

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

*Most of the edible oils witnessed steady to weak tone during the week under review tracking bearish cues from international palm oil conference and higher palm oils stocks in the cash markets.*

*Mustard oil (Kota Based) was the top loser among the edible oil pack due to mustard seed harvesting pressure and on an estimated rise in mustard seed production followed by soy oil on lackluster buying interest and higher imported edible oils in the cash markets. RM seed oil (Kota basis) prices fell by 3.9 percent to Rs 669 per 10 Kg on weekly average basis and soy oil (Indore basis) prices quoted lower to Rs 688/10 Kg weekly averages, down 3.31 percent compared to the last week. However, sunflower and palm oil prices witnessed slight losses.*

*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 54.28, down 0.6 percent as compared to the previous week. We expect edible oil complex to trade sideways to weak tone in the days on Rabi crop arrivals and harvesting pressure from South American soybean crop. However, slow soybean offloading by farmers and good demand for soy meal may limit downside risk in the prices.*

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

*CBOT soy oil (Mar) is expected to stay in the range 48.50 cents/lb to 51.60 cents/lb. CPO at BMD (Apr) is likely to trade sideways and stay in the range of 2280-2545 ringgits per tons. Focus during the coming days will be on the Malaysian palm oil export figures, South American soybean production estimates, and Brazilian port activities.*

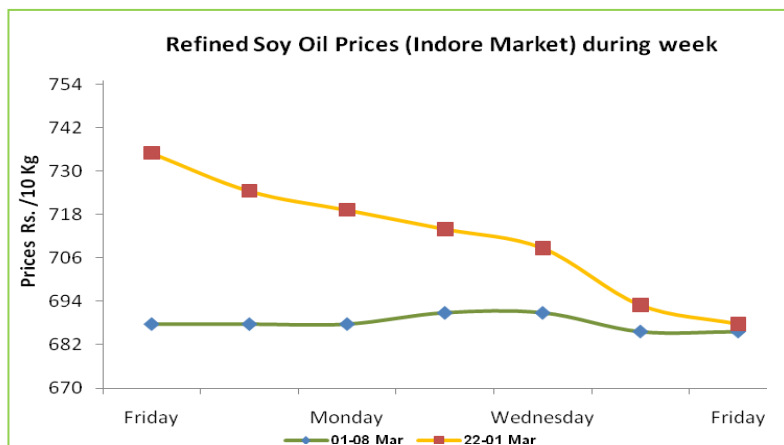
*Higher global oilseed supplies and soybean harvesting pressure from South American countries, which may weigh on the market sentiments. While, growing concerns that the delays in vessel loading in the ports of Brazil and soybean yield losses in Argentina will shift more demand to the US Borders in the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

*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 Fundamentals:-

- Soybean oil featured steady to weak tone on slack buying interest from wholesalers and weak cues from international overseas market.
- Soybean oil parity weekly average significantly widens during the week and reported Rs 22 per 10 Kg against Rs -13 per 10 Kg in the bygone week on better soy meal prices compared to soybean. Soybean oil parity is likely to widen to some extent in the coming weeks in anticipation of range bound movement in soybean and better meal prices.
- Soy oil demand was moderate in major cash markets. However, rising Rabi oilseed arrivals and falling seasonal usage with rising temperature might weigh on the edible oil complex in the coming weeks.
- 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.
- We expect soy oil may trade range bound to weak tone in the coming week on lackluster buying in edible oil complex and average demand. However, slow soybean offloading by farmers may cap excessive losses.



#### International Fundamentals:-

- Brazil's government slashed its soybean crop by 1.3 million tons for the 2012/13 citing 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%.
- USDA slashed its Argentina soybean production by 1.50 Mln. T to 51.50 Mln T for 2012/13. However, Brazil estimates were remained intact. However, trade estimates for Argentine soy crop are in the range of 48-51 Mln.t.
- Higher global oilseed supplies and soybean harvesting pressure from South American countries, which may weigh on the market sentiments. While, growing concerns that the delays in vessel loading in the ports of Brazil and soybean yield losses 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.

