



Veg. Oil Monthly Research Report

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Outlook and Review:

Domestic Front

Edible oil basket featured weak tone during the month under review. Groundnut, sunflower and mustard oil featured significant losses on m-o-m basis.

Refined sunflower oil (Chennai based) was the worst performer among the edible oil pack due to higher sun oil imports during the last three months. While, groundnut oil was the second worst performer and quoted lower at Rajkot market owing to limited buying against adequate supplies and higher groundnut seed production. On the other hand, coconut oil at Kangayan market was the best performer in the edible oil basket due to lean season and crop loss in Philippines.

Refined sunflower oil (Chennai based) prices quoted lower to Rs 685 per 10 Kg monthly average; down 6.16 percent from last month. While, groundnut oil (Rajkot Based) prices edged lower by 5.22 percent to Rs 767.70 per 10 Kg on monthly average basis. Coconut oil at Kangayan market quoted higher to Rs 1099 per 10 Kg, up 6.2 percent on m-o-m basis.

On the currency front, Indian rupee against USD closed at 62.65, down 1.37 percent as compared to the previous month.

We expect edible oil complex to trade sideways in the days ahead owing to weak Indian rupee, slower pace of palm oil production in South East Asian countries and renewed demand could witness at lower quotes. However, higher mustard seed planting, adequate edible oil supplies may limit upside risk in the prices.

International Veg. Oil Market Summary

CBOT soy oil (Mar.) is expected to stay in the range of 36.80 cents/lb to 38.90 cents/lb. CPO at BMD (Mar) is likely to trade sideways and stay in the range of 2480-2625 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 production estimates.

Malaysian palm oil and its derivatives exports during Jan. were 1.28 million tons down 11 percent on m-o-m basis - Cargo surveyor Intertek Testing Services

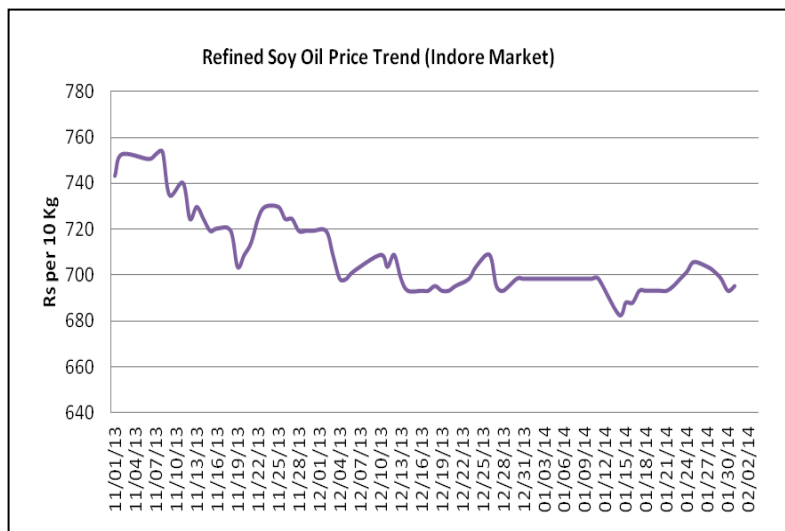
On the international front, higher soybean planting in South American countries, beneficial rains over key Argentinean soybean growing regions eased the heat concern and on an estimated rise in global soy supplies may favor the bears. While, good demand from china may limit downside risk in the prices.

Lower palm oil and its derivative exports for January, higher soybean supplies forecast in 2014 and uncertain palm oil demand as palm oil solidifies in the cold may favor the bears in the days ahead. While, seasonal slower pace of palm oil production in the South East Asian countries and in expectation of good biofuel demand may limit excessive losses.

Soy oil:

Domestic Market Fundamentals

- Ref. soy oil prices featured range bound movement during the month in review owing to lackluster buying interest and higher edible oil imports.
- At the import front, IBIS figures revealed that India imported 0.043 million tons of crude soybean degummed oil during 30 Dec-26 Jan 2014 majorly from Brazil and Argentina. Indian buyers imported 1,091,311 tons in the 2012-13 oil year (Nov-Oct).
- In anticipation of higher mustard oil production and an on an expected rise of South American soybean crop in the current season likely to favor bears in the coming days. However, limited quality supply of soybean in the cash market and renewed demand may limit excessive losses. As per Agriwatch second estimates, soybean production for 2013-14 is projected at 127.12 lakh tons which are higher than last year production estimate of 125 lakh tons.
- Currently imported refined soy oil offered at discount around Rs 10-13 per 10 kg. Import parity for soy oil from Argentina is likely to hover in positive territory in the days ahead due to higher South American soybean production forecast. We expect soy oil may trade with a range bound movement.



