

### **Executive summary**

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

Most of the edible oil depicted a firm trend during the week under review tracking market expectations of robust local demand on the upcoming festivities, in addition to weather concerns in the key soybean producing regions. Bearish cues from international palm oil market and higher Kharif oilseed sowing due to timely onset of monsoon over key oilseeds producing regions continue to pressure the market.

Sown area for Kharif oilseed stood at 181.25 lakh hectares as on 08 Aug 2013. Oilseeds sowing were 153.18 lakh hectares in the corresponding period of last year – Ministry Of Agriculture.

On the currency front, Indian rupee against USD closed at 61.11, down 0.51 percent as compared to the previous week. We expect edible oil complex to trade sideways in the coming days. Adequate global edible oil supply and average demand in cash market will remain bearish for the market but upcoming festivities in August may limit downside.

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

CBOT soy oil (Aug) is expected to stay in the range of 41.00 cents/lb to 42.70 cents/lb. CPO at BMD (Sept) is likely to trade in the range of 2150-2325 ringgits per ton. Focus during the coming days will be on the US weather over key soybean growing regions, Chinese soybean and palm oil demand, and Malaysian palm oil export and inventory figures.

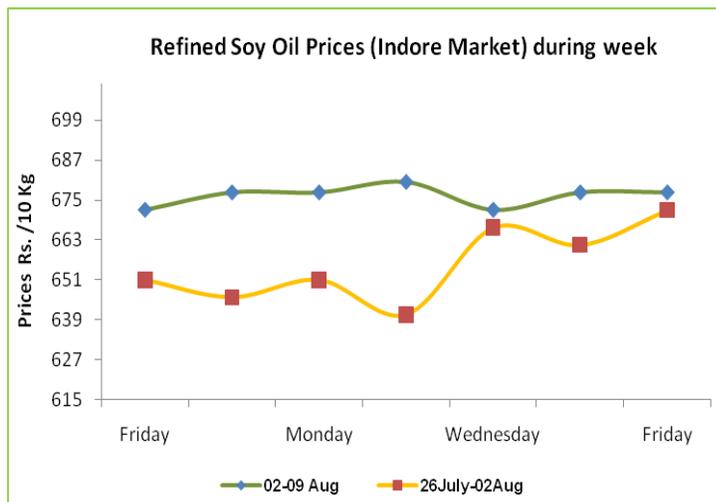
Higher soybean production estimates in South American countries and good weather condition over key US soybean growing regions support the global soybean supplies in the medium term. However, good soybean demand from China & old US soy crop tightness may limit downside. Further, as crop reaches maturity against time constraint due to late crop sowing in certain regions, soybean yields will also be a key factor.

Dull demand from top palm oil buyers i.e. India, EU countries 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 the second half of 2013.

**Soy oil:**

**Domestic Fundamentals:-**

- Soybean oil depicted firm tone on expectations of renewed buying due to upcoming festive season and concerns of soybean crop damage. However, prices gains were restricted due to higher soybean acreage.
- Sown area for Kharif Soybean stood at 121.06 lakh hectares as on 08 Aug 2013. However, soybean sowing was 105.43 lakh hectares in the corresponding period of last year. Higher area covered in Madhya Pradesh, Maharashtra and Rajasthan compare to last year. Last year India's total soybean acreage was 107.03 lakh Ha - Ministry of Agriculture.
- As per India Meteorological Department, rainfall in the second half of the season i.e. August-September would be normal, but lower than in the first half (June-July), in sharp contrast to the previous year. Quantitatively, rainfall for the country as a whole during the period August-September 2013 is likely to be 96% of the long-period average.
- We expect soy oil may trade with a range bound to slightly firm tone in expectation of good demand during festivities in August. However, higher oilseed sowing and cautious buying at spot market may limit excessive gains.



**International Fundamentals:-**

- Lanworth has improved the US 2013-14 soybean production estimate to 3.320 billion bushels from 3.310 billion previously. This was primarily over forecast of rainfall and temperatures concerns during August.
- According to Oil World, the US soybean exports declined to an estimated 0.35 million tons in July '13, which is the lowest in more than 30 years.
- 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.