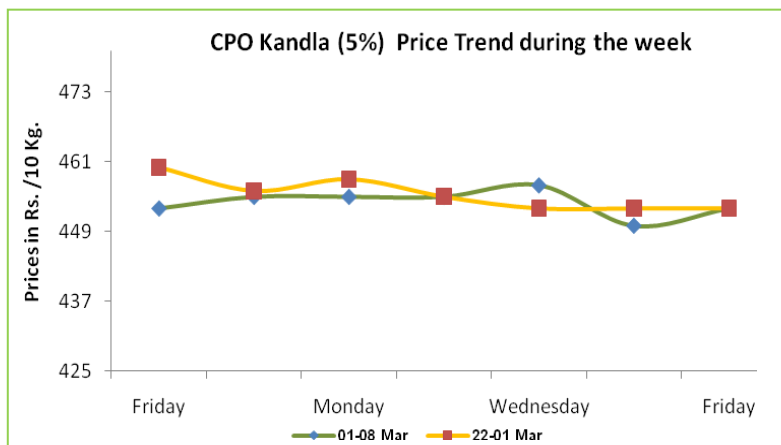
#### Price Outlook:

We expect refined soy oil at Indore (with VAT) to stay in the range of 673-705 per 10 Kg in the near term.

### Palm Oil:

#### Domestic Fundamentals:-

- CPO Kandla 5% featured sideways on need based buying. However, bearish price forecast by top palm oil analyst limit upside.
- 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.
- MMTC has issued a tender to import 22,000 tonnes of refined, bleached, and deodorized (RBD) palm olein vegetable oil to be sourced from Indonesia and/or Malaysia. Shipment was required either immediately or by Mar. 31. The tender deadline is Mar 14.
- Higher edible oil stocks in the cash market may weigh on the market sentiments in near term. However, excessive losses would be limited as palm oil products are offered at higher discount against other edible oils.
- We expect domestic palm oil prices may trade range bound to weak tone on limited buying and persistent losses in the international palm oil market.



#### International 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 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.
- Malaysian Palm Oil Board (MPOB) has reported that Malaysia's February palm oil stocks fell by 5.2 per cent to 2.44 million tons from 2.57 million tons in January 2013 but were higher as compared with 2.06 million tons of stock in February last year. In addition, palm oil production in Feb 2013 at 1.29 million tons was down 19.3 per cent from Jan 2013 and exports for the month declined by 14.9 per cent from last month.
- 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.

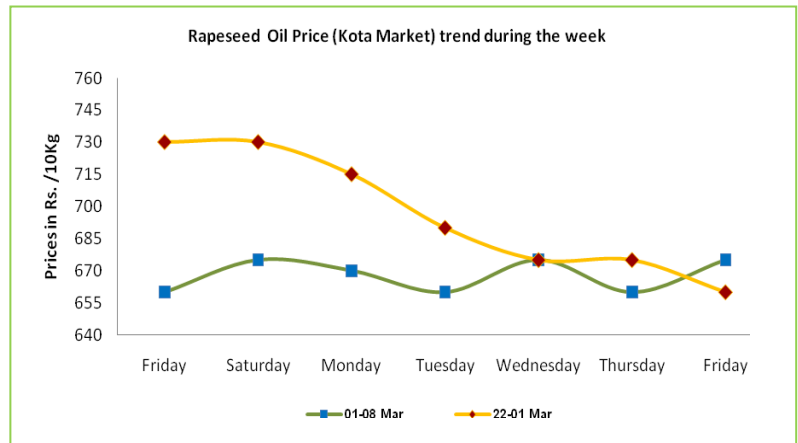
#### **Price Outlook:**

We expect CPO Kandla 5% (without VAT) to stay in the range of 438-462 per 10 Kg in the near term.

### Rapeseed oil:

#### Domestic Market Fundamentals

- Rapeseed oil featured significant losses at Kota market during the bygone week due to harvest pressure and on an estimated rise in mustard seed production in the current season.
- As per sources, arrivals are increasing in the spot markets of Alwar in Rajasthan and daily supplies are expected to reach about 20,000 bags in the coming weeks.
- 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.
- We expect RM seed oil prices may trade range bound to weak tone in the coming days. Prices are likely to be stable and lower quotes



#### International Fundamentals:-

- 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.

