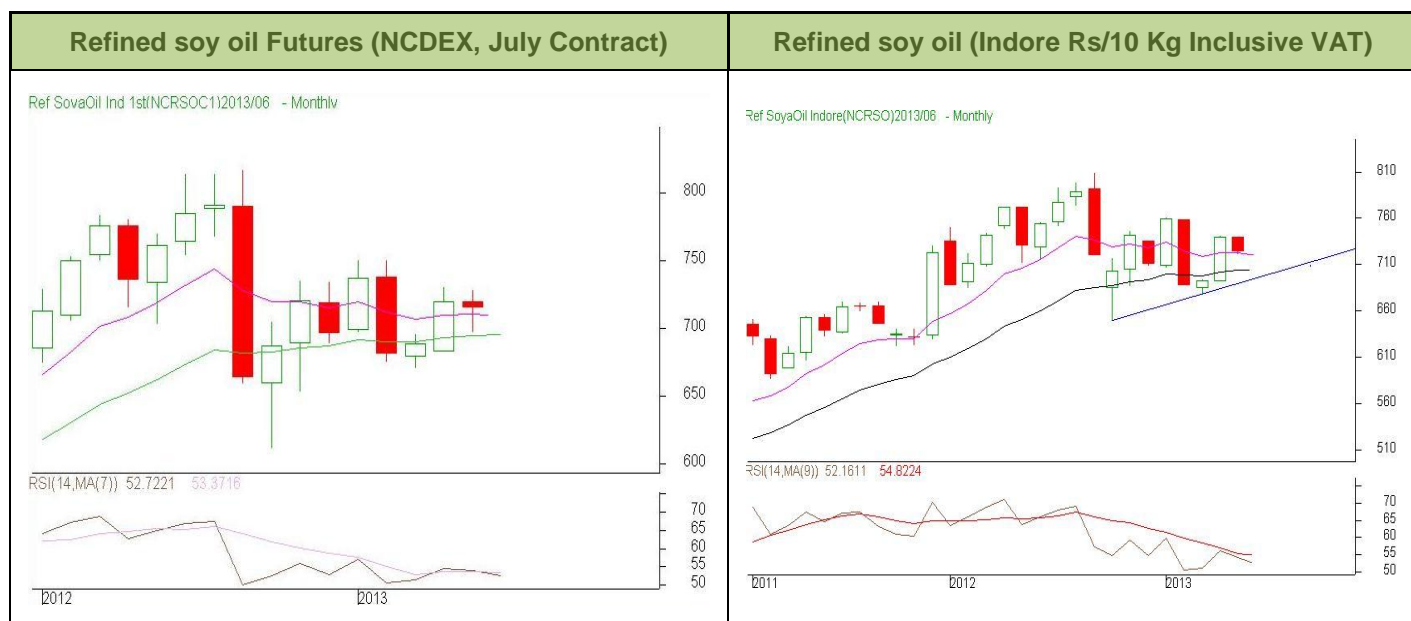
Landed Cost at the Indian Ports - Crude soy oil

Landed Cost Calculation as on 07/06/2013	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia
FOB USD per ton	962	958	1065	810
Freight (USD/MT)	75	65	60	30.0
C & F	1037.0	1023.0	1125.0	840.0
Weight loss (0.25% of FOB)	2.41	2.40	2.66	2.03
Finance charges (0.4% on CNF)	4.15	4.09	4.50	3.36
Insurance (0.3% of C&F)	3	3	3	3
CIF (Indian Port - Kandla)	1047	1033	1136	848
CVD	0	0	0	0
Duty USD per ton	26.88	26.88	26.88	21.08
CVD value USD per ton	0	0	0	0
Cess (2% on duty) USD per ton	0.5375	0.5375	0.5375	0.4215
Exchange rate	56.74	56.74	56.74	56.74
Landed cost without customs duty in INR per ton	59388	58587	64430	48110
Customs duty %	2.5%	2.5%	2.5%	2.5%
Base import price	1075	1075	1075	843
Fixed exchange rate by customs department	55.30	55.30	55.30	55.30
Duty component in INR per ton	1486.19	1486.19	1486.19	1165.45
Clearing charges INR per ton	483	483	483	483
Brokerage INR per ton	190	190	190	190
Total landed cost INR per ton	61547	60746	66590	49949
Domestic Market price INR/ton Soy Degum Kandla/CPO Kandla 5%	63200	63200	63200	49200
Total landed cost USD per ton	1085	1071	1174	880
Domestic Market price USD/tons Soy Degum Kandla/ CPO Kandla 5%	1114	1114	1114	867
Parity INR/MT (Domestic - Landed)	1653	2454	-3390	-749
Parity USD/MT (Domestic - Landed)	29.13	43.24	-59.74	-13.19
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 (July. contract).

