

## **Executive Summary**

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

Most of the edible oils witnessed losses during the week under review tracking bearish cues from international palm oil market and higher Kharif oilseed sowing thanks to timely onset of monsoon over key oilseeds producing regions.

Mustard oil (Kota) was the top loser among the edible oil pack owing to lackluster buying from stockists and bearish cues from international oil and fats market. Moreover, most of the edible oils featured losses during the last week.

Sown area for Kharif oilseed stood at 167.15 lakh hectares as on 25 July 2013. However, oilseeds sowing were 138.30 lakh hectares in the corresponding period of last year – Ministry Of Agriculture.

On the currency front, Indian rupee against USD closed at 59.09, up 0.49 percent as compared to the previous week. We expect edible oil complex to trade sideways to slightly weak tone in the coming days owing to adequate global edible oil supply and average demand in cash market. However, ongoing Muslim festivities may limit excessive losses.

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

CBOT soy oil (Aug) is expected to stay in the range of 42.00 cents/lb to 44.80 cents/lb. CPO at BMD (Aug) is likely to trade in the range of 2180-2290 ringgits per tons. Focus during the coming days will be on the US weather over key soybean growing region, Chinese soybean demand, and Malaysian palm oil export figures.

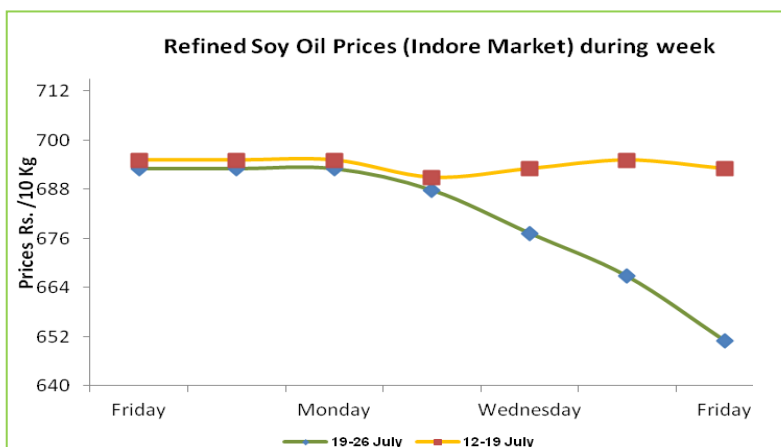
Higher soybean production in South American countries and good weather condition over key US soybean growing regions support the global soybean supplies in the medium term. However, good soybean demand from China & old US soy crop tightness may limit excessive losses.

Dull demand from top palm oil buyers i.e. India & China and South East Asian countries entering into seasonally high palm oil yield phase support the palm oil supply scenario in the medium term and raise the concerns about palm oil inventory levels climbing higher during H2, 2013.

### Soy oil:

#### Domestic Fundamentals:-

- Soybean oil featured steady to weak tone owing to losses in the international palm oil and in expectation of bumper soybean crop.
- As per the Fourth advance estimates of production released by Ministry of agriculture, India has produced 14.68 million tons of soybean during 2012-13. Meanwhile, market participants expect 11.7-12.2 million tons soybean output in the current marketing year (Oct-Sept, 2012/13).
- As per Ministry of Agriculture, sown area for Kharif Soybean stood at 117.33 lakh hectares as on 25 July 2013. However, soybean sowing was 101.54 lakh hectares in the corresponding period of last year. Higher area covered in Madhya Pradesh, Maharashtra and Rajasthan compare to last year.
- SEA of India has reported that Indian buyers imported 490,486 tons of crude degummed soybean oil in the current oil year until June 2013, down 25.6 percent from last year of a corresponding period thanks to better soybean production and higher palm oil imports.
- We expect soy oil may trade with a range bound to weak tone due to higher oilseed sowing and favorable weather support the edible oils supply prospects in the medium term.



#### International Fundamentals:-

- China's soybean imports are likely to reach 7 million tons in July, higher than the previous month due to poor harvest and rising demand. Moreover, Chinese soybean stocks will fall to 8.0 million tons at the end of July, which is 3.8 million tons less compared to the same period of last year – Oil World.
- Brazil's government agency, CONAB has raised its estimate of the soy crop to 81.50 million tons from 81.30 million tons previously.
- As per Argentina's Agriculture Ministry report, Argentina soybean harvesting seen at 49 million tons, down from 1.2 million tons from previous estimate.
- Higher soybean production in South American countries and good weather condition over key US soybean growing regions support the global soybean supplies in the medium term. However, good soybean demand from China & old US soy crop tightness may limit excessive losses.