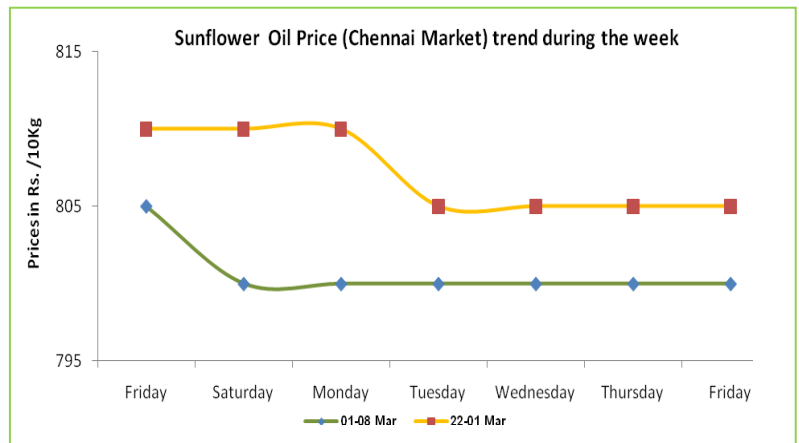
#### Price Outlook:

Rapeseed oil in Kota market is likely to trade in the price band of Rs 655-688 per 10 Kg.

### Sunflower Oil:

#### Domestic Fundamentals:-

- Sunflower oil featured steady to slightly weak tone at its benchmark market Chennai during the week on limited buying and weak international sun oil 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.
- We expect sunflower oil prices may trade range bound to slightly weak tone in the near term.



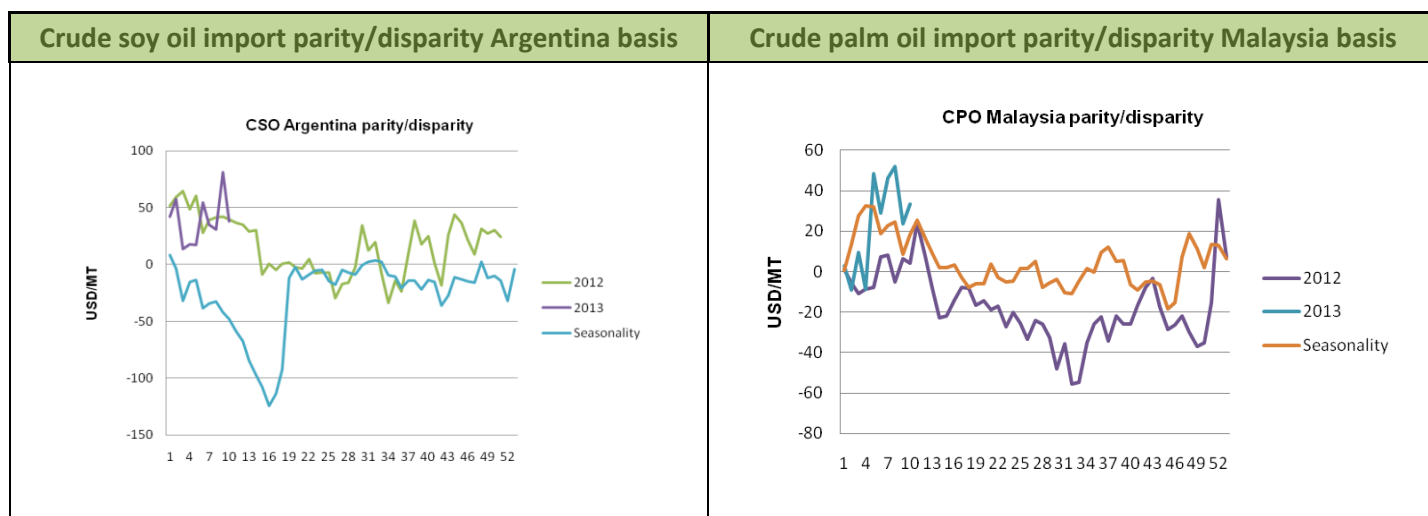
#### International Fundamentals:-

- As per Argentina's Agriculture Ministry, 44 percent of sunflower seed area estimated (1.697 Mln. Ha) has been harvested as of 8 March. Harvesting pace is ahead by 5 percent compared to the last year.