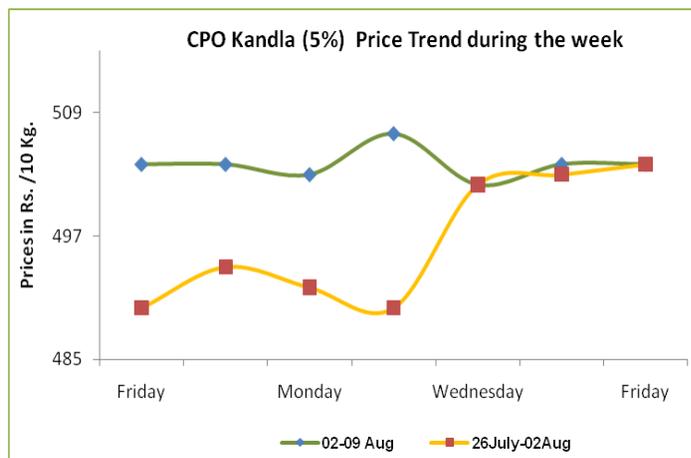
**Price Outlook:**

We expect refined soy oil at Indore (with VAT) to stay in the range of 640-670 per 10 Kg in the near term.

**Palm Oil:**

**Domestic Fundamentals:-**

- CPO Kandla 5% featured steady to slightly firm tone during the week in review on better buying in the spot markets on upcoming festivities and slightly bullish Malaysian palm oil export data.
- 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.
- As per sources, expected rise in oilseed production in the current season support edible oils supplies prospects. However, upcoming festivities in August, recovery in the Malaysian palm oil export figures amid weakness in the Indian rupee against US dollar may support the bulls for short term.
- We expect domestic palm oil prices may trade range bound to firm tone owing to upcoming festivities in August and weaker Indian currency. Meanwhile, expectation of good edible oils supplies in the coming days may limit gains.



**International Fundamentals:-**

- Exports of Malaysian palm oil products for July 1-25 fell 6 percent to 1,060,421 tons from 1,128,408 tons shipped during June 1-25 - cargo surveyor Societe Generale de Surveillance. Lackluster buying witnessed from top palm oil buyers i.e. India and China.
- As per Reuters' survey, Malaysia's palm oil stocks for July likely to ease and may fall 3 percent to 1.6 million tons from previous month owing to higher rate of consumption against normal production. However, in expectation of better soybean harvest could raise soybean oil supply and shift demand away from palm oil.
- 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, EU countries 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 second half of 2013.

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

Palm Products	1-25 July	1-25 May	% 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

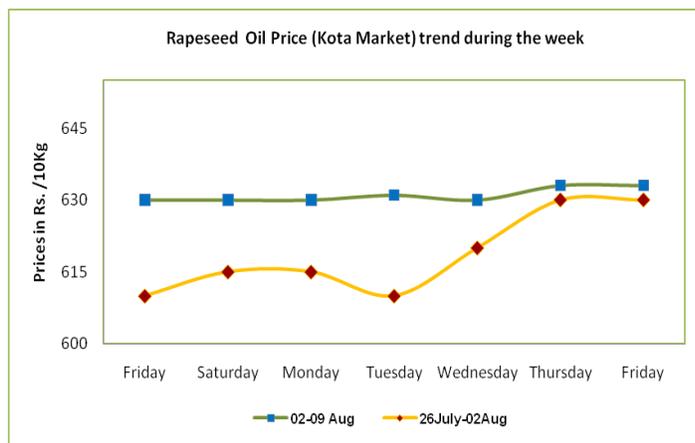
**Price Outlook:**

We expect CPO Kandla 5% (without VAT) to stay in the range of 490-513 per 10 Kg in the near term.

**Rapeseed oil:**

**Domestic Fundamentals:-**

- Mustard oil featured firm tone during the week at the Kota market on expectations of good demand for oils in the coming days due to festivities.
- Cautious buying in the edible oil complex due to upcoming arrival season and good international veg. oil supplies in the coming months still weigh on the market sentiments. However, losses could be restricted in expectation of good retail demand due to upcoming festivities in August and thereafter.
- 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 in anticipation of good edible oils supplies. However, renewed demand could witness due to ongoing Muslim festivities.



**International Fundamentals:-**

- Oil World has revised the production figure for European Union's 2013 rapeseed harvest to 20.50 million tons from 20.40 million tons previously and up from 19.41 million tons in 2012.