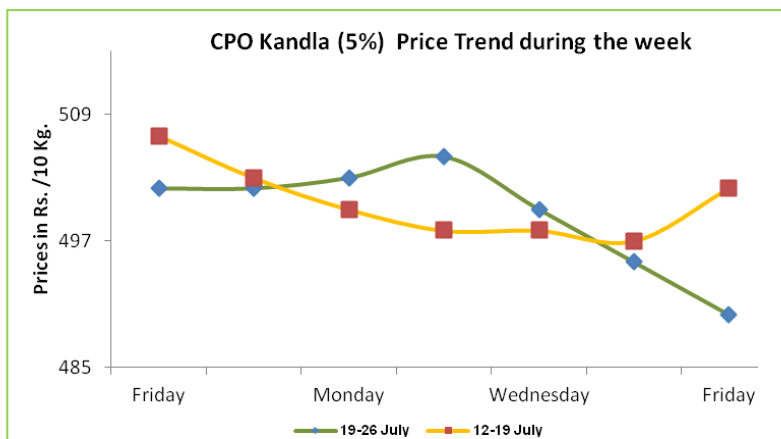
#### Price Outlook:

We expect refined soy oil at Indore (with VAT) to stay in the range of 642-665 per 10 Kg in the near term.

### Palm Oil:

#### Domestic Fundamentals:-

- CPO Kandla 5% featured losses during the week in review tracking correction in the Indian rupee against US dollar and weakness in the international palm oil market.
- PEC has issued an international tender to buy 18,000 tons of palm olein for shipment in August with a purchase from a vessel already at sea acceptable for part of the volume. Bidding deadline is July 29.
- Indian buyers imported 40.8 lakh tons of crude palm oil in the current oil year until June, which is 20.35 percent higher against corresponding period of last year. Meanwhile, RBD palmolein imports were higher by 27.27 percent to 15.4 lakh tons during Nov'12-Jun'13 as compared to the same period of a last year.
- Expected rise in oilseed production in the current season support edible oils supplies prospects and average demand against comfortable edible oil stock likely to weigh on the market sentiments in the near term.
- We expect domestic palm oil prices may trade range bound tone in expectation of good edible oils supplies in the second half of the year. Meanwhile, ongoing Muslim festivities may limit excessive losses for short term.



#### International Fundamentals:-

- Exports of Malaysian palm oil products from July 1-25 fell 7 percent to 1,085,392 tonnes from 1,167,266 tonnes shipped during June 1-25 - cargo surveyor Intertek Testing Services. Lackluster buying witnessed from top palm oil buyers i.e. India and EU.

#### **Breakdown of ITS palm export figures for 1-25 July compared to a month ago (in tons):**

Palm Products	1-25 July	1-25 June	% Change
Crude palm oil	198,569	243,528	-18.5
RBD palm oil	101,029	111,746	-9.6
RBD palm olein	506,492	507,650	-0.2
RBD palm stearin	104,864	105,537	-0.6
Crude palm kernel oil	10,060	18,050	-44.3
Palm fatty acid distillate	30,240	33,545	-9.9

Importers	1-25 July	1-25 June	% Change
EU	163,157	220,380	-25.9
China	272,244	216,275	25.87
India & Sub. Continent	236,438	328,830	-28.9

- As per IPOA, Indonesia's June CPO and its derivatives exports fell 11 percent to 1.62 million tons compared to the previous month. During the month of June, exports of CPO and its derivatives to India totaled 404,520 tons, 170,570 tons to China, 343,270 tons to Europe Union countries and 44,250 tons to Pakistan.
- As per trade ministry, Indonesia has set its export tax for crude palm oil at 10.5 percent for July, up from 9 percent in June.
- Dull demand from top palm oil buyers i.e. India & China and South East Asian countries entering into seasonally high palm oil yield phase support the palm oil supply scenario in the medium term and raise the concerns about palm oil inventory levels climbing higher during H2, 2013.

