



Veg. Oil Monthly Research Report

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Executive Summary

Domestic Veg. Oil Market Summary

Edible oil basket featured steady to slightly firm tone during the month under review. Coconut oil featured significant gains on m-o-m basis. While, groundnut, rapeseed and sunflower oil posted slight gains compared to the last month.

Coconut oil (Kangayan based) was the best performer among the edible oil pack due to lower copra arrivals in the Southern India and tight supplies in the cash market. Most of the edible oils witnessed slight gains on m-o-m basis average although the prices retreated towards the end of the month.

Coconut oil at Kangayan market quoted higher to Rs 1256 per 10 Kg, up 8.5 percent on m-o-m basis. On the currency front, Indian rupee against USD closed at 59.95, up 2.97 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 dry weather concern in South East Asian countries, renewed demand could witness at lower quotes due to upcoming Muslim festivals. However, strong Indian rupee against US dollar and soybean arrivals from South American countries may limit excessive gains.

International Veg. Oil Market Summary

CBOT soy oil (May) is expected to stay in the range of 39.60 cents/lb to 44.20 cents/lb. CPO at BMD (May) is likely to stay in the range of 2585-2775 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 soybean demand from China.

Malaysian palm oil products exports for March fell 3.4 percent to 1,200,338 tons from 1,242,066 tons shipped during last month - cargo surveyor Societe Generale de Surveillance.

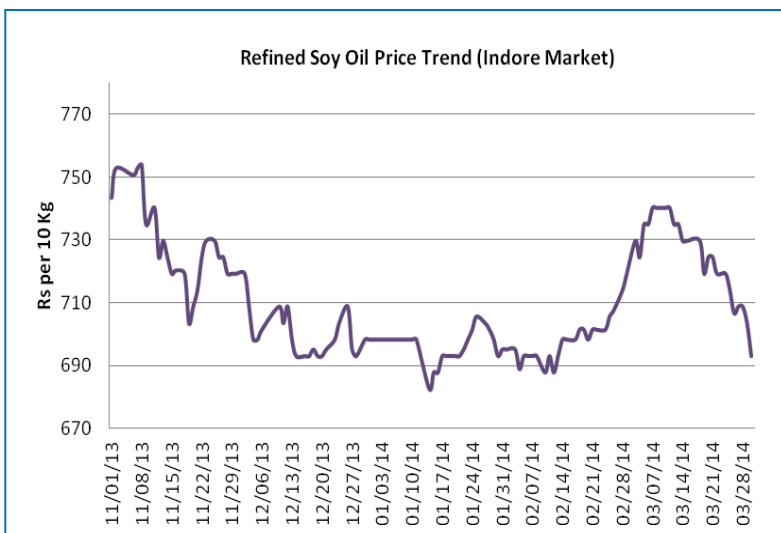
On the international front, tight soybean supplies in US and dry weather concern in South East Asian countries may favor the bulls in the coming days. However, soybeans supplies from South American countries are likely to pick up pace in the coming months and uncertain demand prospects may limit the excessive gains.

Lower palm oil production in South East Asian countries and dry weather continued to curb the palm oil yield. However, adequate stocks at Chinese port and weak demand from top buyers may limit the upside risk in the prices.

Soy oil:

Domestic Market Fundamentals

- Ref. soy oil prices featured steady to slightly firm movement during the month in review. However, prices shed after mid march due to strong India rupee against US dollar and rains over key growing belts of South American countries which eased dryness.
- Imported soy oil offered at discount at around USD 45-50 per MT (March) v/s USD 10-15 per MT (Feb.). Crude soy oil imports are likely to rise in the coming months due to cheaper bean oil from Argentina and lower domestic soy crushing. 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. India imported 3.39 lakh tons during Nov-Feb, 2014, up 68.6 percent from last year same period. While, Indian buyers imported 10.9 lakh tons of crude soy degummed oil in 2012/13 oil year – SEA of India.
- Renewed demand could witness at lower quotes, lower soybean arrivals in the domestic market and tight US soybean supplies situation likely to support the soy oil. However, South American soybean supplies pick up pace as harvest accelerates, and strong Indian rupee against US dollar made oil imports cheaper which may curb the excessive gains.
- Currently CIF crude soybean oil (Argentina origin) is offering at US dollar 958-980 per MT. While, last year at the same period was quoted at US\$ 1080-1090 per MT. We expect crude soybean oil imports for the 2013/14 oil year seen at 1.25-1.35 million tons due to lower production of soybean in India and parity from the South American countries.
- We expect soy oil may trade with a range bound to firm tone in the days ahead.