International Market Fundamentals

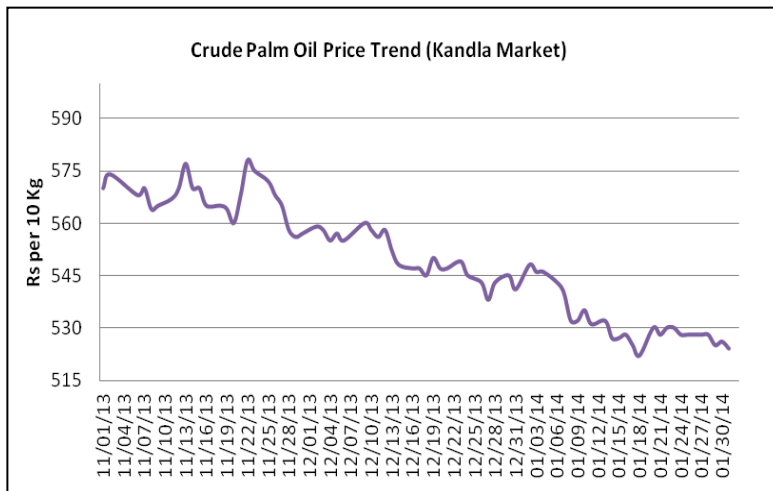
- According to local reports, the soybean crop in Brazil is in the period of germination to plant development stage and the crop condition is good. Various analyst forecast soybean crop in Brazil between 89.5-91.5 million tons in the current marketing year.
- According to the oil world, world soybean production seen at 287.8 million tons in the current year MY (2013/14), up 0.2 million tons from the previous forecast. Brazil's soy crop projection pegged at 89.5 million tons and Argentina's to 54 million tons because of dry weather - Oil world. On the demand side, U.S. and South America's top five producer exports totaled 32.72 million tons from Sept-Dec 2013, up 23 percent from the corresponding year of last year.
- The Buenos Aires Grain Exchange forecasts Argentina's 2014 soybean production seen at 53 million tons, up 9.2 percent from the last year. In the previous season, Argentina produced 48.5 million tons of soybeans.
- According to FCStone, Brazil's soybean production for 2014 seen at 90.2 million tons, up 0.5 million tons from previous forecast of 89.3. While, last year Brazil produced 81.5 million tons of soybean.
- China National Grain and Oils Information Center predicted that China would import 5.35 million tonnes of soybeans in January, higher than the Ministry of Commerce's earlier estimate of 4.61 million tonnes.
- On the international front, higher soybean planting in South American countries, beneficial rains over key Argentinean soybean growing regions eased the heat concern and on an estimated rise in global soy supplies may favor the bears. While, good demand from china may limit downside risk in the prices.

Price Outlook: We expect Ref. soy oil with VAT to trade in the price band of Rs 678-707 per 10 Kg.

Palm oil:

Domestic Market Fundamentals

- CPO Kandla 5% prices featured losses due to weakness in the international palm oil market. While, weak Indian rupee against US dollar limit the excessive losses.
- As per the latest government notification, Indian government has revised the tariff value for crude palm oil to US \$ 857, RBD palm oil to US \$880, Crude and refined palmolein to 869, 899 (US dollar per metric tons) respectively. Moreover, USD 917 per tons sets, as a new base import price for crude soybean oil Tariff value is the base price at which the customs duty is determined to prevent under-invoicing.
- IBIS figures revealed that Indian buyers imported 0.46 million tons of crude palm oil, and 0.33 million tons of RBD palmolein, during 30 Dec-26 Jan. 2014. Indian buyers imported 58.89 lakh tons of crude palm oil in the 2012-13 oil year(Nov-Oct), which is 1.93 percent lower against corresponding period of last year. Meanwhile, RBD palmolein imports were also higher at 22.2 lakh tons during 2012-13 oil year (Nov-Oct), up 41 percent compared to the last year (SEA of India).
- Edible oils stocks as on 1st January, 2014 at various ports is estimated at 745,000 tons (CPO 450,000 tons, RBD Palmolein 150,000 tons, Degummed Soybean Oil 25,000 tons, Crude Sunflower Oil 100,000 tons and Canola Rape Oil 20,000 tons) and about 850,000 tons in pipelines. Total stock, both at ports and in pipelines has increased by 125,000 tons to 1,595,000 tons. (SEA of India).
- We expect domestic palm oil prices may trade range bound to slightly firm tone.