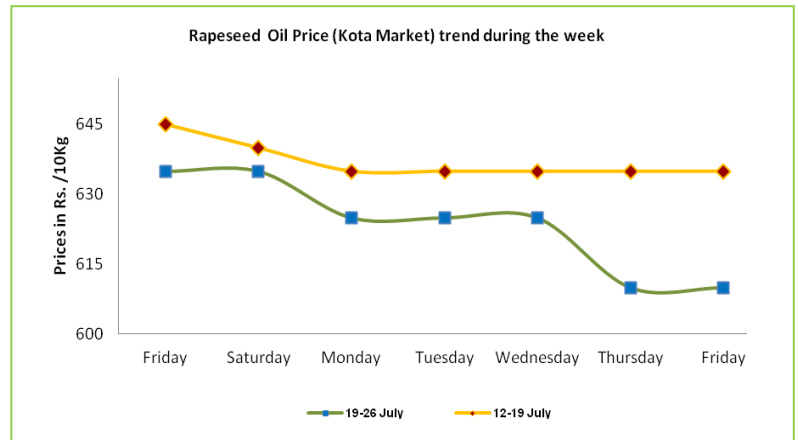
### Price Outlook:

We expect CPO Kandla 5% (without VAT) to stay in the range of 482-500 per 10 Kg in the near term.

### Rapeseed oil:

#### Domestic Fundamentals:-

- Mustard oil featured weak tone during the week at Kota market owing to dull demand against adequate availability.
- Lackluster buying in the edible oil complex and good domestic as well as international veg. oil supplies in the coming months weighing on the market sentiments. However, excessive losses could be restricted in expectation of good retail demand due to ongoing Muslim festivities.
- As per the Fourth advance estimates of production released by Ministry of agriculture, the oilseed production for 2012/13 is estimated at 31.01 million tons, up 0.31 million tons from previous estimates. Mustard seed is estimated at 7.82 million tons, up .42 million tons from previous estimates. 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 trade range bound to weak tone in anticipation of good edible oils supplies. However, renewed demand could witness due to ongoing Muslim festivities.



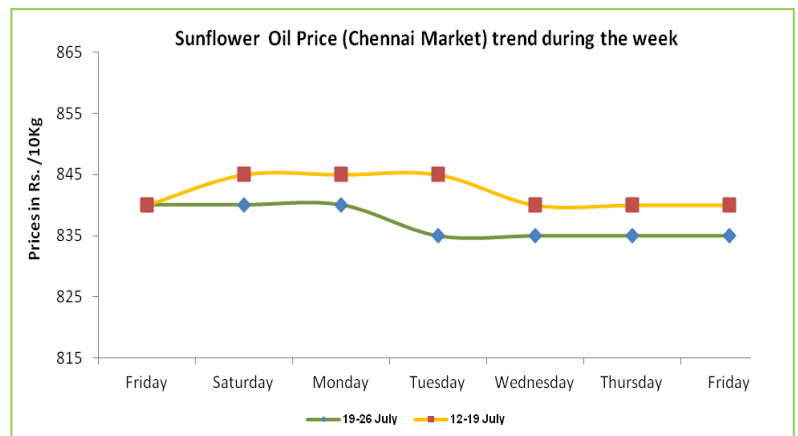
### Price Outlook:

Rapeseed oil in Kota market is likely to trade in the price band of Rs 605-630 per 10 Kg.

### Sunflower Oil:

#### Domestic Fundamentals:-

- Sunflower oil featured slight losses at its benchmark market Chennai during the week due to bearishness in the competing soy oil market.
- Farmers in India have sown sunflower seed on 1.46 lakh hectares as of July 25, compared with 0.81 lakh hectares in the same period a year earlier. Higher sowing witnessed in Karnataka and Maharashtra due to better rains. Karnataka and Maharashtra covers 97 percent of the total sunflower seed acreage in the current season.
- At import front, SEA of India reports that crude sunflower oil imports by India reached 679,403 tons in the current oil year 2012/13 until June and were thus lower than the 820,180 tons imports against same period last year. However, imports were higher on m-o-m basis in June by 49.6 percent to 101,480 tons.
- We expect sunflower oil prices may trade with steady note in the near term.