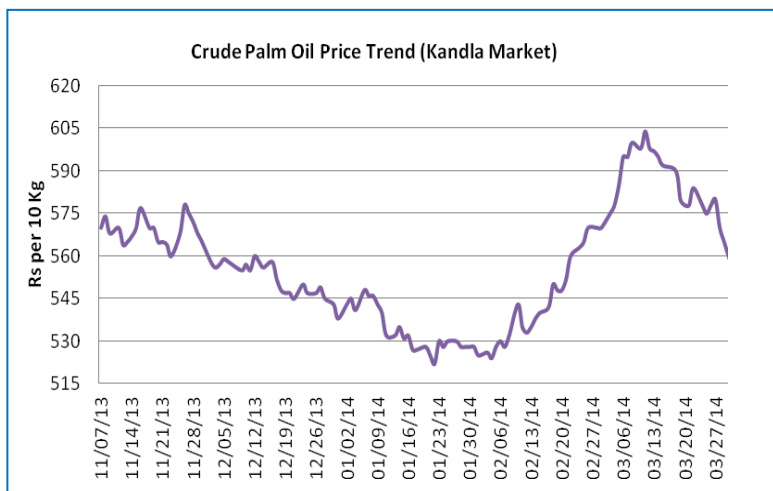
International Market Fundamentals

- USDA reported 992 million bushels of soybean in hand as on March 1, 2014. While, at the same period of the last year the stocks were 998 million bushels. Of the total stocks, 381 million bushels were stored on farms, down 16.4% from 2013. Off-farm stocks were at 610 million bushels, up 13% from a last year.
- Brazil exports 6.23 million tons of soybeans in March 2014, up 75.9 percent compared to same period of the last year. While, on the harvesting side, Brazilian farmers had harvested around 70 percent of the total soybean acreage estimates – Trade Ministry.
- South America's top five producing countries soybean production forecast at 151.45 million tons in the 2013-14 season, 0.85 million tons higher from the February estimate. Moreover, Brazil and Argentina soybean production estimate for 2013/14 at 84.5 million and 53.5 million tons respectively.
- China imported 2.36 million tons of soybeans from Brazil in the first quarter of the year. The imports moved up by 254% compared to the same period last year.
- Brazilian crushing association Abiove cut its forecast for the current soybean crop to a still-record 86.1 million tonnes from 88.6 million tonnes in February. Moreover, Abiove also lowered soybean exports from 44 million tonnes rather than 44.5 million tonnes would be available for export.
- On the international front, tight soybean supplies in US and dry weather concern in South East Asian countries may favor the bulls in the coming days. However, soybeans supplies from South American countries are likely to pick up pace in the coming months and uncertain demand prospects may limit the excessive gains.

Price Outlook: We expect Ref. soy oil with VAT to trade in the price band of Rs 700-728 per 10 Kg.

Palm oil:
Domestic Market Fundamentals

- CPO Kandla 5% prices featured steady to slightly firm movement during the month in review. While, prices retreats from higher levels due to correction in the international palm oil market and strong Indian rupee against US dollar.
- As per IBIS data (compiled by Agriwatch), India imported 5.1 lakh tons of crude palm oil and 4.8 lakh tons of RBD palmolein during 17–30 March, 2014. While, Indian buyers imported 18.4 lakh tons of crude palm oil in the 2013-14 oil years (Nov-Oct) till Feb., which was 7.2 lakh tons lower against corresponding period of last year.



Meanwhile, RBD palmolein imports were higher during 2013/14 oil years (Nov-Oct) till Feb.; at 7.05 lakh tons up 45.9 percent compared to the last year same period.

- India's edible oils likely to rise by 4 percent in 2013/14 to 10.8 million tons in expectation of higher imports of sunflower and soybean. While, palm oil imports seen lower at 7.4 million tons from the last oil year (2012/13) - Ruchi Soya. While, we projected edible oils imports at 10.9 million tons in the 2013/14 oil year (Nov-Oct), 5.1 percent higher from the last year and the palm oil imports would be lowered compared to the last year as the soft oil premiums over CPO lower to US dollar 45 per tons. While, last year the soft oils premium over CPO was around US 350-400 per tons.
- We expect that the domestic crude palm oil prices likely to feature steady to firm tone in the coming days due to lower palm oil production in South East Asian countries. However, strong Indian rupee against US dollar may curb the bulls.

