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# **Veg. Oil Monthly Research Report**

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**Executive Summary****Domestic Veg. Oil Market Summary**

*Edible oil basket featured steady tone during the month under review. Coconut oil featured gains on m-o-m basis. While, groundnut, and sunflower oil featured losses compared to the last month.*

*Groundnut oil (Rajkot based) was the worst performer among the edible oil pack due to higher groundnut oil production. While, coconut oil was the best performer among the edible oil segment and quoted higher due to lean season, crop loss in Philippines and recovery in the palm oil prices.*

*Groundnut oil (Rajkot based) prices quoted lower to Rs 730 per 10 Kg monthly average; down 4.9 percent from last month. While, coconut oil at Kangayan market quoted higher to Rs 1152 per 10 Kg, up 4.8 percent on m-o-m basis.*

*On the currency front, Indian rupee against USD closed at 61.7, up 1.38 percent as compared to the previous month.*

*We expect edible oil complex to trade sideways to slightly firm tone in the days ahead owing to slower pace of palm oil production in South East Asian countries, renewed demand, and dry weather concern in Brazil. However, weak Indian rupee and with an advent of summer season domestic demand for oils ease which may limit excessive gains in the coming days.*

**International Veg. Oil Market Summary**

*CBOT soy oil (Mar.) is expected to stay in the range of 42.8 cents/lb to 45.5 cents/lb. CPO at BMD (Apr) is likely to trade sideways and stay in the range of 2720-2875 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 exports for February pegged at 1.24 million tons, down 2.1% on m-o-m basis – Cargo surveyor SGS.*

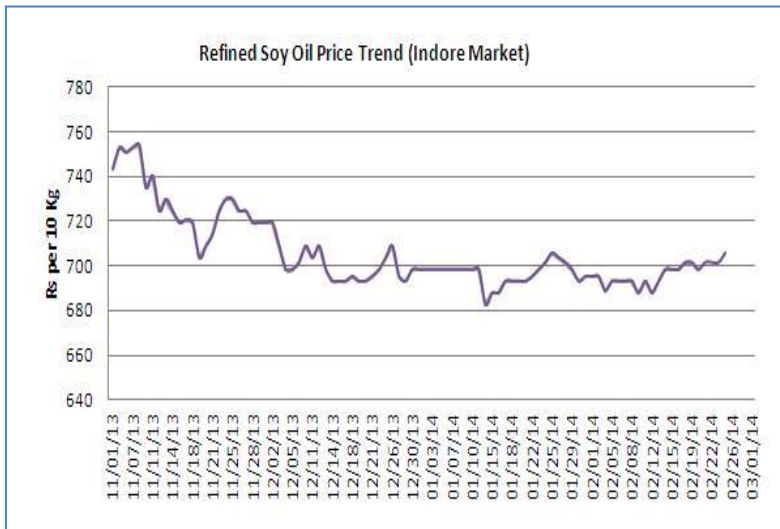
*On the international front, good demand from China, heat concern over key soybean growing regions of Brazil and geopolitical crisis in Ukraine may favor the bulls in the coming days. However, soybean supplies from South American countries are likely to pick up pace in the coming months which may limit the excessive gains.*

*Lower than expected Malaysian palm oil inventories for January, South East Asian countries are in lower palm oil yield phase and recovery in the international crude oil prices may support the bulls in the days ahead. While, higher global soybean crop estimates and adequate supplies may limit excessive gains in the palm oil prices.*

## Soy oil:

### Domestic Market Fundamentals

- Ref. soy oil prices featured range bound to slightly firm movement during the month in review owing to dry weather concern in Brazil and moderate buying
- At the import front, IBIS figures revealed that India imported 1.3 lakh tons of crude soybean degummed oil during Feb 2014 majorly from Brazil and Argentina. India imported 2.42 lakh tons during Nov-Jan, 2014 v/s 1.39 lakh tons same period of the last year.
- Lower soybean arrivals in the cash market and speculative buying on concern of dry weather over key soybean growing regions of Brazil may threaten soybean yields likely to support the market sentiments in the near term. However, weak soybean meal export demand (Indian origin) and need based demand for oil might cap the excessive gains.
- On the supply side, as per the second advance estimates, Ministry of agriculture lowers its soybean output projections for 2013/14 to 12.45 million tons. While, last year India's soybean production was 12.21 million tons. While, As per Agriwatch third estimates, soybean production for 2013-14 is projected at 11.4 million tons which is lower than last year production estimate of 12.5 million tons.
- Imported soy oil offered at discount around USD 10-15 per MT (Feb) v/s USD 25-30 per MT (Jan). 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 to slightly firm tone movement.