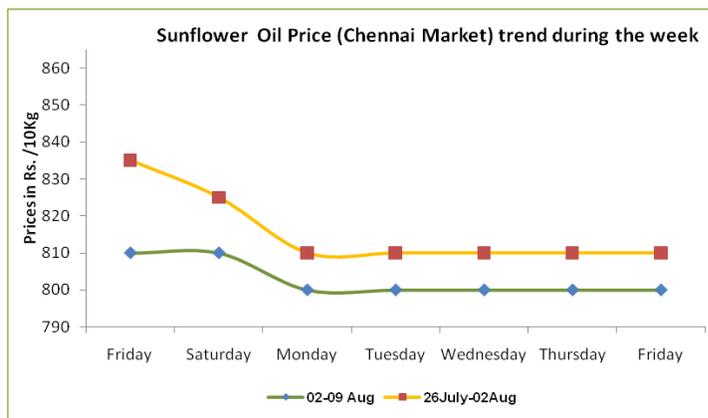
**Price Outlook:**

Rapeseed oil in Kota market is likely to trade in the price band of Rs 615-645 per 10 Kg.

**Sunflower Oil:**

**Domestic Fundamentals:-**

- Sunflower oil featured a weak tone at its benchmark market Chennai during the week due to lackluster buying.
- Planting of sunflower seed in the current season has progressed to 2.00 lakh hectares as of Aug 08, compared with 1.29 lakh hectares in the same period a year earlier. Higher sowing witnessed in states of Karnataka and Maharashtra due to better rainfall. 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:-**

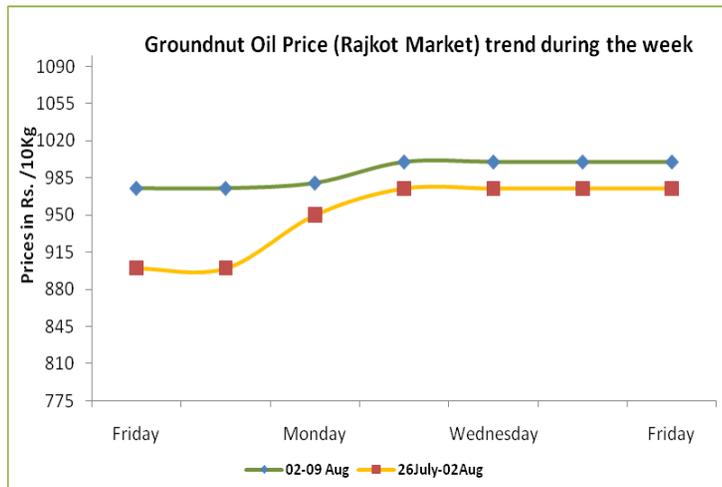
- Oil World forecasts global sunflower seed production in 2013/14 at 38.7 Mln. tons, slightly lower from previous forecast of 38.8Mln tons. While higher compared to previous year which was 36.0 Mln tons. Ukraine sunflower seed production is estimate at 9.4 Mln tons, Russia at 8.6 Mln tons, EU-27 at 8.1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

**Price Outlook:** Sunflower oil prices in Chennai may stay in the range of Rs 790-820 per 10 Kg.

**Groundnut oil:**

**Domestic Fundamentals:-**

- Groundnut oil featured firm sentiments during the week at Rajkot market due to improved demand against adequate availability.
- As per the latest report of Ministry of Agriculture, sown area for Kharif groundnut stood at 39.32 lakh hectares as on 08 Aug 2013. However, groundnut sowing was 32.57 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 steady in the days ahead.



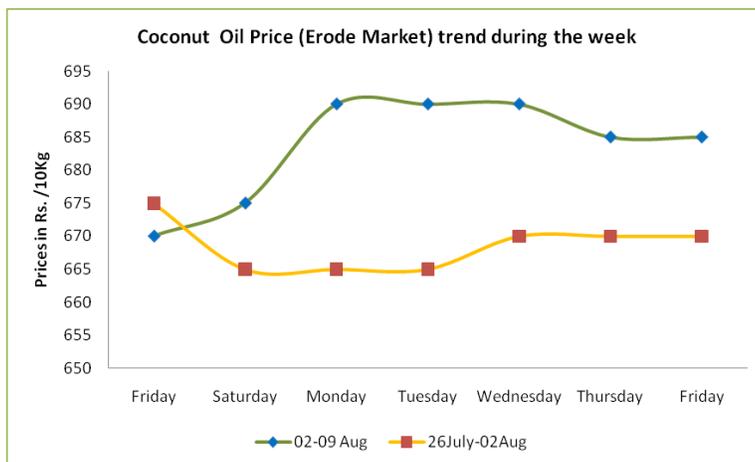
**Price Outlook:**

Groundnut oil in Rajkot market is likely to trade in the price band of Rs 950-1050 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.