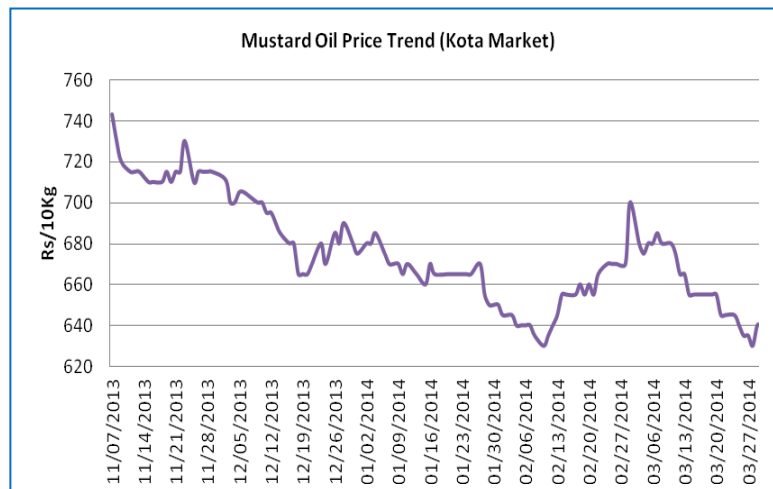
International Market Fundamentals

- CPO at BMD witnessed lower on m-o-m basis due to weak demand for palm oil and beneficial rains over South East Asian countries. Crude palm oil at BMD May contract ended at RM 2,655 per tons (as at 31 March 2014), down by 145 points from last month. Malaysian palm oil products exports for March fell 3.4 percent to 1,200,338 tons from 1,242,066 tons shipped during last month - cargo surveyor Societe Generale de Surveillance.
- As per Moody's Investors Service, crude palm oil prices seen average between US\$700 and US\$800 per tons this year. Moreover, prices would remain above US\$700 per tons in the next 2-3 years due to elastic food-based usage and rising biodiesel consumption.
- Indonesia increased its export tax for crude palm oil to 13.5 percent in April from 10.5 percent in March - Indonesian Trade Ministry. While, Malaysia also raised its crude palm oil export tax for April to 5.5 percent.
- Malaysian palm oil stocks for February eased to 1.65 million tons, down 14.3 percent from the last month which is lower than the 5-year average of Malaysian palm oil inventories. Beneficial rains over key South East Asian countries reported during the last couple of weeks which eased the dryness to some extent.
- Lower palm oil production in South East Asian countries and dry weather continued to curb the palm oil yield. However, adequate stocks at Chinese port and weak demand from top buyers may limit the upside risk in the prices.

Price Outlook: We expect CPO Kandla 5% to trade in the price band of Rs 540-575 per 10 Kg.

Rapeseed oil: Domestic Market Fundamentals

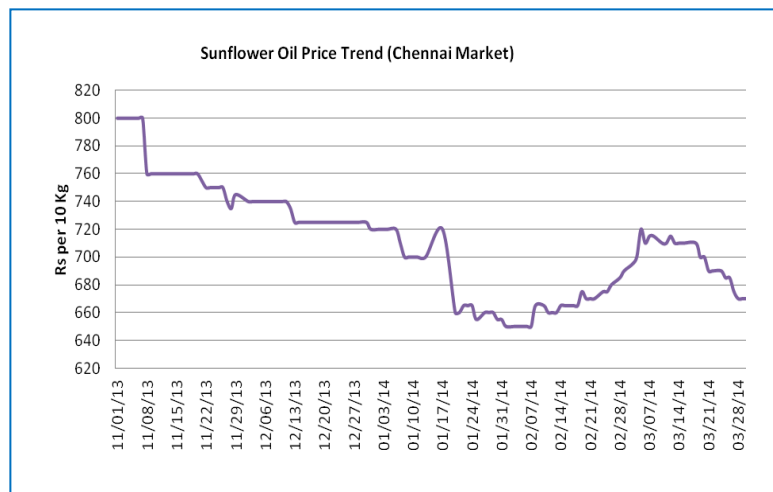
- Rapeseed oil featured sideways movement during the month of March due to rising mustard seed supplies and weak cues from the international palm oil market.
- As per trade sources, good demand for mustard seed from millers and renewed demand could witness at lower. Around 60-65 percent of the mustard seed, harvesting of total estimated acreage had completed.
- On the supply side, market participants are expecting 0.15-0.28 million tons of crop loss in mustard due to unseasonal rains. Mustard seed production seen at 75.6 lakh tons, up 3.6 lakh tons from the previous oil year - Agriwatch estimates
- We expect RM seed oil prices may trade range bound in the coming days. Rapeseed production in the European Union is seen at 21.1 million tons, down 0.3 million tons compared to the last season – Coceral.



Price Outlook: We expect Rapeseed oil (Kota) to trade in the price band of Rs 620-665 per 10 Kg.