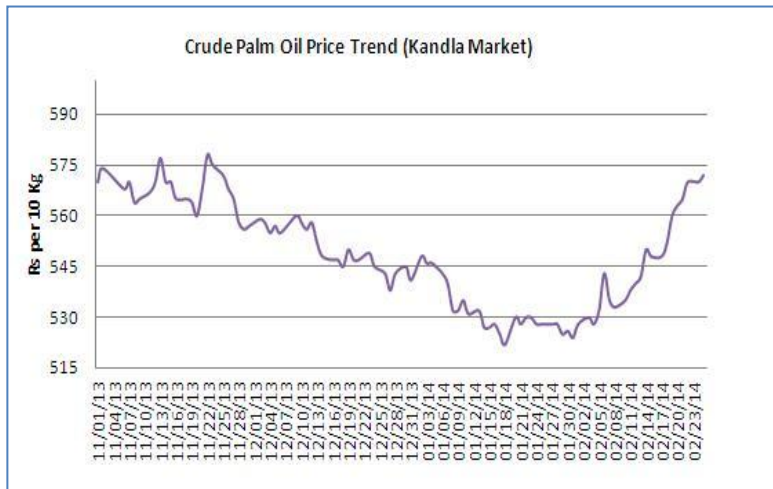
### International Market Fundamentals

- Informa Economics lowered its estimates of soybean production for Argentina 2013/14 to 54 million tons, from 57 million previously. While, Brazilian soybean crop seen at 88.8 million tons.
- As per Safras & Mercado, Brazilian farmers have harvested 21 percent of the soybean estimated acreage as of 14 Feb., 2014, up 8 percent from last week. However, last year at the same period farmers had harvested 15 percent.
- As per Chinese Ministry of Commerce China is likely to import 5.05 million tons of soybeans in February, up from the previous forecast of 5 million tons. While, soybean imports during March seen at 3.49 million tons
- AgRural lowered Brazil's soybean projections to 87 million tons for 2014, down one million tons from the previous estimates.
- As per USDA, global soybean production is projected at record 287.7 million, up 0.9 million tons. Soybean production for Brazil is projected at 90.0 million tons, up one million from last month estimates and for the Argentina soybean crop seen at 54.0 million tons, down 0.5 million from last month estimates.
- On the international front, good demand from China, heat concern over key soybean growing regions of Brazil and geopolitical crisis in Ukraine may favor the bulls in the coming days. However, soybean supplies from South American countries are likely to pick up pace in the coming months which may limit the excessive gains.

**Price Outlook:** We expect Ref. soy oil with VAT to trade in the price band of Rs 718-755 per 10 Kg.

**Palm oil:**
**Domestic Market Fundamentals**

- CPO Kandla 5% prices featured gains due to bullish cues from the international palm oil market and lower palm oil imports during the last two months.
- IBIS figures (compiled by Agriwatch) revealed that Indian buyers imported 3.6 lakh tons of crude palm oil, and 1.7 lakh tons of RBD palmolein, during Feb. 2014. As per SEA of India, Indian buyers imported 15.7 lakh tons of crude palm oil in the 2013-14 oil years (Nov-Oct) till Jan., which was 16.93 percent lower against corresponding period of last year. Meanwhile, RBD palmolein imports were also higher at 5.7 lakh tons during 2012-13 oil years (Nov-Oct) till Jan., up 59.6 percent compared to the last year.
- As per the latest government notification, Indian Government has revised the tariff value for crude palm oil to US \$ 914, RBD palm oil to US \$957, Crude and refined palmolein to 964, 967 (US dollar per metric tons) respectively. Moreover, USD 972 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.
- Lower palm oil production phase in Malaysia and lower palm oil imports due to disparity may support the bulls in the coming days. However, with an advent of summer season and rising mustard supplies may limit the excessive gains.
- We expect domestic palm oil prices may trade range bound to slightly firm tone.