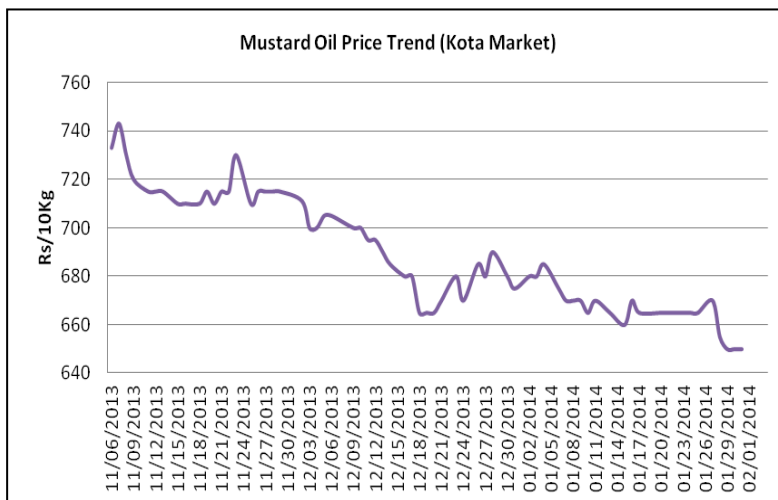
International Market Fundamentals

- BMD witnessed losses on m-o-m basis due to lower palm oil exports and higher Malaysian palm oil inventories. While, in expectation of good biofuel demand and lower palm oil production during Q1 2014 limit excessive losses. Crude palm oil at BMD February contract ended at RM 2,535 per tons, down by 113 points from last month. Malaysian palm oil and its derivatives exports during Jan. were 1.28 million tons down 11 percent on m-o-m basis - Cargo surveyor Intertek.
- As per data released by the Malaysian Palm Oil Board (MPOB), palm oil inventories rose 0.3 percent in December to 1.985 million tons. While, the palm oil production fell by 10.75 percent to 1.667 million tons in December. Exports also rose by 0.3 percent to 1.50 million tons from a month ago.
- According to a Malaysian government circular, Malaysia has kept its crude palm oil export tax for February unchanged from the previous month at 5%.
- China imports 6,52,503 tons of palm oil and 89,501 tons of soy oil during December, down 31.6% and 55.8% on Y-o-Y basis respectively – Chinese Customs Department.
- Lower palm oil and its derivative exports for January, higher soybean supplies forecast in 2014 and uncertain palm oil demand as palm oil solidifies in the cold may favor the bears in the days ahead. While, seasonal slower pace of palm oil production in the South East Asian countries and in expectation of good biofuel demand may limit excessive losses.

Price Outlook: We expect CPO Kandla 5% to trade in the price band of Rs 515-545 per 10 Kg.

Rapeseed oil: Domestic Market Fundamentals

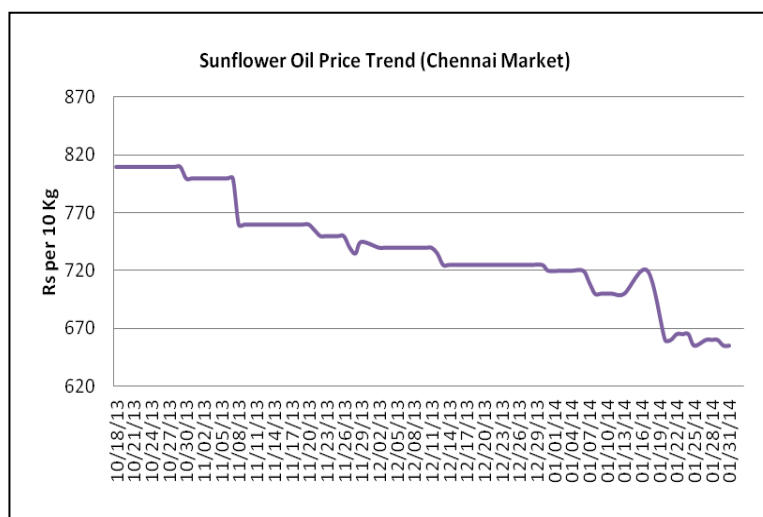
- Rapeseed oil featured sideways to weak movement during the month of January due to higher sowing reports and losses in the competing soy oil prices.
- On the supply side, as per Agriwatch estimates, mustard seed production seen at 75.6 lakh tons, up 3.6 lakh tons from the previous oil year and mustard oil output seen at 27.97 lakh tons in 2013-14 Oil year (Nov-Oct). Meanwhile, the government target mustard seed production forecast for 2013/14 sets at 7.49 million tons. As per Oil world, world production of rapeseed was pegged at 69.3 million tons, up 8.4 per cent from a year earlier.
- Adequate edible oil supplies in the cash market and higher mustard seed planting report support the bears in the coming weeks. However, renewed demand could witness at lower quotes. Indian buyers imported 1.68 lakh tons of crude rapeseed oil during 30 Dec -26 Jan 2014.
- Sown area for Rabi groundnut seed stood at 71.1 lakh hectares as on 31 Jan. 2014, up 4lakh hectares compared to the corresponding period last year - Ministry of Agriculture.
- We expect RM seed oil prices may trade range bound. World production of rapeseed was pegged at 69.3 million tons, up 8.4 per cent from a year earlier - Oil world.



Price Outlook: We expect Rapeseed oil (Kota) to trade in the price band of Rs 645-675 per 10 Kg.