Sunflower oil: Domestic Market Fundamentals

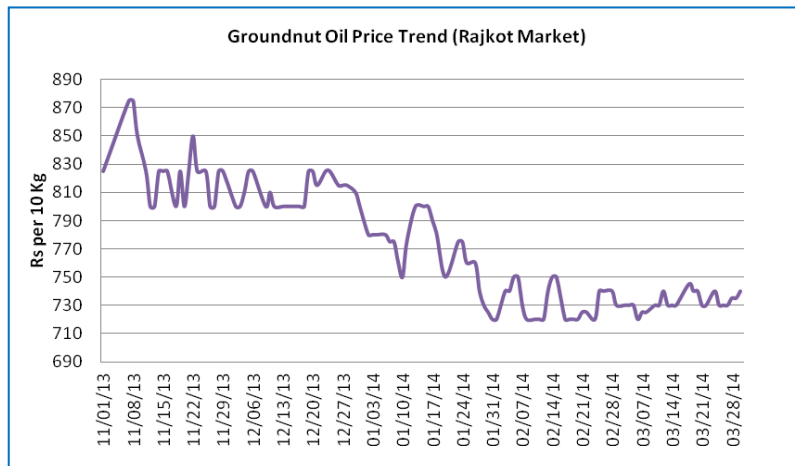
- Sunflower oil featured steady tone during the month of March due to higher sunflower oil imports and correction in the oil complex.
- Crude sunflower oil CIF at Kandla is being offered at \$930-945 per tons. While, at the same period of the last year the CIF sun oil Kandla prices were \$1185-1200 pre tons. Moreover, spread between the CIF sun oil and the palm oil is hovering at \$25-30/T. we expect sun oil imports seen in between 1.35-1.40 Mln.T in the current oil year, higher compared to the last year.
- IBIS data (compiled by Agriwatch) revealed that India imported around 0.49 lakh tons of crude sunflower oil during 17-30 March, 2014 majorly from Ukraine. While, SEA of India reports that crude sunflower oil imports by India during Nov-Feb of 2013-14-oil year (Nov-Oct) were 4.20 lakh tons. However, imports were higher on y-o-y basis by 0.89 lakh tons. We expect sunflower oil prices may trade range bound in the coming days.



Price Outlook: We expect sunflower oil (Chennai) to trade in the price band of Rs 645-710 per 10 Kg.

Groundnut oil: Domestic Market Fundamentals

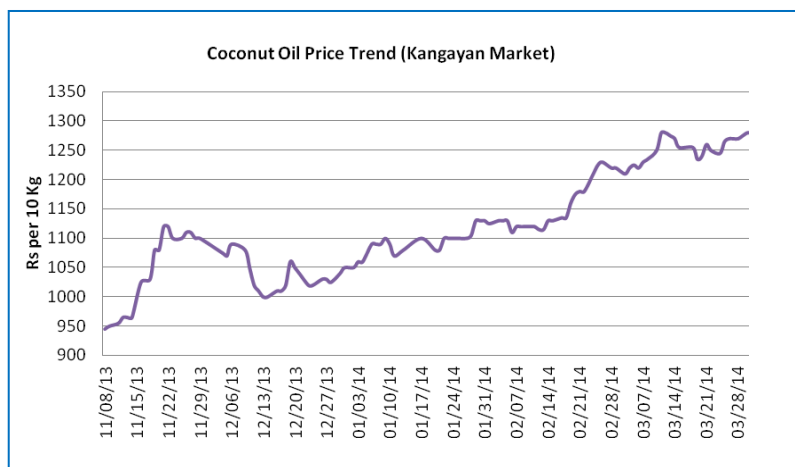
- Groundnut oil featured steady tone during the month of March owing to higher groundnut seed production in Gujarat and adequate supplies for crushing.
- As per sources, adequate raw material stocks for crushing and higher supplies of cottonseed oil from major producing regions likely to support the bears in the coming days. On the demand side, retail demand may trigger at lower quotes which could curb the excessive losses in the medium term. New summer groundnut seed crop arrivals are likely to commence from May onwards.
- Groundnut oil production for 2013-14 marketing year is projected at six lakh tons which is significantly higher than last year production estimate of 3.28 lakh tons. Groundnut oil prices are hovering in the range of Rs 715-750 per 10 Kg during the last two months and prices are likely to stay range bound in the coming days owing to lower export demand for groundnut seed.
- 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 715-765 per 10 Kg.