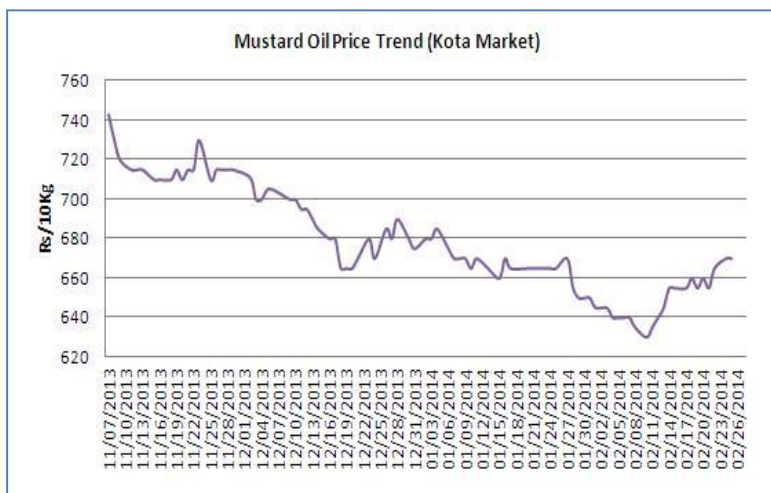

**International Market Fundamentals**

- BMD witnessed gains on m-o-m basis due to good biofuel demand, lower palm oil production during Q1 2014 and lower inventories figures for Jan. Crude palm oil at BMD April contract ended (28 Feb) at RM 2,805 per tons, up by 242 points from last month. Malaysian February palm oil exports pegged at 1.24 million tons, down 2.1% on m-o-m basis –SGS. According to an Indonesian ministry, Indonesia keeps its export tax for crude palm oil unchanged at 10.5% for March.
- As per MPOB's report, Malaysian palm oil stocks for January eased to 1.93 million tons, down 2.6 percent from the last month. While, palm oil output estimate in Jan pegged at 1.51 million tons and export estimates pegged at 1.36 million tons.
- Traders estimated palm oil stocks at different Chinese ports at between 1-1.2 million tons, up from the usual 500,000 to 600,000 tons (Reuters). Higher imports during the last two months, weak demand and in expectation of good oilseed supplies may hit Chinese palm oil imports in the coming months.
- Lower than expected Malaysian palm oil inventories for January, South East Asian countries are in lower palm oil yield phase and recovery in the international crude oil prices may support the bulls in the days ahead. While, higher global soybean crop estimates and adequate supplies may limit excessive gains in the palm oil prices.

**Price Outlook:** We expect CPO Kandla 5% to trade in the price band of Rs 585-630 per 10 Kg.

## Rapeseed oil: Domestic Market Fundamentals

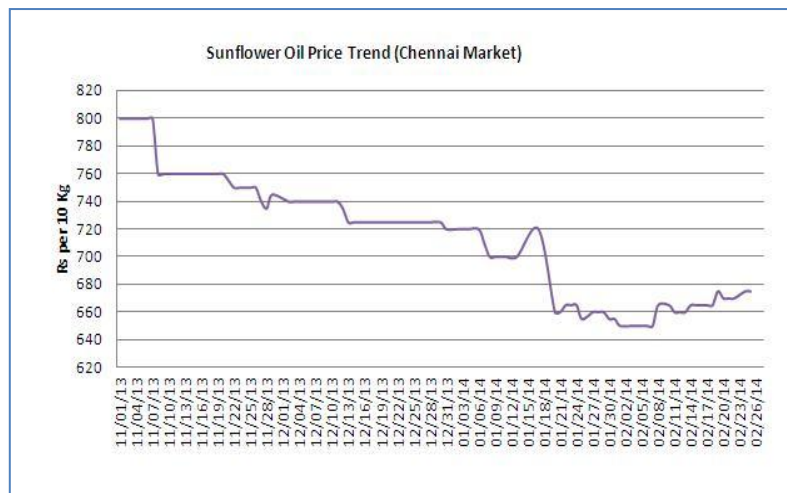
- Rapeseed oil featured sideways to slightly firm movement during the month of February due to recovery in the competing soy oil prices and talks of crop damage due to hailstorm.
- Unseasonal rains and hailstorm over key mustard growing areas raises the concern of crop loss and good demand for RM seed from oil millers likely to support the mustard oil prices in the coming days. However, with an advent of summer season domestic demand is likely to ease which may cap excessive gains in the medium term. Market participants are expecting 0.15-0.28 million tons of crop loss in mustard.
- At import front, Indian buyers imported 0.011 million tons of crude rapeseed oil during Feb. majorly from UAE - IBIS figures (compiled by Agriwatch). On the supply side, as per the second advance estimates of production released by Ministry of agriculture, mustard seed output is estimated at 8.25 million tons, up .22 million tons from 2012/13 estimates. 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.
- 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 625-685 per 10 Kg.