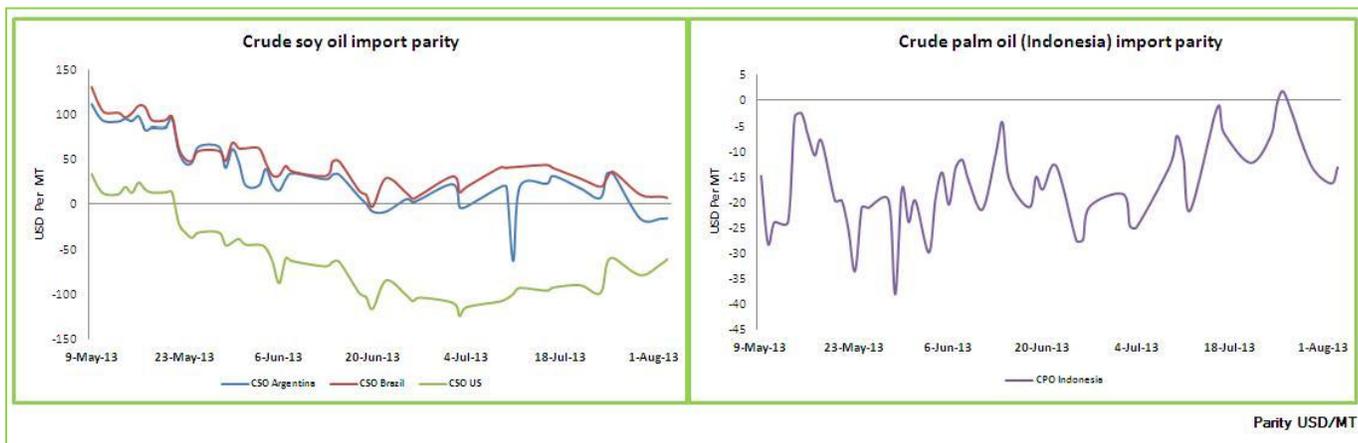


**Price Outlook:** Coconut oil prices in Erode may stay in the range of Rs 665-700 per 10 Kg.

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

Landed Cost Calculation as on 10/8/2013	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia
FOB USD per ton	845	828	902	730
Freight (USD/MT)	75	65	60	53.0
C & F	920.0	893.0	962.0	783.0
Weight loss (0.25% of FOB)	2.11	2.07	2.26	1.83
Finance charges (0.4% on CNF)	3.68	3.57	3.85	3.13
Insurance (0.3% of C&F)	3	3	3	2
CIF (Indian Port - Kandla)	929	901	971	790
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	61.115	61.115	61.115	61.115
Landed cost without customs duty in INR per ton	56748	55084	59342	48300
Customs duty %	2.5%	2.5%	2.5%	2.5%
Base import price	1020	1020	1020	854
Fixed exchange rate by customs department	61.55	61.55	61.55	61.55
Duty component in INR per ton	1569.53	1569.53	1569.53	1314.09
Clearing charges INR per ton	483	483	483	483
Brokerage INR per ton	190	190	190	190
Total landed cost INR per ton	58991	57327	61585	50287
Domestic Market price INR/ton Soy Degum Kandla/CPO Kandla 5%	60000	60000	60000	50500
Total landed cost USD per ton	965	938	1008	823
Domestic Market price USD/tons Soy Degum Kandla/CPO Kandla 5%	982	982	982	826
<b>Parity INR/MT (Domestic - Landed)</b>	<b>1009</b>	<b>2673</b>	<b>-1585</b>	<b>213</b>
<b>Parity USD/MT (Domestic - Landed)</b>	<b>16.51</b>	<b>43.74</b>	<b>-25.93</b>	<b>3.49</b>