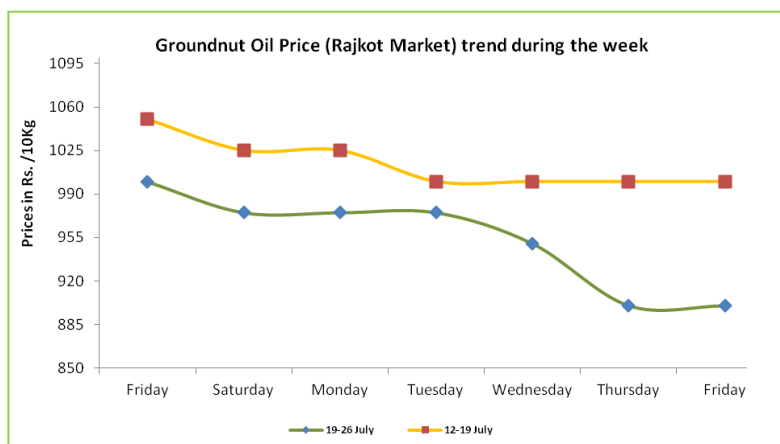
### International Fundamentals:-

- Oil World forecasts global sunflower seed production in 2013/14 at 38.7 Mln. tons, slightly lower from previous forecast of 38.8Mln tons. While higher compared to previous year which was 36.0 Mln tons. Ukraine sunflower seed production is estimate at 9.4 Mln tons, Russia at 8.6 Mln tons, EU-27 at 8.1 Mln tons, and Argentina at 3.3 Mln tons.

Price Outlook: Sunflower oil prices in Chennai may stay in the range of Rs 820-840 per 10 Kg.

**Groundnut oil:**  
**Domestic Fundamentals:-**

- Groundnut oil featured weak tone during the week at Rajkot market owing to dull demand against adequate availability.
- As per the latest report of Ministry of Agriculture, sown area for Kharif groundnut stood at 34.83 lakh hectares as on 25 July 2013. However, groundnut sowing was 25.45 lakh hectares in the corresponding period of last year. Last year India's groundnut seed acreage was 39.09 lakh Ha.
- As per trade sources, groundnut acreage is likely to surge in Gujarat by 30 percent and in Rajasthan by 15-18 percent from last year. Last year groundnut area under Gujarat and Rajasthan was 12.24 lakh Ha and 3.68 lakh Ha respectively.
- As per the Fourth advance estimates of production released by Ministry of agriculture, India has produced 4.75 million tonnes of groundnut during 2012-13.
- We expect groundnut oil prices may trade range bound to slightly weak tone in the days ahead.

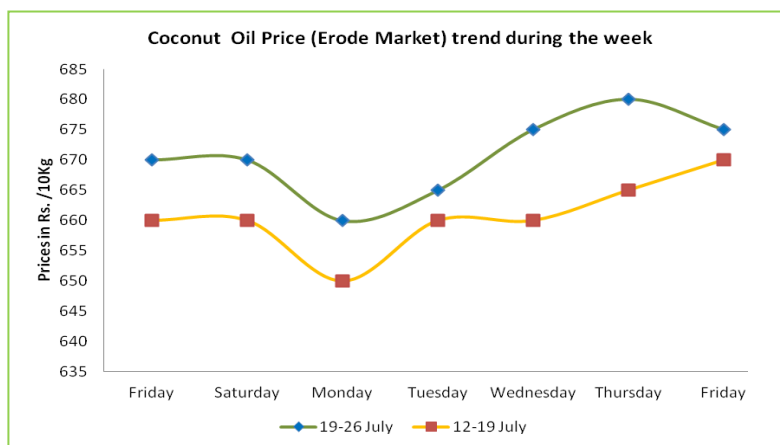


**Price Outlook:**

Groundnut oil in Rajkot market is likely to trade in the price band of Rs 850-950 per 10 Kg.

**Coconut Oil:**  
**Domestic Fundamentals:-**

- Coconut oil featured gains at its benchmark market Erode during the week due to better buying and weather concern over South Indian States.
- Coconut oil prices are likely to remain range bound in the coming days due to forecasts for ample domestic as well as global vegetable oil supplies and correction in the palm kernel oil prices. While; corporate buying and uneven rains over South Indian states may limit excessive losses.
- We expect coconut oil prices may trade range bound in the coming week.