## Sunflower oil: Domestic Market Fundamentals

- Sunflower oil featured weak tone during the month of February due to higher sunflower oil imports during the last 3 months and weak buying.
- At import front, Indian buyers imported 1.3 lakh tons of crude sunflower oil during Feb. majorly from Ukraine - IBIS figures (compiled by Agriwatch). While, SEA of India reports that crude sunflower oil imports by India during Nov-Jan of 2013-14-oil year (Nov-Oct) were 3.62 lakh tons. However, imports were higher on y-o-y basis by 1.16 lakh tons. Geopolitical concern in Ukraine, supportive Malaysian palm oil market and renewed demand from wholesalers likely to underpin the domestic sunflower oil prices in the near term. Indian buyers are likely to import more than 0.1 million tons in March.
- As per Ministry of Agriculture, sown area for Rabi sunflower seed stood at 4.29 lakh hectares as on 20 Feb. 2014, down 0.83 lakh hectares compared to the corresponding period last year. We expect sunflower oil prices may trade range bound to slightly firm tone in the coming month.

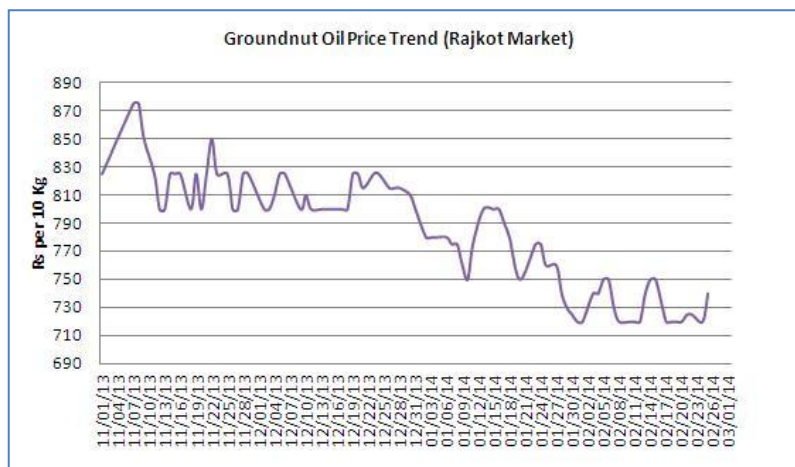


**Price Outlook:** We expect sunflower oil (Chennai) to trade in the price band of Rs 645-700 per 10 Kg.



### Groundnut oil: Domestic Market Fundamentals

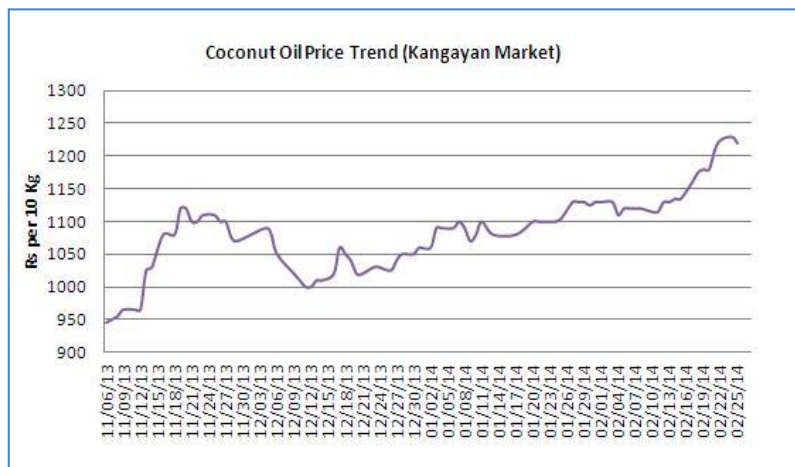
- Groundnut oil witnessed losses during the month of February owing to higher groundnut seed production in Gujarat and adequate supplies for crushing.
- As per Agriwatch, groundnut oil production for 2013-14 marketing year is projected at six lakh tons which is higher than last year production estimate of 3.28 lakh tons.
- Sown area for Rabi groundnut seed stood at 8.31 lakh hectares as on 20 Feb. 2014, down 0.82 lakh hectares compared to the corresponding period last year - Ministry of Agriculture.
- Groundnut oil prices are likely to stay range bound in the coming days owing to higher crushing, lower export demand for groundnut seed. However, lower prices may support retail demand, which may cap the excessive losses.
- 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 featured firm tone at its benchmark market Kangayan during the month due to gains in the international oil & fats market and lean season for copra in Southern India. However, limited buying interest at higher quotes limit the upside risk in the prices. Coconut oil at Kangayan market quoted higher to Rs 1151 per 10 kg, up 4.3 percent on m-o-m average basis.
- Lower arrivals of copra, lean season, and coconut crop damage in Philippines support the market sentiments. However, coconut oil prices may fall due to commencement of copra production season in Kerala and copra arrivals likely to pick up in the coming weeks.
- 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 groundnut oil prices may trade range bound tone in the coming month.