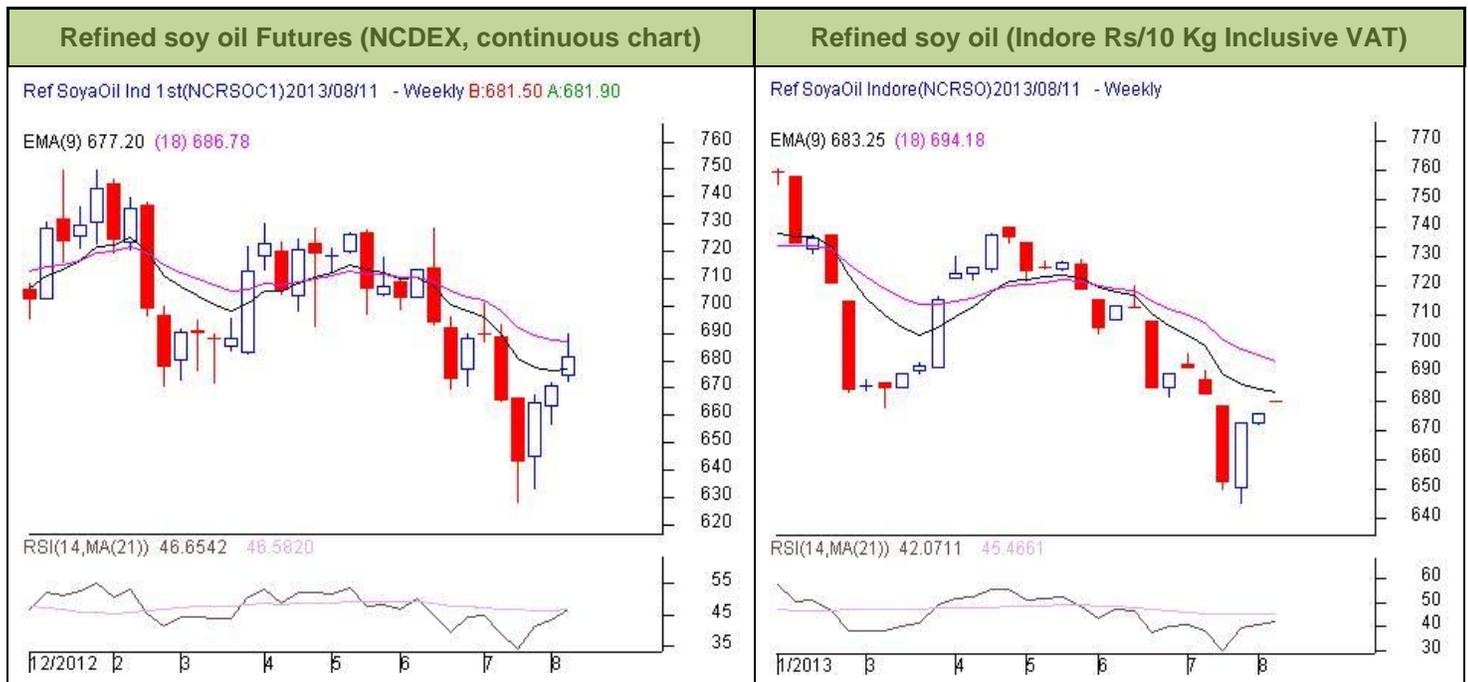
Source: Agriwatch/ Reuters



**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 firm tone in the days ahead. Investors are advised to buy refined soy oil (Sept. contract) above 658.50 levels.**

- ❖ Weekly chart of refined soy oil at NCDEX depicts gains. We expect prices may trade with a steady to firm note in the near term.
- ❖ Any close below 642.35 in weekly chart shall change the sentiments and might take the prices to a bearish phase.
- ❖ Expected price band for next week is 650-670 level in near to medium term. RSI is in neutral zone and shows an upward movement from current levels.