**Price Outlook:** Sunflower oil prices in Chennai may stay in the range of Rs 780-815 per 10 Kg.

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

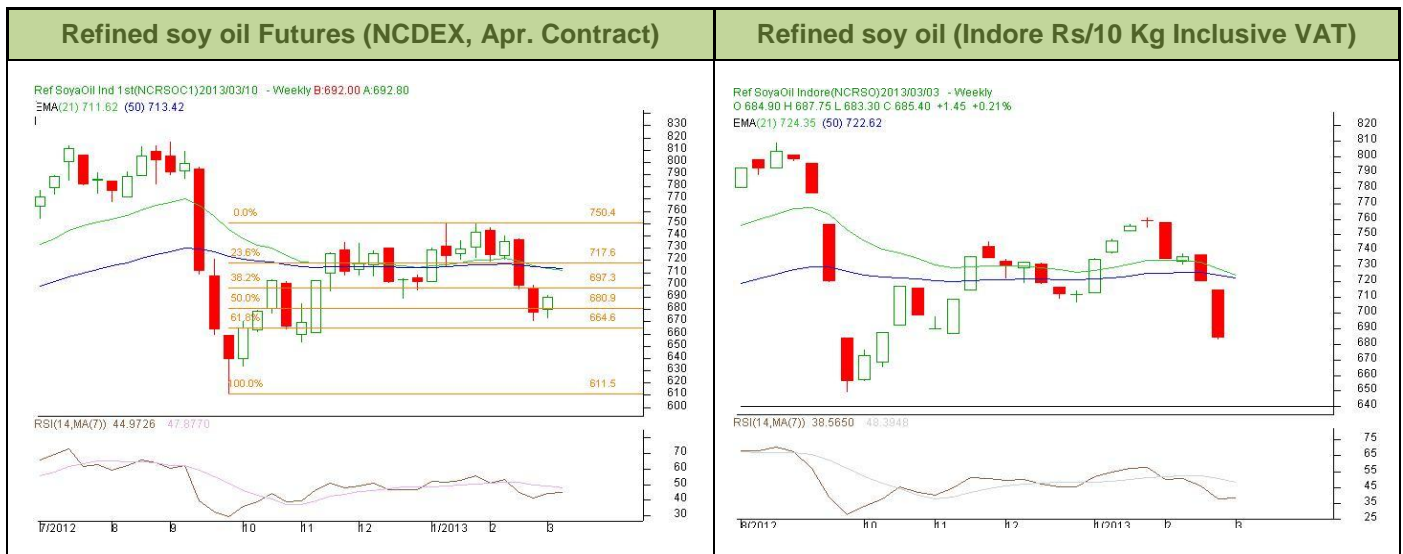
<b>Landed Cost Calculation as on 7/3/2013</b>	<b>CSO Argentina</b>	<b>CSO Brazil</b>	<b>CSO US</b>
FOB USD per ton	1067	1069	1083
Freight (USD/MT)	75	55	50
C & F	1142.0	1124.0	1133.0
Weight loss (0.25% of FOB)	2.67	2.67	2.71
Finance charges (0.4% on CNF)	4.27	4.28	4.33
Insurance (0.3% of C&F)	3	3	3
CIF (Indian Port - Kandla)	1152	1134	1143
CVD	0	0	0
Duty USD per ton	30.05	30.05	30.05
CVD value USD per ton	0	0	0
Cess (2% on duty) USD per ton	0.601	0.601	0.601
Exchange rate	54.7393	54.7393	54.7393
Landed cost without customs duty in INR per ton	63079	62092	62591
Customs duty %	2.5%	2.5%	2.5%
Base import price	1202	1202	1202
Fixed exchange rate by customs department	55.15	55.15	55.15
Duty component in INR per ton	1657.2575	1657.2575	1657.2575
Clearing charges INR per ton	353	353	353
Brokerage INR per ton	83	83	83
Total landed cost INR per ton	65173	64185	64684
Domestic Market price INR per ton Soy Degum Kandla	67000	67000	67000
Total landed cost USD per ton	1191	1173	1182
Domestic Market price USD per ton Soy Degum Kandla	1224	1224	1224
<b>Parity INR/MT (Domestic - Landed)</b>	<b>1827</b>	<b>2815</b>	<b>2316</b>
<b>Parity USD/MT (Domestic - Landed)</b>	<b>33.38</b>	<b>51.42</b>	<b>42.30</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 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 Weekly Charts)**


**Outlook – Prices are likely to trade with a steady tone in the days ahead. Investors are advised to buy refined soy oil (Apr. contract) above 692.**

- ❖ Weekly chart of refined soy oil at NCDEX featured sideways movement. Breakout above 692-695 level may leads to 705 levels in the near term.
- ❖ Any close below 685.50 in weekly chart shall change the sentiments and might take the prices to a bearish phase.
- ❖ Expected price band for next week is 692-710 level in near to medium term. RSI is in neutral zone and shows no evidence of divergence with the ref. soy oil prices.