Coconut oil: Domestic Market Fundamentals

- Coconut oil featured firm tone at its benchmark market Kangayan during the month in review owing to tight copra supplies in the cash market and lower availability of raw material for crushing. However, need based buying witnessed at higher quotes as new crop from Kerala and Tamil Nadu is likely to commence from April. Coconut oil at Kangayan market quoted higher to Rs 1256 per 10 kg, up 8.55 percent on m-o-m average basis.
- Lower copra arrivals from the major producing regions, dry weather in Southern India, coconut crop damage in Philippines likely to support the market sentiments for short term. However, coconut oil prices may fall due to commencement of copra production season in Kerala and copra arrivals likely to pick up in the medium term.



Price Outlook: We expect coconut oil (Erode) to trade in the price band of 1225-1310 per 10 Kg.

Indian Supply and Demand Scenario:

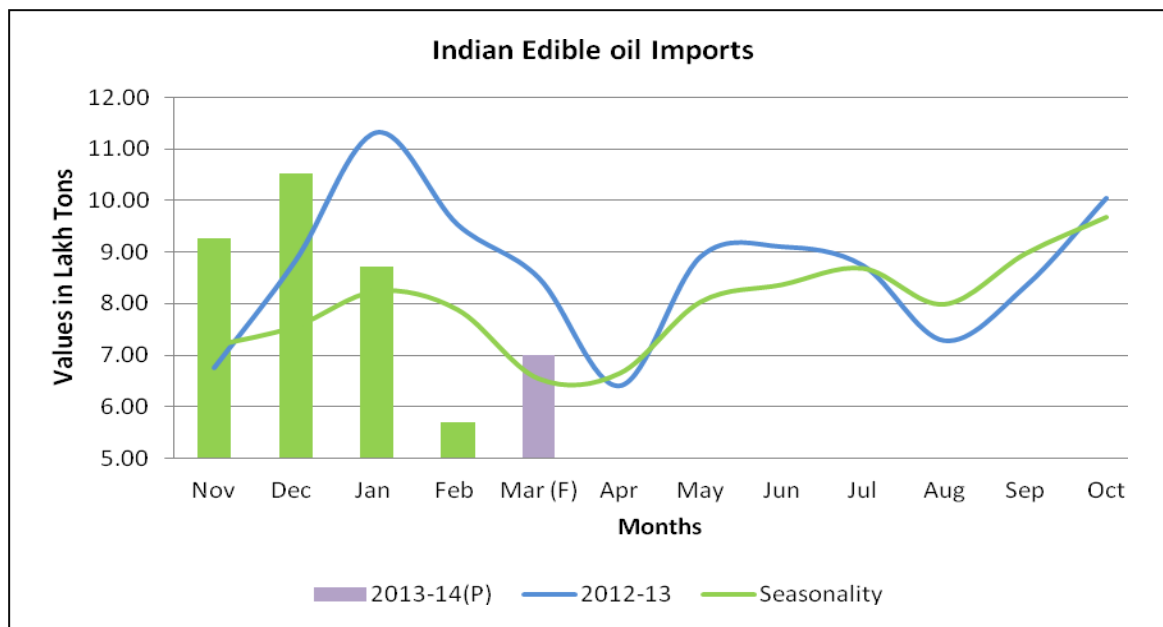
Balance sheet of Indian Edible Oil	2011-12	2012-13	2013-2014	% Change
Value in million tons				
Beginning Stock	0.53	0.76	0.92	21.34
Production*	7.70	7.78	8.00	2.81
Imports**	9.98	10.38	10.90	5.01
Total Supply	18.21	18.92	19.82	4.76
Exports***	0.023	0.012	0.01	-16.67
Total Demand(Consumption)	17.45	18.00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

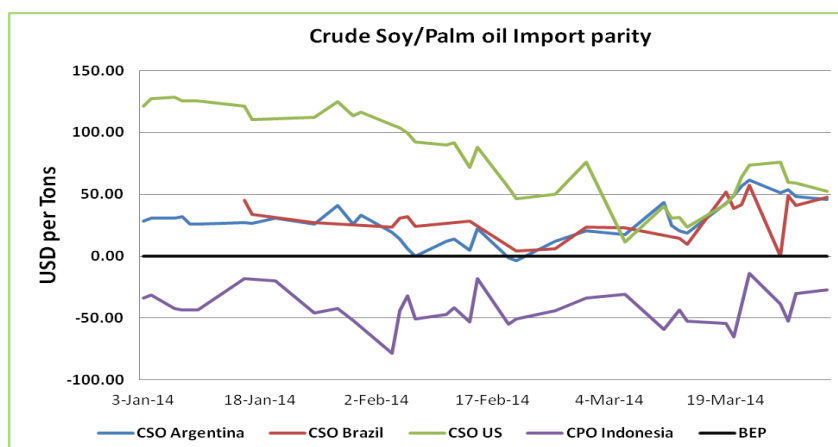
Net edible oil output would likely be 8.0 million tons in 2013-14 on the back of higher ground seed and mustard seed production in the current oil year. An increment of 82.93 percent in groundnut oil and 2.86 percent of gains in the production of mustard oil in the current oil year. However, lower soybean 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 March 2014 projection –:


As per Solvent Extractors' Association of India, India imported 3.42 million tons of edible oils in the 2013/14 oil year till February. However, edible oils imports were 3.64 million tons in the corresponding period last year. We expect Indian edible oils imports for the month of March is likely to 6.7-7.0 lakh tons.

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

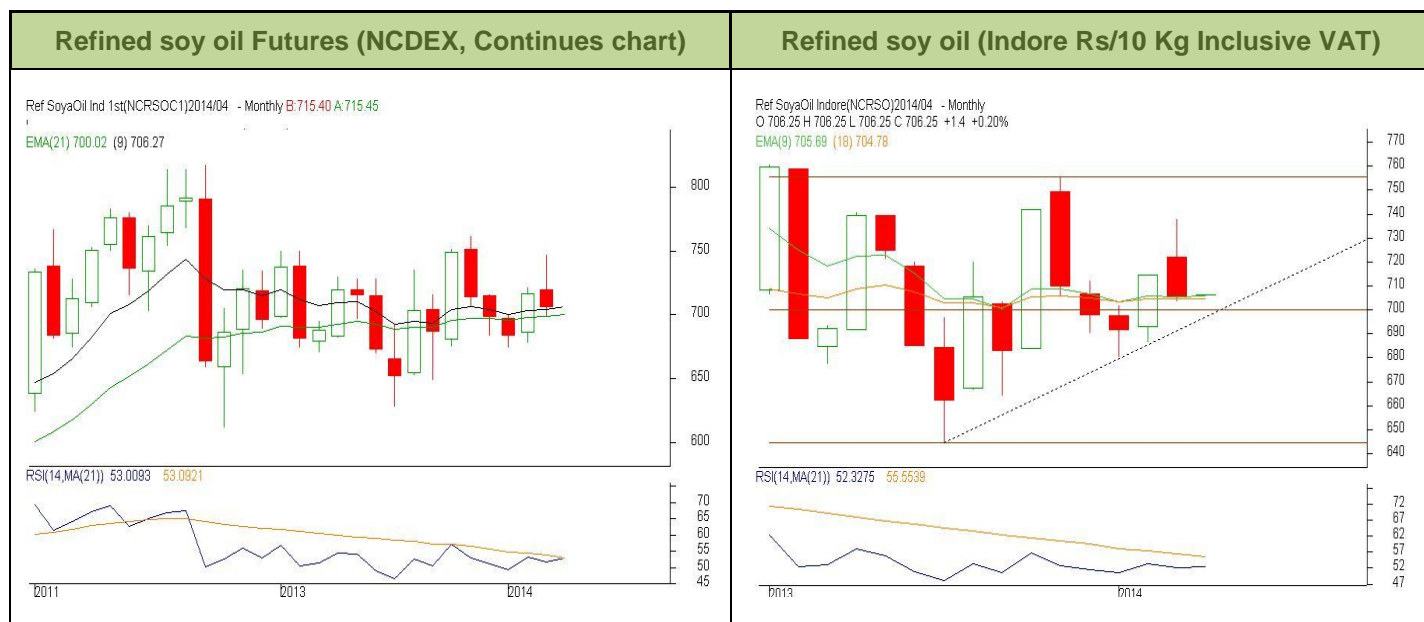
Landed Cost Calculation as on 01/04/2014	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia
FOB USD per ton	872	880	880	905
Freight (USD/MT)	80	70	65	35
C & F	952.0	950.0	945.0	940.0
Weight loss (0.25% of FOB)	2.18	2.20	2.20	2.26
Finance charges (0.4% on CNF)	3.81	3.80	3.78	3.76
Insurance (0.3% of C&F)	3	3	3	3
CIF (Indian Port - Kandla)	961	959	954	949
Duty USD per ton	23.58	23.58	23.58	25.08
Cess (2% on duty) USD per ton	0.471624	0.471624	0.471624	0.501552
Exchange rate	59.97	59.97	59.97	59.97
Landed cost without customs duty in INR per ton	57622	57502	57200	56902
Customs duty %	2.58%	2.58%	2.58%	2.58%
Base import price	914	914	914	972
Fixed exchange rate by customs department	62.00	62.00	62.00	62.00
Duty component in INR per ton	1462.03	1462.03	1462.03	1554.81
Clearing charges INR per ton	483	483	483	483
Brokerage INR per ton	190	190	190	190
Total landed cost INR per ton	59757	59637	59335	59130
Domestic Market price INR/ton Soy Degum Kandla/CPO Kandla 5%	62500	62500	62500	57500
Total landed cost USD per ton	996	994	989	986
Domestic Market price USD/tons Soy Degum Kandla/CPO Kandla 5%	1042	1042	1042	959
Parity INR/MT (Domestic - Landed)	2743	2863	3165	-1630
Parity USD/MT (Domestic - Landed)	45.74	47.74	52.77	-27.18
Source: Agriwatch				
Refining/ Processing Cost per MT	2600.00	2600.00	2600.00	3200.00
Freight to Inland location (Indore for soy and Delhi for Palm oil)	2500.00	2500.00	2500.00	2800.00
Cost of Imported oil after refining/Processing	64856.85	64737.27	64435.32	65129.90
Soy/Palm oil imported Price (Including tax)	68099.69	67974.13	67657.09	68386.39
Loose price of Soy/Palm in Indore and Delhi market	70875.00	70875.00	70875.00	69825.00
Parity after processing and Taxes (Rs per MT)	2775.31	2900.87	3217.91	1438.61
Parity after processing and Taxes (USD per MT)	46.28	48.37	53.66	23.99
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 (May contract) on dips.