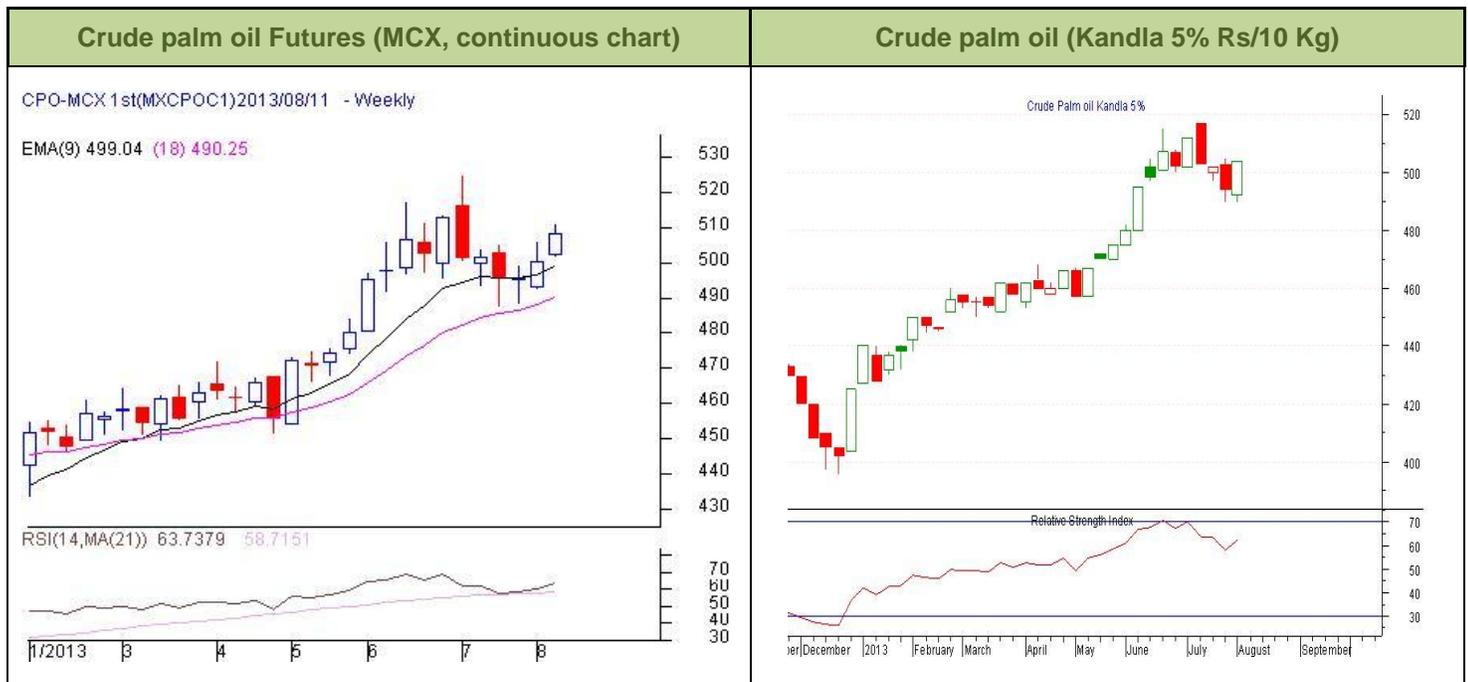
**Strategy:** Market participants are advised to go long in RSO above 649.30 levels for a target of 656 and 659 with a stop loss at 646.50 on closing basis.

**RSO NCDEX**

Support and Resistance				
S2	S1	PCP	R1	R2
629	635	647.35	675	681

**Spot Market outlook:** Refined soy oil Indore is likely to stay in the range of 655-685 per 10 Kg.

Technical Analysis (Crude Palm oil Weekly Charts)



**Outlook - Prices may trade with a steady to firm tone in the coming days. Investors are advised to buy MCX CPO (Sep contract) above 490.50.**

- ❖ Candlestick weekly chart of crude palm oil at MCX depicts gains in the prices. We expect prices may trade with a steady to firm note in the near term.
- ❖ Any close below 483.60 in weekly chart shall change the sentiments and might bring the prices to a bearish phase.
- ❖ Expected price band for next week is 495-515 level in near to medium term. RSI is in neutral zone and in line with the CPO prices.

**Strategy:** Market participants are advised to go long in CPO above 498.50 for a target of 508 and 513.50 with a stop loss at 492.00 on closing basis.