Sunflower oil: Domestic Market Fundamentals

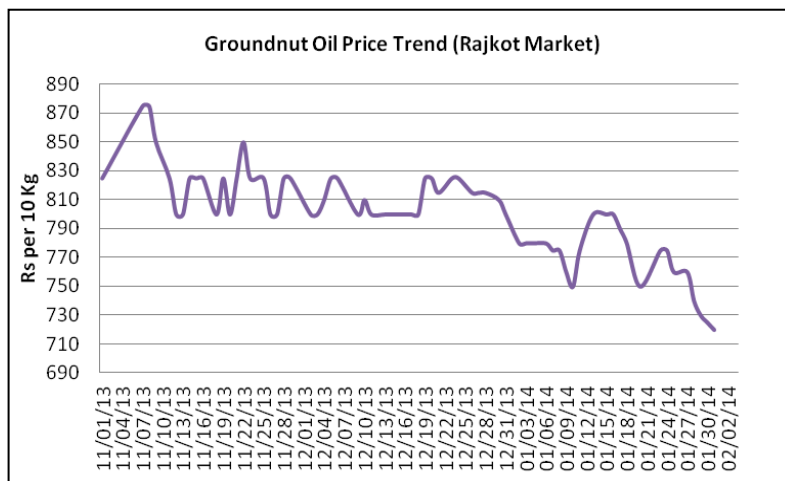
- Sunflower oil featured weak tone during the month of January due to higher sunflower oil imports during the last 3 months and weak buying.
- At import front, Indian buyers imported 0.12 million tons of crude sunflower oil during 30 Dec-26 Jan majorly from Ukraine and Argentina. While, SEA of India reports that crude sunflower oil imports by India during November of 2013-14-oil year (Nov-Oct) were 1.20 lakh tons. However, imports were higher on y-o-y basis in November by 0.73 lakh tons. As pre Dorab Mistry, sunflower oil imports may rise by 23 percent to 12 lakh tons during 2013-14. Indian buyers imported 9.73 lakh tons during 2013-13 oil year.
- As per Ministry of Agriculture, sown area for Rabi sunflower seed stood at 3.80 lakh hectares as on 09 Jan. 2014, down 0.70 lakh hectares compared to the corresponding period last year. Global sunflower seed output projection for 2013/14 pegged at 41.6 million tons, up 17 percent higher than the previous season in expectation of higher sunseed production in Ukraine and Russia – Oil World. We expect sunflower oil prices may trade range bound in the coming month.



Price Outlook: We expect sunflower oil (Chennai) to trade in the price band of Rs 625-665 per 10 Kg.

Groundnut oil: Domestic Market Fundamentals

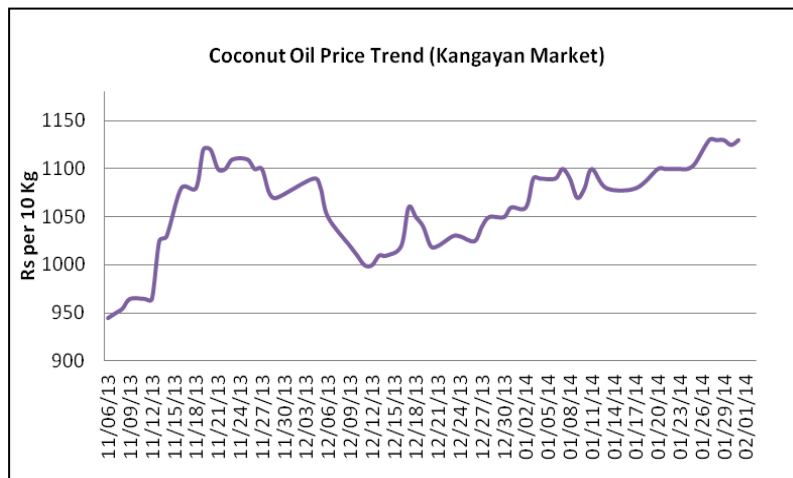
- Groundnut oil witnessed losses during the month of January owing to higher groundnut seed production in Gujarat and adequate supplies for crushing.
- As per sources, weak export demand for groundnut seed, good availability of raw material for crushing and higher groundnut seed production in major peanut exporting countries (US & Argentina) support the bears in the coming days. While, lower quotes of groundnut oil compared to other competing oils could support the retail demand.
- As per SOMA, lower price difference between G/N oil and other edible oils support the retail demand. Groundnut seed production could be around 25.95 lakh tons. While, last year groundnut production was seven lakh tons (SEA of India). Sown area for Rabi groundnut seed stood at 5.59 lakh hectares as on 09 Jan. 2014, down 0.55 lakh hectares compared to the corresponding period last year - Ministry of Agriculture.
- As per Agriwatch, groundnut oil production for 2013-14 marketing year is projected at six lakh tons which is higher than last year production estimate of 3.28 lakh tons.
- We expect groundnut oil prices may trade range bound tone in the coming month.



Price Outlook: We expect Groundnut oil (Rajkot) to trade in the price band of Rs 700-770 per 10 Kg.

Coconut oil: Domestic Market Fundamentals

- Coconut oil prices surge during the month under review due to firmness in the international coconut oil market and lean season. However, lackluster buying interest at higher quotes witnessed in the cash market. Coconut oil at Kangayan market quoted higher to Rs 1099 per 10 kg, down 6.8 percent on m-o-m average basis.
- Lower arrivals of copra, lean season, and coconut crop damage in Philippines support the market sentiments. Meanwhile, limited demand for coconut oil at higher quotes is likely to support the bears for the short term.
- As per Dorab Mistry, international coconut oil prices may go to US dollar 1500 per tons and above in 2014. Moreover, likely to trade with higher premiums compared to the palm kernel oil. We expect coconut oil prices may trade range bound in the coming month.