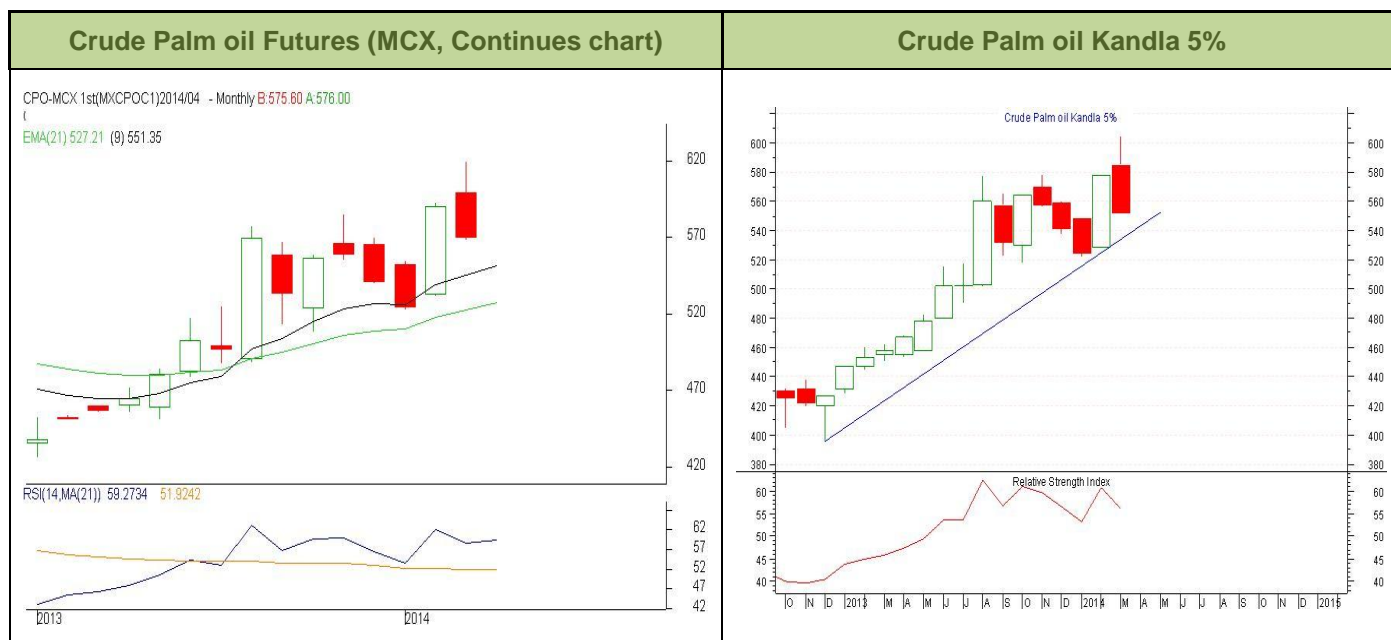
- ❖ Monthly chart of refined soy oil at NCDEX featured weakness. We expect range bound movement in the coming days.
- ❖ Any close below 683 in monthly chart shall change the sentiments and might take the prices to a bearish phase.
- ❖ Expected price band for next month is 695-720 level in near to medium 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 695 for a target of 715 and 720 with a stop loss at 680 on closing basis.