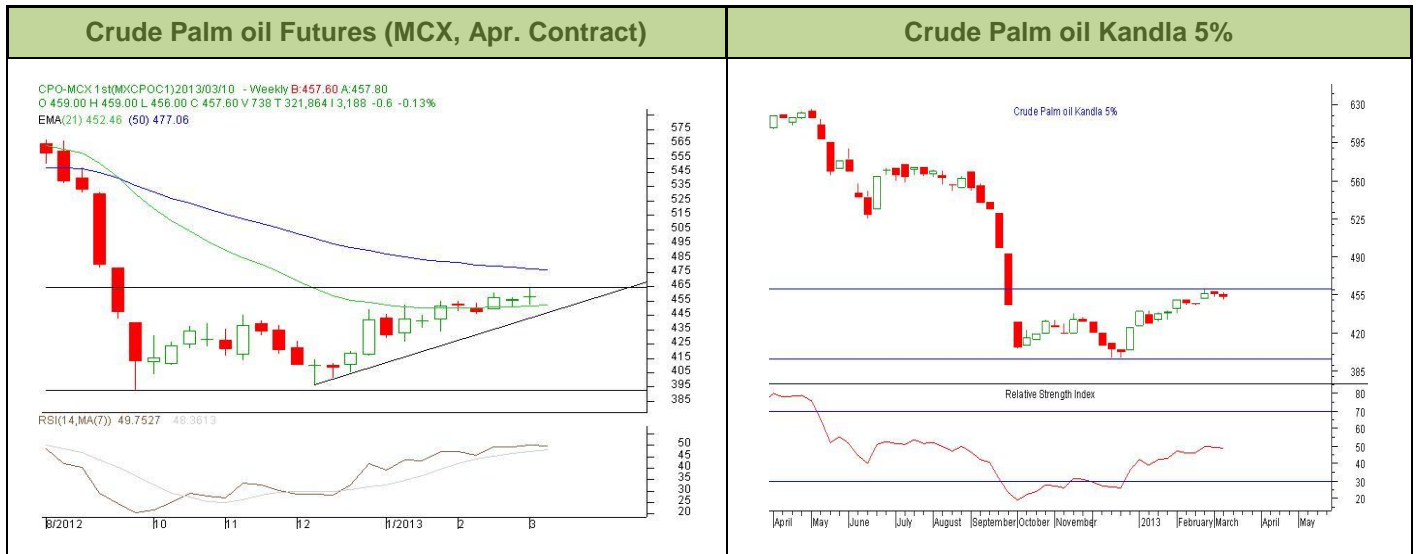
**Strategy:** Market participants are advised to go long in RSO above 692 levels for a target of 705 and 710 with a stop loss at 685.50 on closing basis.

**RSO NCDEX**

Support and Resistance				
S2	S1	PCP	R1	R2
660.00	666.00	683.15	714.00	721.00

**Spot Market outlook:** Refined soy oil Indore is likely to stay in the range of 673-705 per 10 Kg.



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


**Outlook - Prices may trade with a steady tone in the coming days. Investors are advised to buy MCX CPO Apr. contract above 466.**

- ❖ Candlestick Weekly chart of crude palm oil at MCX depicts sideways movement in the prices. We expect prices may trade with a steady note in the near term. However, breakout above 466 could lead to 473 levels.
- ❖ Any close below 462 in weekly chart shall change the sentiments and might bring the prices to a bearish phase.
- ❖ Expected price band for next week is 466-476 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 above 466 for a target of 473 and 476 with a stop loss at 462 on closing basis.