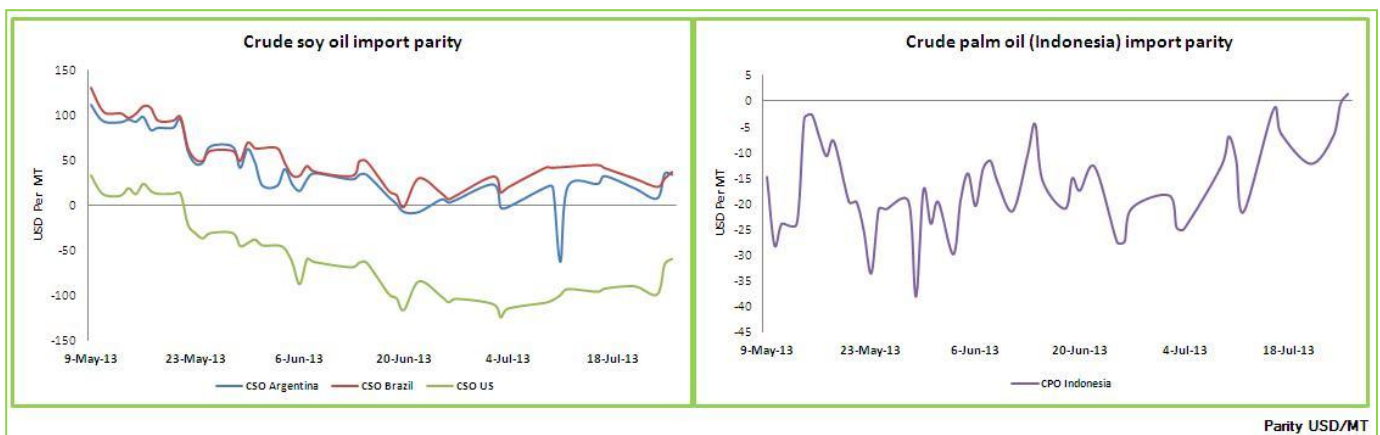


**Price Outlook:** Coconut oil prices in Erode may stay in the range of Rs 655-700 per 10 Kg.

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

<b>Landed Cost Calculation as on 26/7/2013</b>	<b>CSO Argentina</b>	<b>CSO Brazil</b>	<b>CSO US</b>	<b>CPO Indonesia</b>
FOB USD per ton	860	868	968	760
Freight (USD/MT)	75	65	60	30.0
C & F	935.0	933.0	1028.0	790.0
Weight loss (0.25% of FOB)	2.15	2.17	2.42	1.90
Finance charges (0.4% on CNF)	3.74	3.73	4.11	3.16
Insurance (0.3% of C&F)	3	3	3	2
CIF (Indian Port - Kandla)	944	942	1038	797
CVD	0	0	0	0
Duty USD per ton	25.50	25.50	25.50	21.35
CVD value USD per ton	0	0	0	0
Cess (2% on duty) USD per ton	0.51	0.51	0.51	0.427
Exchange rate	58.91	58.91	58.91	58.91
Landed cost without customs duty in INR per ton	55593	55476	61126	46977
Customs duty %	2.5%	2.5%	2.5%	2.5%
Base import price	1020	1020	1020	854
Fixed exchange rate by customs department	59.20	59.20	59.20	59.20
Duty component in INR per ton	1509.60	1509.60	1509.60	1263.92
Clearing charges INR per ton	483	483	483	483
Brokerage INR per ton	190	190	190	190
Total landed cost INR per ton	57776	57658	63309	48914
Domestic Market price INR/ton Soy Degum Kandla/CPO Kandla 5%	59800	59800	59800	49000
Total landed cost USD per ton	981	979	1075	830
Domestic Market price USD/tons Soy Degum Kandla/ CPO Kandla 5%	1015	1015	1015	832
<b>Parity INR/MT (Domestic - Landed)</b>	<b>2024</b>	<b>2142</b>	<b>-3509</b>	<b>86</b>
<b>Parity USD/MT (Domestic - Landed)</b>	<b>34.36</b>	<b>36.36</b>	<b>-59.56</b>	<b>1.47</b>