- ❖ Monthly chart of refined soy oil at NCDEX featured consolidation. 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 684-707 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.

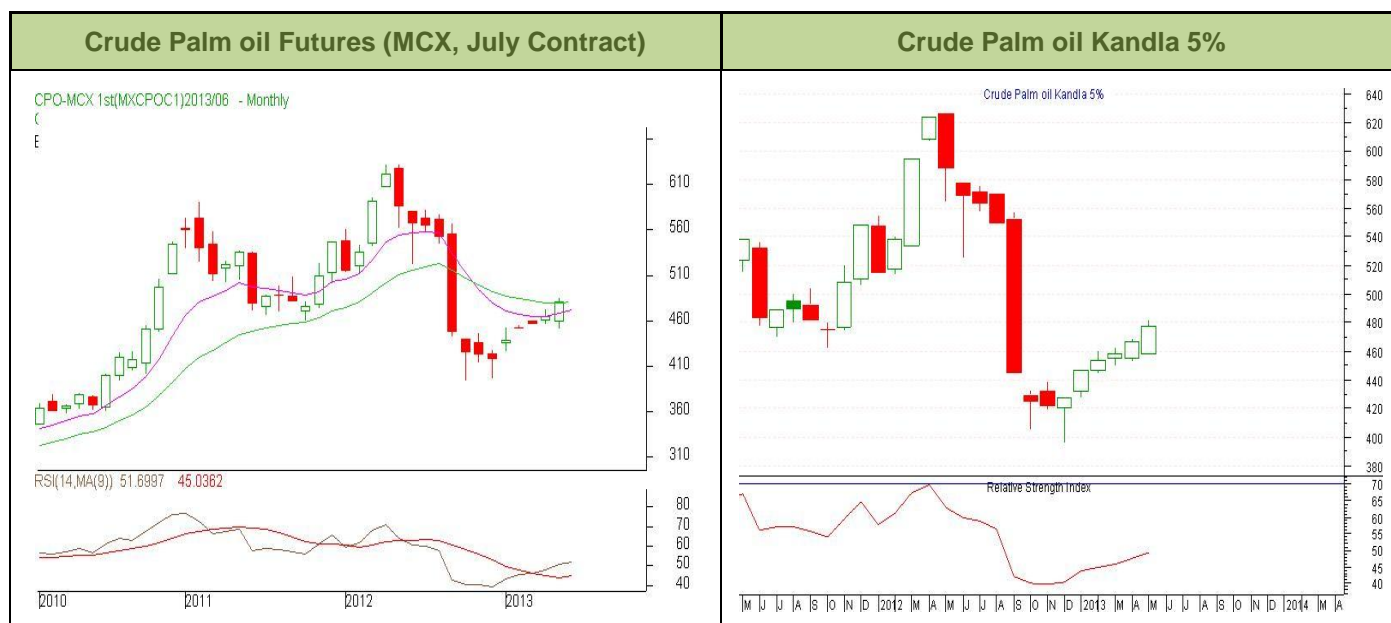
Strategy: Market participants are advised to go long in RSO in the range of 684-687 for a target of 702 and 707 with a stop loss at 676 on closing basis.

RSO NCDEX

Support and Resistance				
S2	S1	PCP	R1	R2
668	675	690.45	711	718

Spot Market outlook: Refined soy oil Indore is likely to stay in the range of 695-718 per 10 Kg.

Technical Analysis (Crude Palm oil Monthly Charts)



Outlook - Prices may trade with a firm tone in the coming days. Investors are advised to buy MCX CPO July contract.

- ❖ Candlestick Monthly chart of crude palm oil at MCX depicts bullishness. We expect prices may trade with a steady to firm tone in near term.
- ❖ Any close below 473 in monthly chart shall change the sentiments and might bring the prices to a bearish phase.
- ❖ Expected price band for next month is 479-502 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 479-483 for a target of 498 and 505 with a stop loss at 473 on closing basis.