**CPO MCX**

Support and Resistance				
S2	S1	PCP	R1	R2
445	448	462.80	478	482

**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 438-462 per 10 Kg.

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

Commodity	Centre	Prices(Per 10 Kg)		Change
		8/3/2013	1/3/2013	
Refined Soybean Oil	Kota(Loose)	680	675	5
	Rajkot (Loose)	680	680	Unch
	Jaipur (Loose)	-	-	-
	Hyderabad+ VAT	-	-	-
	Delhi (Loose)	703	700	3
	Kakinada	-	-	-
	Mumbai +VAT	675	670	5
	Indore	653	655	-2
	Soy Degum Mumbai+VAT	670	680	-10
	SoyDegum Kandla/Mundra+VAT	665	680	-15
	Haldiya Port (Loose)	-	-	-
	Akola (Loose)	683	691	-8
	Amrawati (Loose)	683	691	-8
	Jalna	679	687	-8
	Nagpur	683	691	-8
Palm Oil	Chennai.RBD.Palmolein.(Loose)	515	510	5
	Hyd. RBD Palmolein VAT	505	-	-
	Delhi RBD Palmolein (Loose)	555	550	5
	Kandla CPO (5%FFA)	453	453	Unch
	Kakinada.RBD.Palmolein(Loose)	511	480	31
	Mumbai RBD Pamolein+ VAT	518	512	6
	Kandla RBD Palmolein +VAT	515	513	2
Refined Sunflower Oil	Mumbai + VAT	790	775	15
	Kandla/Mundra	700	695	5
	Erode (Exp. Oil)+VAT	775	780	-5
	Hyderabad Exp +VAT	741	756	-15
	Chennai (Loose)	800	805	-5
	Bellary (Exp. Oil)+VAT	636	644	-8
	Latur (Exp. Oil)+VAT	721	731	-10
	Chellakere (Exp. Oil)+VAT	696	711	-15
Groundnut Oil	Rajkot (Loose)	1180	1240	-60
	Chennai (Loose)	1100	1110	-10
	Delhi (Loose)	980	1080	-100
	Hyderabad Exp +VAT	1219	1156	63





	Mumbai + VAT	1210	1230	-20
	Gondal+VAT	1180	1205	-25
	Jamnagar +VAT	1180	1205	-25
	Narsarropeth+VAT	1091	1091	Unch
	Prodattour+VAT	1066	1101	-35
Rapeseed Oil	Mumbai (Exp. Oil) +VAT	680	685	-5
	Alwar (Expeller Oil)(Loose)	673	679	-6
	Kota (Expeller Oil) (Loose)	675	660	15
	Jaipur (Expeller Oil) (Loose)	671	681	-10
	Delhi (Exp. Oil) (Loose)	735	745	-10
	SriGangaNagar(ExpOil-Loose)	691	696	-5
	Hapur+VAT	795	810	-15
	Kolkata	-	-	-
	Agra (Kacchi Ghani Oil) +VAT	750	760	-10
Refined Cottonseed Oil	Mumbai +VAT	620	620	Unch
	Rajkot (Loose)	615	610	5
	Delhi (Loose)	605	600	5
	Hyderabad (Loose)	560	-	-
Sesame Oil	Delhi	1350	1350	Unch
	Mumbai	1330	1350	-20
Coconut Oil	(Crude Rs/10kg) - Kangayan	635	605	30
Kardi	Mumbai	1250	1250	Unch
Rice Bran Oil (40%)	Delhi	520	530	-10
Rice Bran Oil (4%)	Punjab	500	510	-10
Rice Bran Oil (70%)	Delhi	-	-	-
Malaysia Palmolein USD/MT	FOB (April Shipment)	825	810	15
	CNF (Mar) India	850	858	-8
Indonesia/Malaysia CPO USD/MT	FOB (April Shipment)	795	790	5
	CNF (Mar) India	825	815	10
<b>Argentina FOB (\$/MT)</b>		<b>7/3/2013</b>	<b>28/02/2013</b>	<b>Change</b>
Crude Soybean Oil Ship (Feb/Mar)		1067	1050	17
Refined Soy Oil (Bulk) Ship (Feb/Mar)		1104	1086	18
Sunflower Oil Ship (Feb/Mar)		-	1130	-
Cottonseed Oil Ship (Feb/Mar)		1047	1030	17
Refined Linseed Oil (Bulk) Ship		-	-	-



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