Source: Agriwatch/ Reuters



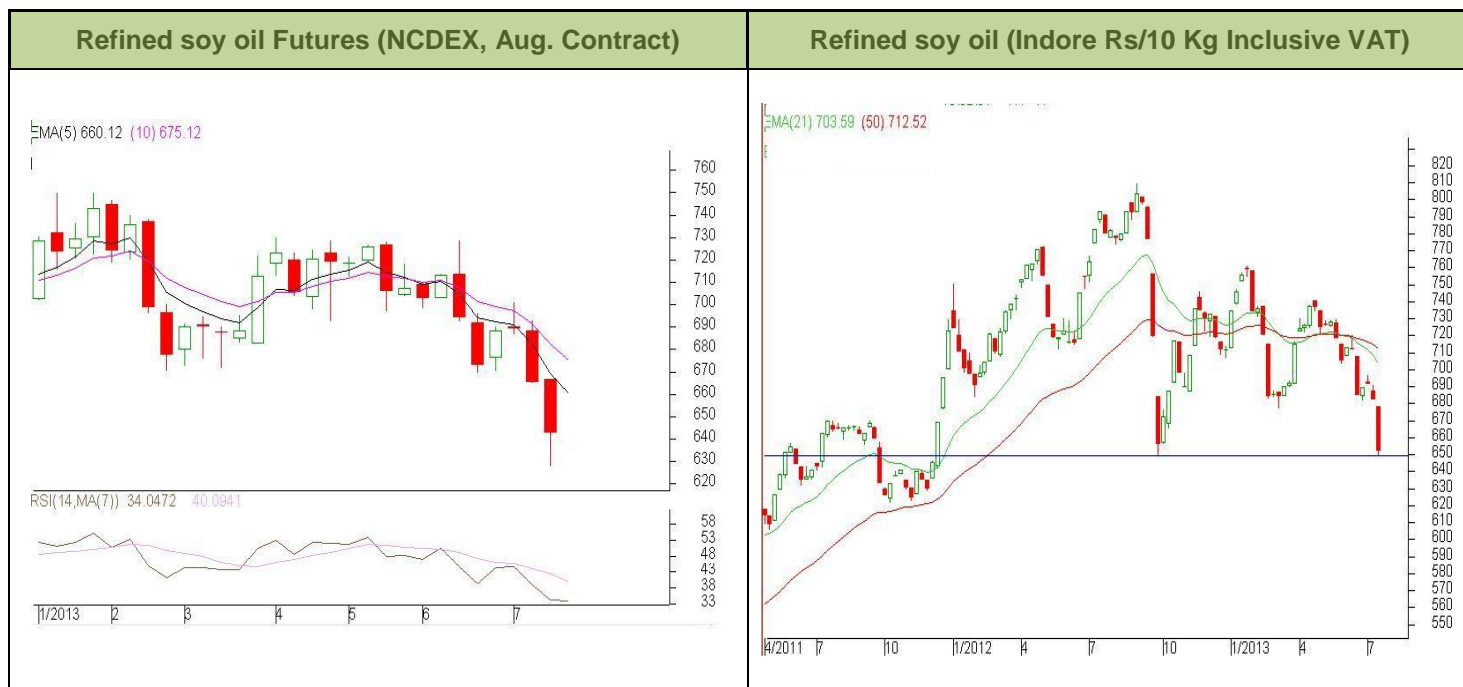
Parity USD/MT

**Outlook:-**

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



### Technical Analysis (Refined soy oil Weekly 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 (Aug. contract) below 650 levels.**

- ❖ Weekly chart of refined soy oil at NCDEX featured weakness. We expect prices may trade with a steady to slightly weak note in the near term.
- ❖ Any close above 658 in weekly chart shall change the sentiments and might take the prices to a bullish phase.
- ❖ Expected price band for next week is 632-650 level in near to medium term. RSI is near to oversold zone and shows no evidence of divergence with the ref. soy oil prices.