CPO MCX

Support and Resistance				
S2	S1	PCP	R1	R2
465	471	484.40	505	511

Spot Market outlook: Crude palm oil 5% is likely to trade sideways to firm tone in the coming month. The prices are likely to stay in the range of 478-508 per 10 Kg.



Monthly spot price comparison

Commodity	Centre	Prices(Per 10 Kg)		Change
		5/31/2013	4/30/2013	
Refined Soybean Oil	Kota(Loose)	685	690	-5
	Rajkot (Loose)	670	680	-10
	Jaipur (Loose)	-	-	-
	Hyderabad+ VAT	-	-	-
	Delhi (Loose)	730	730	Unch
	Kakinada	-	-	-
	Mumbai +VAT	668	680	-12
	Indore	695	705	-10
	Soy Degum Mumbai+VAT	640	-	-
	SoyDegum Kandla/Mundra+VAT	645	665	-20
	Haldiya Port (Loose)	-	-	-
	Akola (Loose)	716	721	-5
	Amrawati (Loose)	716	721	-5
	Jalna	706	710	-4
	Nagpur	716	721	-5
Palm Oil	Chennai.RBD.Palmolein.(Loose)	520	500	20
	Hyd. RBD Palmolein VAT	496	495	1
	Delhi RBD Palmolein (Loose)	550	545	5
	Kandla CPO (5%FFA)	478	467	11
	Kakinada.RBD.Palmolein(Loose)	511	493	18
	Mumbai RBD Pamolein+ VAT	512	510	2
	Kandla RBD Palmolein +VAT	508	508	Unch
Refined Sunflower Oil	Mumbai + VAT	765	775	-10
	Kandla/Mundra	690	685	5
	Erode (Exp. Oil)+VAT	770	750	20
	Hyderabad Exp +VAT	741	726	15
	Chennai (Loose)	770	765	5
	Bellary (Exp. Oil)+VAT	634	631	3
	Latur (Exp. Oil)+VAT	711	711	Unch
	Chellakere (Exp. Oil)+VAT	696	686	10
Groundnut Oil	Rajkot (Loose)	1050	1160	-110
	Chennai (Loose)	1050	1080	-30
	Delhi (Loose)	930	1050	-120
	Hyderabad Exp +VAT	978	1146	-168



	Mumbai + VAT	1040	1200	-160
	Gondal+VAT	1020	-	-
	Jamnagar +VAT	1020	-	-
	Narsarropeth+VAT	971	1051	-80
	Prodattour+VAT	951	1061	-110
Rapeseed Oil	Mumbai (Exp. Oil) +VAT	665	662	3
	Alwar (Expeller Oil)(Loose)	643	653	-10
	Kota (Expeller Oil) (Loose)	635	625	10
	Jaipur (Expeller Oil) (Loose)	640	637	3
	Delhi (Exp. Oil) (Loose)	655	652	3
	SriGangaNagar(ExpOil-Loose)	631	636	-5
	Hapur+VAT	725	753	-28
	Kolkata	-	-	-
	Agra (Kacchi Ghani Oil) +VAT	695	690	5
Refined Cottonseed Oil	Mumbai +VAT	648	650	-2
	Rajkot (Loose)	640	635	5
	Delhi (Loose)	628	620	8
	Hyderabad (Loose)	620	625	-5
Coconut Oil	Kangayan (Crude)	615	625	-10
	Cochin	615	630	-15
	Trissur	605	615	-10
Sesame Oil	Delhi	1100	1300	-200
	Mumbai	1050	1360	-310
Kardi	Mumbai	1040	1250	-210
Rice Bran Oil (40%)	Delhi	-	-	-
Rice Bran Oil (4%)	Punjab	455	450	5
Malaysia Palmolein USD/MT	FOB (June Shipment)	810	790	20
	CNF (June) India	840	828	12
Indonesia/Malaysia CPO USD/MT	FOB (June Shipment)	805	780	25
	CNF (June) India	830	815	15
Argentina FOB (\$/MT)		5/30/2013	4/29/2013	Change
Crude Soybean Oil Ship		974	995	-21
Refined Soy Oil (Bulk) Ship		1008	1029	-21
Sunflower Oil Ship		-	-	-

Cottonseed Oil Ship	954	975	-21
Refined Linseed Oil (Bulk) Ship	-	-	-

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