**Price Outlook:** We expect coconut oil (Erode) to trade in the price band of 1185-1275 per 10 Kg.

**Indian Supply and Demand Scenario:**

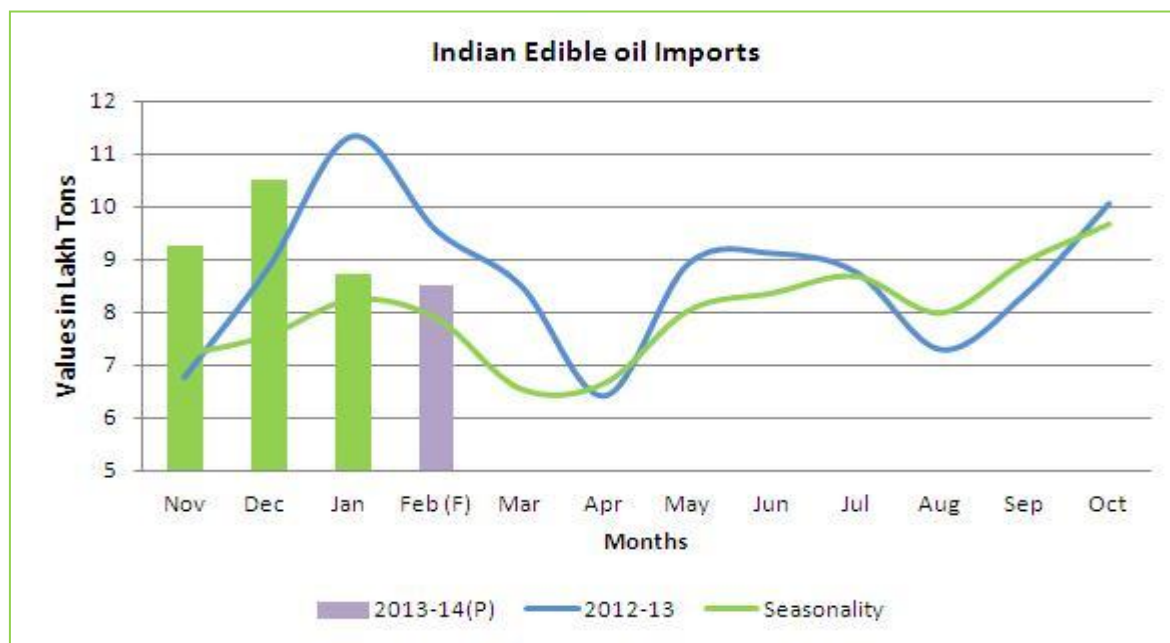
Balance sheet of Indian Edible Oil	2011-12	2012-13	2013-2014	% Change
Value in million tons				
Beginning Stock	0.53	0.76	0.92	21.34
Production*	7.70	7.78	8.00	2.81
Imports**	9.98	10.38	10.90	5.01
Total Supply	18.21	18.92	19.82	4.76
Exports***	0.023	0.012	0.01	-16.67
Total Demand(Consumption)	17.45	18.00	18.70	3.89
Ending Stock	0.76	0.92	1.12	21.78

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, \*\*\* (USDA estimates).

**Balance Sheet Highlights**

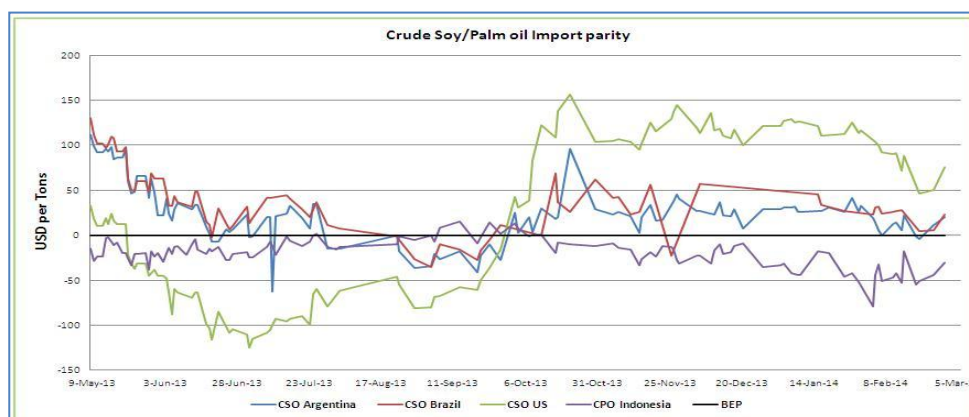
Net edible oil output would likely be 8.0 million tons in 2013-14 on the back of higher ground seed and mustard seed production in the current oil year. An increment of 82.93 percent in groundnut oil and 2.86 percent of gains in the production of mustard oil in the current oil year. However, lower soybean production in the current season lowers the overall oils production. On import front, edible oil imports are likely to rise by 5.01 percent compared to previous year. Ending stocks are projected higher compared to 2013-14 at 1.12 million tons.