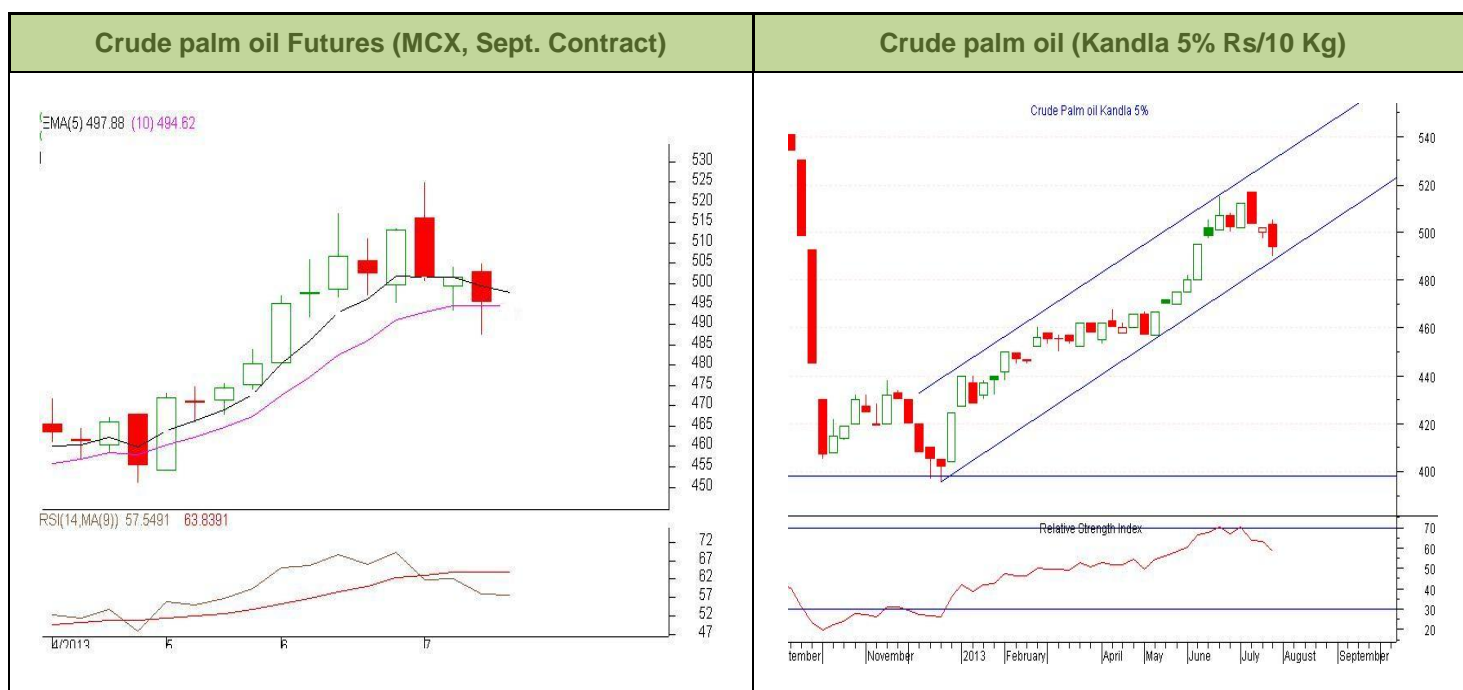
**Strategy:** Market participants are advised to go short in RSO below 650 levels for a target of 635 and 632 with a stop loss at 658 on closing basis.

#### RSO NCDEX

Support and Resistance				
S2	S1	PCP	R1	R2
622	627	643	660	667

**Spot Market outlook:** Refined soy oil Indore is likely to stay in the range of 642-665 per 10 Kg.

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



**Outlook - Prices may trade with a steady to weak tone in the coming days. Investors are advised to sell MCX CPO Sept contract.**

- ❖ Candlestick Weekly chart of crude palm oil at MCX depicts losses in the prices. We expect prices may trade with a steady to weak note in the near term.
- ❖ Any close below 489 in weekly chart shall change the sentiments and might bring the prices to a bullish phase.
- ❖ Expected price band for next week is 484-468 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 below 480 for a target of 470 and 468 with a stop loss at 486.50 on closing basis.