Price Outlook: We expect coconut oil (Erode) to trade in the price band of 1050-1180 per 10 Kg.

Indian Supply and Demand Scenario:

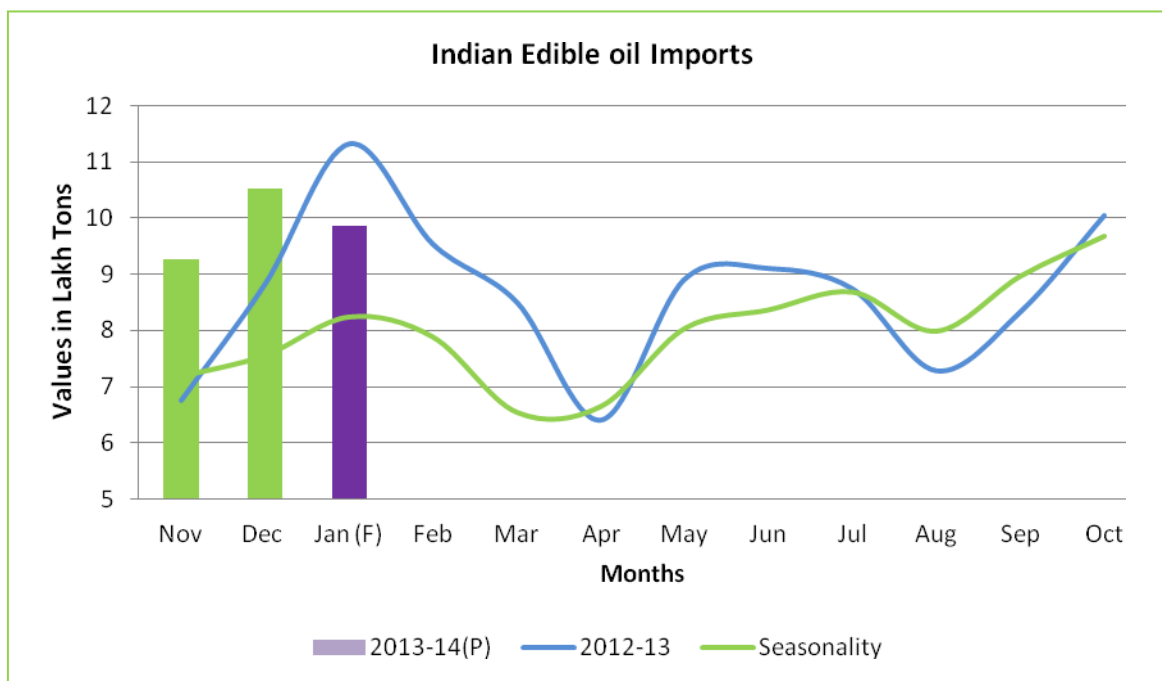
Balance sheet of Indian Edible Oil	2011-12	2012-13	2013-2014	% Change
Value in million tons				
Beginning Stock	0.50	0.85	1.08	26.67
Production*	7.77	7.89	8.51	7.84
Imports**	9.98	10.38	10.60	2.12
Total Supply	18.25	19.13	20.19	5.57
Exports (USDA estimates)	0.023	0.012	0.01	-16.67
Total Demand(Consumption)	17.40	18.04	18.73	3.78
Ending Stock	0.85	1.08	1.46	35.50

Values in Mln. Tons, Oil year (Nov-Oct)

*Including Production of Groundnut, Soy, Mustard, Sunflower, Sesame, Niger, Safflower, Cottonseed, Copra, Rice bran Oils. ** 2012-13- SEA of India & 2013-14 Agriwatch Estimates.

Balance Sheet Highlights

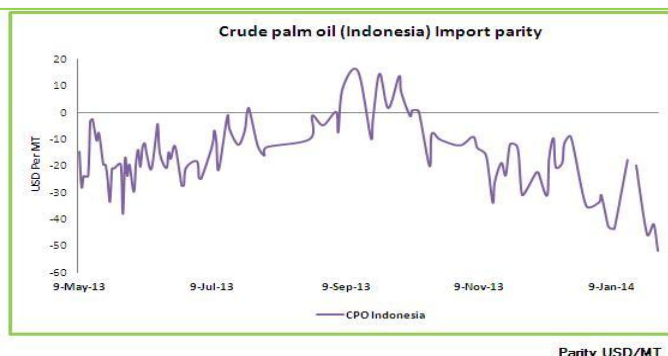
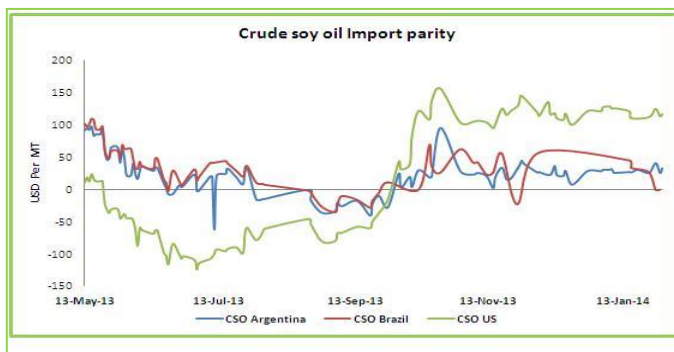
Net edible oil output would likely be 8.51 million tons in 2013-14 on the back of higher soybean, ground seed and expected mustard production in the current oil year. An increment of 1.22 percent gains in soybean oil production, 82.93 percent in groundnut oil and in expectation of 5.1 percent of gains in the production of mustard oil in the current oil year. On import front, edible oil imports are likely to rise by 2.12 percent compared to previous year. Ending stocks are projected higher compared to 2013-14 at 1.46 million tons.