**Indian edible oil imports for February 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 February is likely to 8.5-8.70 lakh tons.

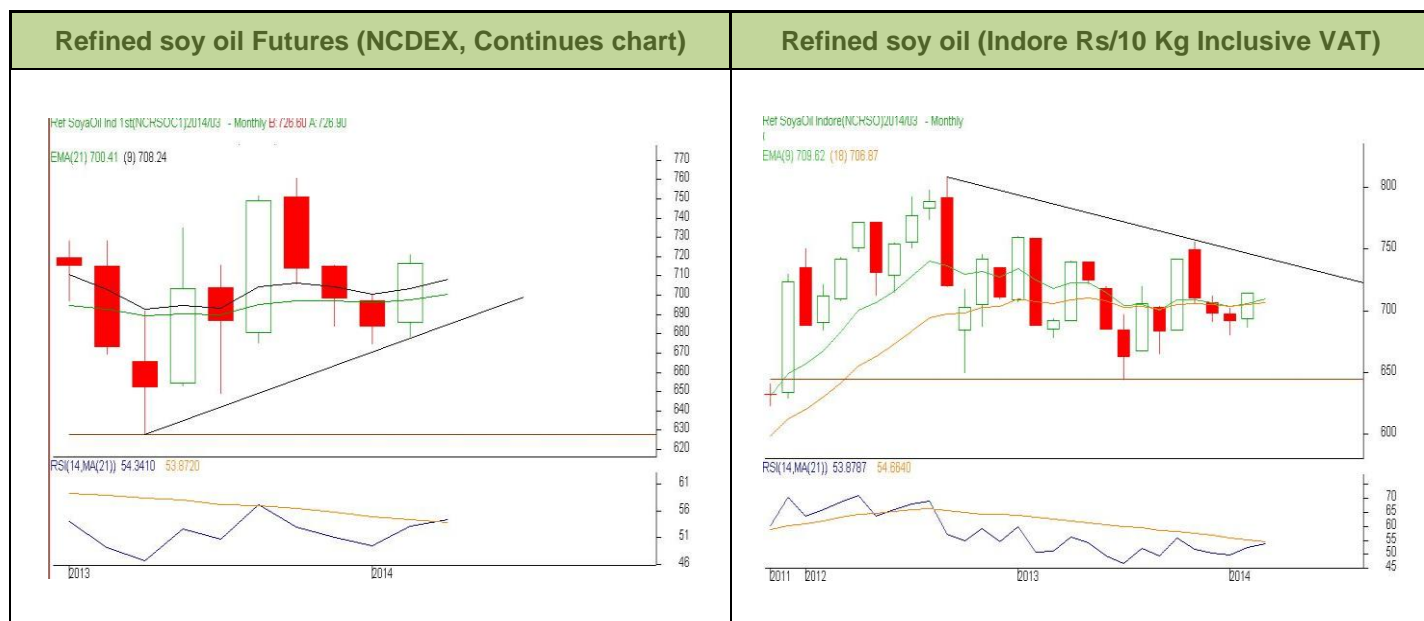
**Landed Cost at the Indian Ports - Crude soy oil and Crude palm oil**

Landed Cost Calculation as on 01/03/2014	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia
FOB USD per ton	907	914	867	900
Freight (USD/MT)	80	70	65	35
C & F	987.0	984.0	932.0	935.0
Weight loss (0.25% of FOB)	2.27	2.29	2.17	2.25
Finance charges (0.4% on CNF)	3.95	3.94	3.73	3.74
Insurance (0.3% of C&F)	3	3	3	3
CIF (Indian Port - Kandla)	996	993	941	944
CVD	0	0	0	0
Duty USD per ton	23.58	23.58	23.58	25.08
CVD value USD per ton	0	0	0	0
Cess (2% on duty) USD per ton	0.471624	0.471624	0.471624	0.501552
Exchange rate	61.82	61.82	61.82	61.82
Landed cost without customs duty in INR per ton	61584	61398	58154	58345
Customs duty %	2.58%	2.58%	2.58%	2.58%
Base import price	914	914	914	972
Fixed exchange rate by customs department	62.95	62.95	62.95	62.95
Duty component in INR per ton	1484.44	1484.44	1484.44	1578.63
Clearing charges INR per ton	483	483	483	483
Brokerage INR per ton	190	190	190	190
Total landed cost INR per ton	63741	63555	60311	60597
Domestic Market price INR/ton Soy Degum Kandla/CPO Kandla 5%	65000	65000	65000	58500
Total landed cost USD per ton	1031	1028	976	980
Domestic Market price USD/tons Soy Degum Kandla/ CPO Kandla 5%	1051	1051	1051	946
<b>Parity INR/MT (Domestic - Landed)</b>	<b>1259</b>	<b>1445</b>	<b>4689</b>	<b>-2097</b>
<b>Parity USD/MT (Domestic - Landed)</b>	<b>20.36</b>	<b>23.37</b>	<b>75.85</b>	<b>-33.92</b>
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	68841.07	68655.39	65410.99	63797.04
Soy/Palm oil imported Price (Including tax)	72283.12	72088.16	68681.53	66986.89
Source: Agriwatch				