#### CPO MCX

Support and Resistance				
S2	S1	PCP	R1	R2
460	465	473.40	489	495

**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 482-500 per 10 Kg.



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

Commodity	Centre	Prices(Per 10 Kg)		Change
		7/26/2013	7/19/2013	
Refined Soybean Oil	Kota(Loose)	610	645	-35
	Rajkot (Loose)	605	630	-25
	Jaipur (Loose)	NA	NA	-
	Hyderabad+ VAT	NA	NA	-
	Delhi (Loose)	655	680	-25
	Kakinada	NA	NA	-
	Mumbai +VAT	625	640	-15
	Indore	620	662	-42
	Soy Degum Mumbai+VAT	595	607	-12
	SoyDegum Kandla/Mundra+VAT	598	605	-7
	Haldiya Port (Loose)	616	NA	-
	Akola (Loose)	656	691	-35
	Amrawati (Loose)	656	694	-38
	Jalna	656	681	-25
	Nagpur	656	691	-35
Palm Oil	Chennai.RBD.Palmolein.(Loose)	535	540	-5
	Hyd. RBD Palmolein VAT	520	526	-6
	Delhi RBD Palmolein (Loose)	550	570	-20
	Kandla CPO (5%FFA)	490	497	-7
	Kakinada.RBD.Palmolein(Loose)	520	520	Unch
	Mumbai RBD Pamolein+ VAT	520	528	-8
	Kandla RBD Palmolein +VAT	515	530	-15
Refined Sunflower Oil	Mumbai + VAT	795	810	-15
	Kandla/Mundra	720	740	-20
	Erode (Exp. Oil)+VAT	795	810	-15
	Hyderabad Exp +VAT	756	781	-25
	Chennai (Loose)	835	840	-5
	Bellary (Exp. Oil)+VAT	739	749	-10
	Latur (Exp. Oil)+VAT	731	761	-30
	Chellakere (Exp. Oil)+VAT	726	746	-20
Groundnut Oil	Rajkot (Loose)	900	1000	-100
	Chennai (Loose)	830	820	10
	Delhi (Loose)	800	850	-50
	Hyderabad Exp +VAT	862	894	-32



	Mumbai + VAT	950	1000	<b>-50</b>
	Gondal+VAT	900	NA	-
	Jamnagar +VAT	950	NA	-
	Narsarropeth+VAT	801	821	<b>-20</b>
	Prodattour+VAT	791	801	<b>-10</b>
<b>Rapeseed Oil</b>	Mumbai (Exp. Oil) +VAT	635	655	<b>-20</b>
	Alwar (Expeller Oil)(Loose)	628	641	<b>-13</b>
	Kota (Expeller Oil) (Loose)	610	635	<b>-25</b>
	Jaipur (Expeller Oil) (Loose)	633	655	<b>-22</b>
	Delhi (Exp. Oil) (Loose)	650	680	<b>-30</b>
	SriGangaNagar(ExpOil-Loose)	626	646	<b>-20</b>
	Hapur+VAT	670	705	<b>-35</b>
	Kolkata	NA	-	-
	Agra (Kacchi Ghani Oil) +VAT	670	700	<b>-30</b>
<b>Refined Cottonseed Oil</b>	Mumbai +VAT	620	650	<b>-30</b>
	Rajkot (Loose)	615	645	<b>-30</b>
	Delhi (Loose)	600	625	<b>-25</b>
	Hyderabad (Loose)	610	630	<b>-20</b>
<b>Coconut Oil</b>	Kangayan (Crude)	675	665	<b>10</b>
	Cochin	700	675	<b>25</b>
	Trissur	690	670	<b>20</b>
<b>Sesame Oil</b>	Delhi	910	950	<b>-40</b>
	Mumbai	940	960	<b>-20</b>
<b>Kardi</b>	Mumbai	1010	1010	<b>Unch</b>
<b>Rice Bran Oil (4%)</b>	Punjab	495	500	<b>-5</b>
<b>Rice Bran Oil (40%)</b>	Delhi	NA	498	-
<b>Malaysia Palmolein USD/MT</b>	FOB	753	770	<b>-17</b>
	CNF India	795	807	<b>-12</b>
<b>Indonesia/Malaysia CPO USD/MT</b>	FOB	760	765	<b>-5</b>
	CNF India	790	805	<b>-15</b>
<b>Argentina FOB (\$/MT)</b>		<b>7/25/2013</b>	<b>7/18/2013</b>	<b>Change</b>
Crude Soybean Oil Ship		NA	NA	-
Refined Soy Oil (Bulk) Ship		NA	NA	-
Sunflower Oil Ship		NA	NA	-
Cottonseed Oil Ship		NA	NA	-



Refined Linseed Oil (Bulk) Ship	NA	NA	-
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