Indian edible oil imports for January 2014 projection –:


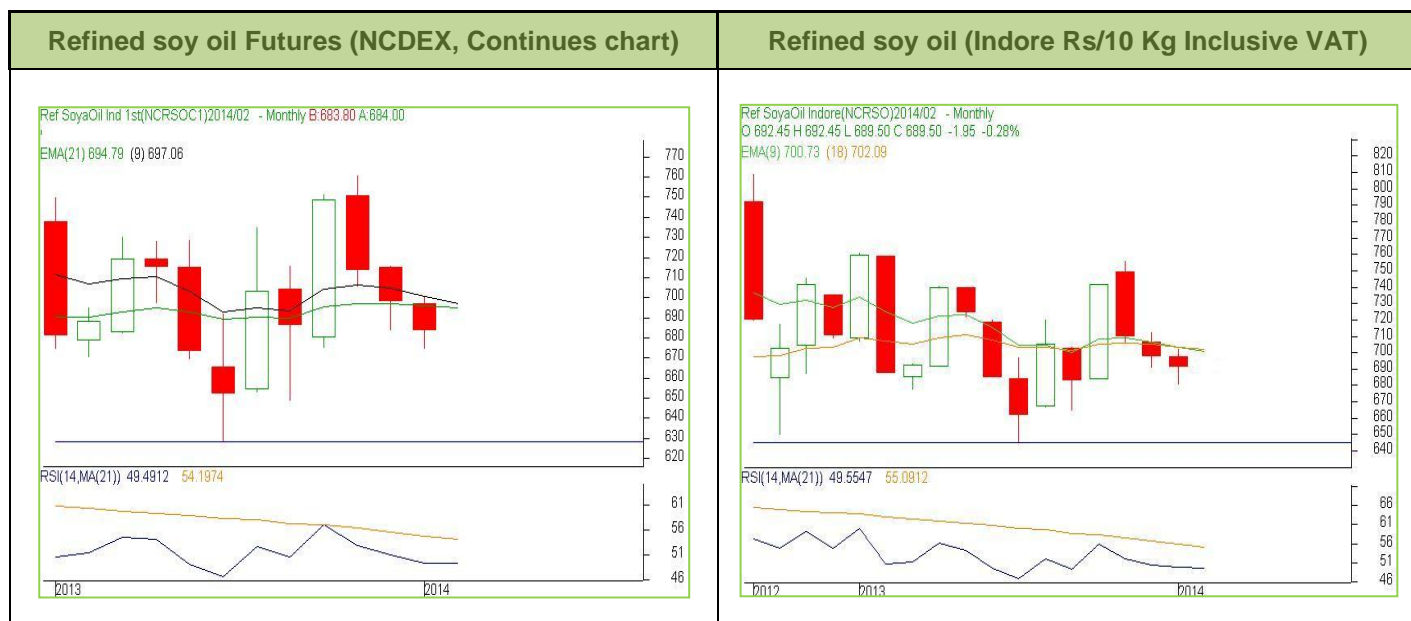
As per Solvent Extractors' Association of India, India imported 10.3 million tons of edible oils in the 2013 oil year (Nov.-Oct). However, edible oils imports were 9.98 million tons in the corresponding period last year. We expect Indian edible oils imports for the month of January is likely to 9.60-9.90 lakh tons.