**Outlook:-**

Import parity for crude soy oil from Argentina is hovering in positive territory due to lower 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 to firm tone in the days ahead. Investors are advised to buy refined soy oil (Apr. contract) on dips.**

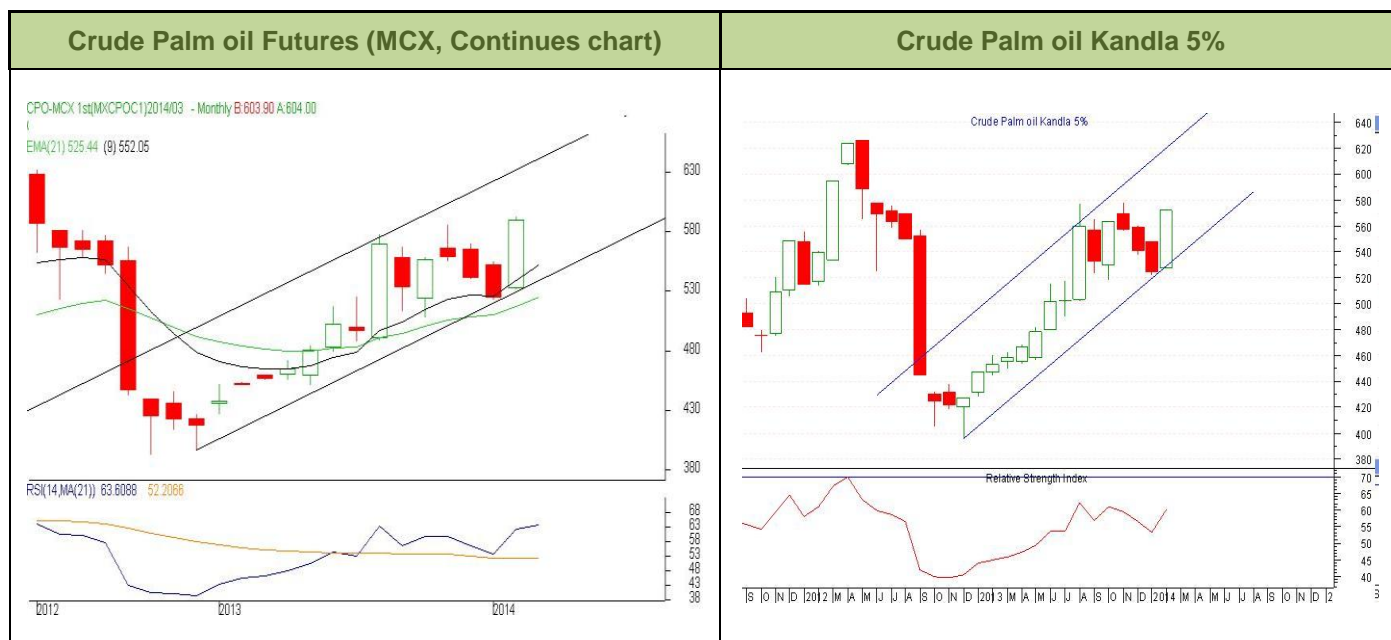
- ❖ Monthly chart of refined soy oil at NCDEX featured weakness. We expect range bound movement in the coming days.
- ❖ Any close below 646.20 in monthly chart shall change the sentiments and might take the prices to a bearish phase.
- ❖ Expected price band for next month is 660-687 level in near to 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 715 for a target of 740 and 745 with a stop loss at 700 on closing basis.

**RSO NCDEX**

Support and Resistance				
S2	S1	PCP	R1	R2
675.00	690.00	720.80	755.00	765.00

**Spot Market outlook:** Refined soy oil Indore is likely to stay in the range of 718-755 per 10 Kg.

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


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

- ❖ Candlestick Monthly chart of crude palm oil at MCX depicts significant gains. We expect prices may consolidate in the near term.
- ❖ Any close below 583.20 in monthly chart shall change the sentiments and might bring the prices to a bearish phase.
- ❖ Expected price band for next month is 597-630 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 597 for a target of 620 and 630 with a stop loss at 583.20 on closing basis.