**CPO MCX**

Support and Resistance				
S2	S1	PCP	R1	R2
475	489	501.30	521	529

**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 495-515 per 10 Kg.

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

Commodity	Centre	Prices(Per 10 Kg)		Change
		8/8/2013	8/2/2013	
Refined Soybean Oil	Kota(Loose)	633	630	3
	Rajkot (Loose)	620	615	5
	Jaipur (Loose)	NA	NA	-
	Hyderabad+ VAT	NA	NA	-
	Delhi (Loose)	665	NA	-
	Kakinada	NA	NA	-
	Mumbai +VAT	640	645	-5
	Indore	645	640	5
	Soy Degum Mumbai+VAT	600	590	10
	SoyDegum Kandla/Mundra+VAT	600	590	10
	Haldiya Port (Loose)	NA	NA	-
	Akola (Loose)	676	671	5
	Amrawati (Loose)	676	671	5
	Jalna	671	676	-5
Nagpur	676	671	5	
Palm Oil	Chennai.RBD.Palmolein.(Loose)	545	537	8
	Hyd. RBD Palmolein VAT	520	525	-5
	Delhi RBD Palmolein (Loose)	580	NA	-
	Kandla CPO (5%FFA)	504	504	Unch
	Kakinada.RBD.Palmolein(Loose)	531	526	5
	Mumbai RBD Pamolein+ VAT	545	535	10
	Kandla RBD Palmolein +VAT	542	535	7
Refined Sunflower Oil	Mumbai + VAT	795	805	-10
	Kandla/Mundra	705	705	Unch
	Erode (Exp. Oil)+VAT	780	800	-20
	Hyderabad Exp +VAT	761	761	Unch
	Chennai (Loose)	800	810	-10
	Bellary (Exp. Oil)+VAT	741	741	Unch
	Latur (Exp. Oil)+VAT	731	731	Unch
	Chellakere (Exp. Oil)+VAT	716	NA	-
Groundnut Oil	Rajkot (Loose)	1000	975	25
	Chennai (Loose)	810	800	10
	Delhi (Loose)	820	NA	-
	Hyderabad Exp +VAT	852	852	Unch
	Mumbai + VAT	990	970	20

	Gondal+VAT	1000	975	25
	Jamnagar +VAT	1000	975	25
	Narsarropeth+VAT	801	761	40
	Prodattour+VAT	791	NA	-
<b>Rapeseed Oil</b>				
	Mumbai (Exp. Oil) +VAT	665	650	15
	Alwar (Expeller Oil)(Loose)	649	646	3
	Kota (Expeller Oil) (Loose)	633	630	3
	Jaipur (Expeller Oil) (Loose)	651	655	-4
	Delhi (Exp. Oil) (Loose)	662	NA	-
	SriGangaNagar(ExpOil-Loose)	636	636	Unch
	Hapur+VAT	675	675	Unch
	Kolkata	NA	NA	-
	Agra (Kacchi Ghani Oil) +VAT	690	695	-5
<b>Refined Cottonseed Oil</b>				
	Mumbai +VAT	648	640	8
	Rajkot (Loose)	630	635	-5
	Delhi (Loose)	610	NA	-
	Hyderabad (Loose)	605	600	5
<b>Coconut Oil</b>				
	Kangayan (Crude)	685	670	15
	Cochin	700	700	Unch
	Trissur	NA	690	-
<b>Sesame Oil</b>				
	Delhi	910	NA	-
	Mumbai	920	930	-10
<b>Kardi</b>	Mumbai	1000	1000	Unch
<b>Rice Bran Oil (40%)</b>	Delhi	NA	NA	-
<b>Rice Bran Oil (4%)</b>	Punjab	500	485	15
<b>Malaysia Palmolein USD/MT</b>				
	FOB (July Shipment)	NA	760	-
	CNF (July) India	785	810	-25
<b>Indonesia/Malaysia CPO USD/MT</b>				
	FOB (Aug Shipment)	NA	750	-
	CNF (July) India	780	805	-25
<b>Argentina FOB (\$/MT)</b>		<b>8/7/2013</b>	<b>8/1/2013</b>	<b>Change</b>
Crude Soybean Oil Ship		855	862	-7
Refined Soy Oil (Bulk) Ship		885	892	-7
Sunflower Oil Ship		1105	NA	-
Cottonseed Oil Ship		835	842	-7
Refined Linseed Oil (Bulk) Ship		NA	NA	-

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