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

Landed Cost Calculation as on 04/02/2014	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia
FOB USD per ton	836	842	765	845
Freight (USD/MT)	75	65	60	35.0
C & F	911.0	907.0	825.0	880.0
Weight loss (0.25% of FOB)	2.09	2.11	1.91	2.11
Finance charges (0.4% on CNF)	3.64	3.63	3.30	3.52
Insurance (0.3% of C&F)	3	3	2	3
CIF (Indian Port - Kandla)	919	915	833	888
CVD	0	0	0	0
Duty USD per ton	23.66	23.66	23.66	22.11
CVD value USD per ton	0	0	0	0
Cess (2% on duty) USD per ton	0.473172	0.473172	0.473172	0.442212
Exchange rate	62.68	62.68	62.68	62.68
Landed cost without customs duty in INR per ton	57632	57381	52193	55677
Customs duty %	2.58%	2.58%	2.58%	2.58%
Base import price	917	917	917	857
Fixed exchange rate by customs department	62.20	62.20	62.20	62.20
Duty component in INR per ton	1471.56	1471.56	1471.56	1375.28
Clearing charges INR per ton	483	483	483	483
Brokerage INR per ton	190	190	190	190
Total landed cost INR per ton	59777	59525	54337	57725
Domestic Market price INR/ton Soy Degum Kandla/CPO Kandla 5%	61000	61000	61000	52800
Total landed cost USD per ton	954	950	867	921
Domestic Market price USD/tons Soy Degum Kandla/ CPO Kandla 5%	973	973	973	842
Parity INR/MT (Domestic - Landed)	1223	1475	6663	-4925
Parity USD/MT (Domestic - Landed)	19.52	23.53	106.30	-78.58
Source: Agriwatch				
Refining/ Processing Cost per MT	2600.00	2600.00	2600.00	3200.00
Freight to Inland location (Indore)	2500.00	2500.00	2500.00	2500.00
Cost of Imported oil after refining/Processing	64876.76	64625.22	59437.42	60925.20
Soy/Palm oil imported Price (Including tax)	68120.59	67856.48	62409.29	63971.46
Source: Agriwatch				


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 days.

Technical Analysis (Refined soy oil Monthly Charts)


Outlook – Prices are likely to trade with a steady tone in the days ahead. Investors are advised to buy refined soy oil (Mar. contract) on dips.

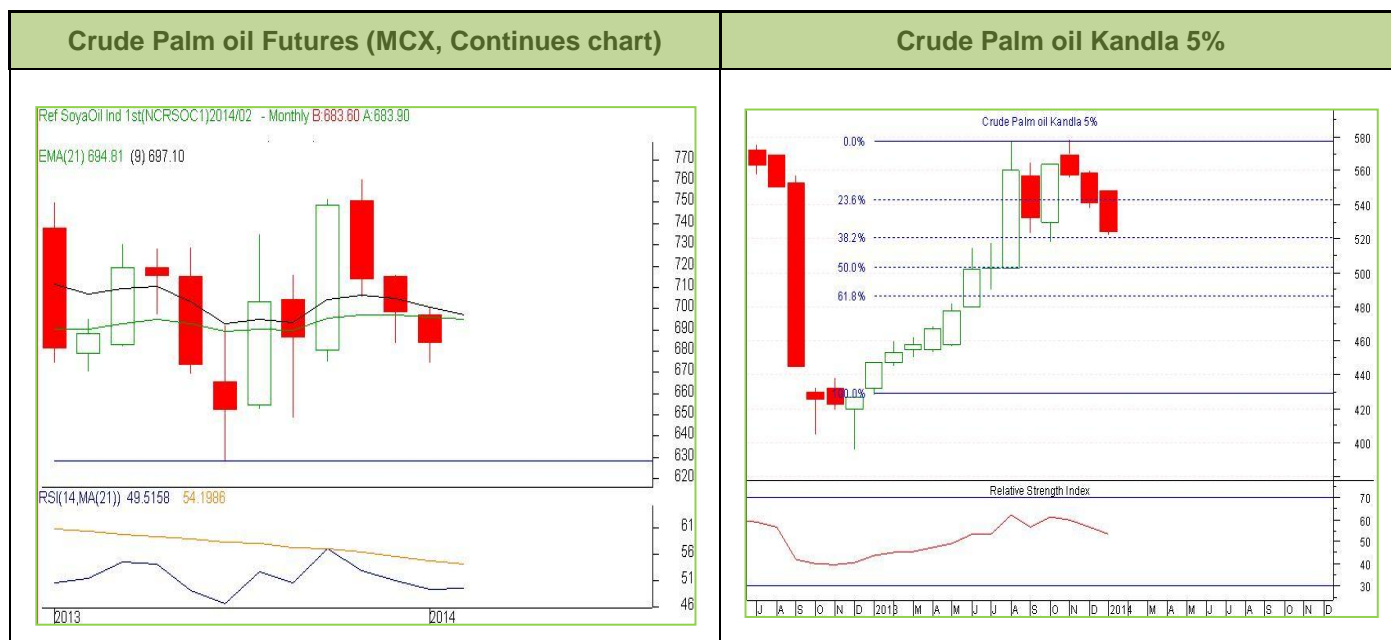
- ❖ Monthly chart of refined soy oil at NCDEX featured weakness. We expect range bound movement in the coming days.
- ❖ Any close below 646.20 in monthly chart shall change the sentiments and might take the prices to a bearish phase.
- ❖ Expected price band for next month is 660-687 level in near to 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 660 for a target of 683 and 687 with a stop loss at 646.20 on closing basis.

RSO NCDEX

Support and Resistance				
S2	S1	PCP	R1	R2
638.00	645.00	667.60	691.50	699.00

Spot Market outlook: Refined soy oil Indore is likely to stay in the range of 678-707 per 10 Kg.