**CPO MCX**

Support and Resistance				
S2	S1	PCP	R1	R2
568.00	582.00	603.40	635.00	650.00

**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 585-630 per 10 Kg.

## Monthly spot prices comparison

Commodity	Centre	Prices(Per 10 Kg)		Change
		28-Feb-14	31-Jan-14	
Refined Soybean Oil	Kota(Loose)	685	650	35
	Rajkot (Loose)	670	630	40
	Jaipur (Loose)	NA	NA	-
	Hyderabad+ VAT	NA	NA	-
	Delhi (Loose)	725	685	40
	Kakinada	NA	NA	-
	Mumbai +VAT	680	650	30
	Indore	680	662	18
	Soy Degum Mumbai+VAT	645	610	35
	SoyDegum Kandla/Mundra+VAT	645	610	35
	Haldiya Port (Loose)	NA	NA	-
	Akola (Loose)	706	NA	-
	Amrawati (Loose)	706	NA	-
	Jalna	716	681	35
	Nagpur	716	NA	-
Palm Oil	Chennai.RBD.Palmolein.(Loose)	640	583	57
	Hyd. RBD Palmolein VAT	615	555	60
	Delhi RBD Palmolein (Loose)	670	610	60
	Kandla CPO (5%FFA)	578	524	54
	Kakinada.RBD.Palmolein(Loose)	626	568	58
	Mumbai RBD Pamolein+ VAT	630	580	50
	Kandla RBD Palmolein +VAT	625	568	57
Refined Sunflower Oil	Mumbai + VAT	705	675	30
	Kandla/Mundra	640	605	35
	Erode (Exp. Oil)+VAT	715	680	35
	Hyderabad Exp +VAT	701	646	55
	Chennai (Loose)	685	655	30
	Bellary (Exp. Oil)+VAT	641	611	30
	Latur (Exp. Oil)+VAT	661	621	40
	Chellakere (Exp. Oil)+VAT	650	591	59
Groundnut Oil	Rajkot (Loose)	740	720	20
	Chennai (Loose)	760	730	30
	Delhi (Loose)	730	725	5
	Hyderabad Exp +VAT	836	783	53
	Mumbai + VAT	760	770	-10
	Gondal+VAT	740	720	20
	Jamnagar +VAT	730	720	10
	Narsarropeth+VAT	800	690	110
	Prodattour+VAT	741	681	60

<b>Rapeseed Oil</b>	Mumbai (Exp. Oil) +VAT	690	680	10
	Alwar (Expeller Oil)(Loose)	686	671	15
	Kota (Expeller Oil) (Loose)	670	650	20
	Jaipur (Expeller Oil) (Loose)	702	670	32
	Delhi (Exp. Oil) (Loose)	710	695	15
	SriGangaNagar(ExpOil-Loose)	680	677	3
	Hapur+VAT	730	735	-5
	Kolkata	NA	NA	-
	Agra (Kacchi Ghani Oil) +VAT	755	725	30
<b>Refined Cottonseed Oil</b>	Mumbai +VAT	642	622	20
	Rajkot (Loose)	655	620	35
	Delhi (Loose)	645	610	35
	Hyderabad (Loose)	600	545	55
<b>Coconut Oil</b>	Kangayan (Crude)	1210	1130	80
	Cochin	1140	1105	35
	Trissur	1195	1155	40
<b>Sesame Oil</b>	Delhi	1020	1120	-100
	Mumbai	1100	1180	-80
<b>Kardi</b>	Mumbai	950	950	Unch
<b>Rice Bran Oil (40%)</b>	Delhi	495	NA	-
<b>Rice Bran Oil (4%)</b>	Punjab	500	500	Unch
<b>Malaysia Palmolein USD/MT</b>	FOB (January Shipment)	890	Closed	-
	CNF (January Shipment) India	915	830	85
<b>Indonesia CPO USD/MT</b>	FOB (February-March Shipment)	900	Closed	-
	CNF (January Shipment) India	930	835	95
<b>Argentina FOB (\$/MT)</b>		<b>27-Feb-14</b>	<b>27-Jan-14</b>	<b>Change</b>
Crude Soybean Oil Ship		891	813	78
Refined Soy Oil (Bulk) Ship		922	841	81
Sunflower Oil Ship		NA	NA	-
Cottonseed Oil Ship		871	793	78
Refined Linseed Oil (Bulk) Ship		NA	NA	-

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