Technical Analysis (Crude Palm oil Monthly Charts)


Outlook - Prices may trade with a steady tone in the coming days. Investors are advised to buy MCX CPO Feb. contract on dips.

- ❖ Candlestick Monthly chart of crude palm oil at MCX depicts losses. We expect prices may consolidate in the near term.
- ❖ Any close below 521 in monthly chart shall change the sentiments and might bring the prices to a bearish phase.
- ❖ Expected price band for next month is 530-548 level in near to medium term. RSI is in neutral zone, shows no evidence of divergence in line with the CPO prices.

Strategy: Market participants are advised to go long in CPO above 530 for a target of 545 and 548 with a stop loss at 521 on closing basis.

CPO MCX

Support and Resistance				
S2	S1	PCP	R1	R2
500.00	510.00	533.50	552.00	562.00

Spot Market outlook: Crude palm oil 5% is likely to trade sideways tone in the coming month. The prices are likely to stay in the range of 515-545 per 10 Kg.

Monthly spot prices comparison

Commodity	Centre	Prices(Per 10 Kg)		Change
		31-Jan-14	31-Dec-13	
Refined Soybean Oil	Kota(Loose)	650	675	-25
	Rajkot (Loose)	630	655	-25
	Jaipur (Loose)	NA	NA	-
	Hyderabad+ VAT	NA	NA	-
	Delhi (Loose)	685	710	-25
	Kakinada	NA	NA	-
	Mumbai +VAT	650	665	-15
	Indore	662	665	-3
	Soy Degum Mumbai+VAT	610	632	-22
	SoyDegum Kandla/Mundra+VAT	610	632	-22
	Haldiya Port (Loose)	NA	NA	-
	Akola (Loose)	NA	671	-
	Amrawati (Loose)	NA	671	-
	Jalna	681	681	Unch
	Nagpur	NA	681	-
Palm Oil	Chennai.RBD.Palmolein.(Loose)	583	585	-2
	Hyd. RBD Palmolein VAT	555	585	-30
	Delhi RBD Palmolein (Loose)	610	615	-5
	Kandla CPO (5%FFA)	524	541	-17
	Kakinada.RBD.Palmolein(Loose)	568	579	-11
	Mumbai RBD Pamolein+ VAT	580	575	5
	Kandla RBD Palmolein +VAT	568	572	-4
Refined Sunflower Oil	Mumbai + VAT	675	710	-35
	Kandla/Mundra	605	640	-35
	Erode (Exp. Oil)+VAT	680	700	-20
	Hyderabad Exp +VAT	646	666	-20
	Chennai (Loose)	655	720	-65
	Bellary (Exp. Oil)+VAT	611	616	-5
	Latur (Exp. Oil)+VAT	621	651	-30
	Chellakere (Exp. Oil)+VAT	591	611	-20
Groundnut Oil	Rajkot (Loose)	720	800	-80
	Chennai (Loose)	730	710	20
	Delhi (Loose)	725	725	Unch
	Hyderabad Exp +VAT	783	783	Unch
	Mumbai + VAT	770	810	-40
	Gondal+VAT	720	800	-80
	Jamnagar +VAT	720	800	-80
	Narsarropeth+VAT	690	740	-50
	Prodattour+VAT	681	681	Unch

Rapeseed Oil	Mumbai (Exp. Oil) +VAT	680	705	-25
	Alwar (Expeller Oil)(Loose)	671	691	-20
	Kota (Expeller Oil) (Loose)	650	675	-25
	Jaipur (Expeller Oil) (Loose)	670	694	-24
	Delhi (Exp. Oil) (Loose)	695	720	-25
	SriGangaNagar(ExpOil-Loose)	677	692	-15
	Hapur+VAT	735	775	-40
	Kolkata	NA	NA	-
	Agra (Kacchi Ghani Oil) +VAT	725	745	-20
Refined Cottonseed Oil	Mumbai +VAT	622	615	7
	Rajkot (Loose)	620	600	20
	Delhi (Loose)	610	600	10
	Hyderabad (Loose)	545	575	-30
Coconut Oil	Kangayan (Crude)	1130	1060	70
	Cochin	1105	1030	75
	Trissur	1155	1055	100
Sesame Oil	Delhi	1120	1100	20
	Mumbai	1180	1170	10
Kardi	Mumbai	950	1000	-50
Rice Bran Oil (40%)	Delhi	NA	NA	-
Rice Bran Oil (4%)	Punjab	500	515	-15
Malaysia Palmolein USD/MT	FOB (January Shipment)	Closed	813	-
	CNF (January Shipment) India	830	840	-10
Indonesia CPO USD/MT	FOB (February-March Shipment)	Closed	845	-
	CNF (January Shipment) India	835	855	-20
Argentina FOB (\$/MT)		30-Jan-14	29-Dec-13	Change
Crude Soybean Oil Ship		822	NA	-
Refined Soy Oil (Bulk) Ship		850	NA	-
Sunflower Oil Ship		NA	NA	-
Cottonseed Oil Ship		802	NA	-
Refined Linseed Oil (Bulk) Ship		842	NA	-

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