RSO NCDEX

Support and Resistance				
S2	S1	PCP	R1	R2
672.00	682.00	704.30	725.00	732.00

Spot Market outlook: Refined soy oil Indore is likely to stay in the range of 700-728 per 10 Kg.

Technical Analysis (Crude Palm oil Monthly Charts)


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

- ❖ Candlestick Monthly chart of crude palm oil at MCX depicts significant losses. 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 545-570 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 in between 545-548 for a target of 565 and 570 with a stop loss at 539.50 on closing basis.

CPO MCX

Support and Resistance				
S2	S1	PCP	R1	R2
527.00	535.00	560.00	585.00	595.00

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 540-575 per 10 Kg.

Monthly spot prices comparison

Commodity	Centre	Prices(Per 10 Kg)		Change
		31-Mar-14	28-Feb-14	
Refined Soybean Oil	Kota(Loose)	665	685	-20
	Rajkot (Loose)	645	670	-25
	Jaipur (Loose)	670	NA	-
	Hyderabad+ VAT	NA	NA	-
	New Delhi (Loose)	695	725	-30
	Kakinada	NA	NA	-
	Mumbai +VAT	655	680	-25
	Indore	660	680	-20
	Soy Degum Mumbai+VAT	625	645	-20
	SoyDegum Kandla/Mundra+VAT	630	645	-15
	Haldiya Port (Loose)	NA	NA	-
	Akola (Loose)	691	706	-15
	Amrawati (Loose)	691	706	-15
	Jalna	701	716	-15
	Nagpur	696	716	-20
Palm Oil	Chennai.RBD.Palmolein.(Loose)	620	640	-20
	Hyd. RBD Palmolein VAT	Closed	615	-
	New Delhi RBD Palmolein (Loose)	655	670	-15
	Kandla CPO (5%FFA)	570	578	-8
	Kakinada.RBD.Palmolein(Loose)	610	626	-16
	Mumbai RBD Pamolein+ VAT	622	630	-8
	Kandla RBD Palmolein +VAT	610	625	-15
Sunflower Oil	Mumbai + VAT	700	705	-5
	Kandla/Mundra	610	640	-30
	Erode (Exp. Oil)+VAT	705	715	-10
	Hyderabad Exp +VAT	Closed	701	-
	Chennai (Loose)	670	685	-15
	Bellary (Exp. Oil)+VAT	Closed	641	-
	Latur (Exp. Oil)+VAT	646	661	-15
	Chellakere (Exp. Oil)+VAT	630	650	-20
Groundnut Oil	Rajkot (Loose)	740	740	Unch
	Chennai (Loose)	730	760	-30
	New Delhi (Loose)	740	730	10
	Hyderabad Exp +VAT	Closed	836	-
	Mumbai + VAT	770	760	10
	Gondal+VAT	740	740	Unch



	Jamnagar +VAT	735	730	5
	Narsarropeth+VAT	800	800	Unch
	Prodattour+VAT	Closed	741	-
Rapeseed Oil	Mumbai (Exp. Oil) +VAT	673	690	-17
	Alwar (Expeller Oil)(Loose)	656	686	-30
	Kota (Expeller Oil) (Loose)	640	670	-30
	Jaipur (Expeller Oil) (Loose)	663	702	-39
	New Delhi (Exp. Oil) (Loose)	680	710	-30
	Sri-GangaNagar(ExpOil-Loose)	661	680	-19
	Hapur +VAT	710	710	Unch
	Kolkata	NA	NA	-
	Agra (Kacchi Ghani Oil) + VAT	720	755	-35
Refined Cottonseed Oil	Mumbai +VAT	660	642	18
	Rajkot (Loose)	640	655	-15
	New Delhi (Loose)	630	645	-15
	Hyderabad (Loose)	Closed	600	-
Coconut Oil	Kangayan (Crude)	1280	1210	70
	Cochin	1280	1140	140
	Trissur	1280	1195	85
Sesame Oil	New Delhi	900	1020	-120
	Mumbai	1010	1100	-90
Kardi	Mumbai	950	950	Unch
Rice Bran Oil (40%)	New Delhi	Closed	495	-
Rice Bran Oil (4%)	Punjab	525	500	25
Malaysia Palmolein USD/MT	FOB (April Shipment)	848	890	-42
	CNF (April Shipment) India	908	915	-7
Indonesia CPO USD/MT	FOB (April Shipment)	865	900	-35
	CNF (April Shipment) India	918	930	-12
Argentina FOB (\$/MT)		28-Mar-14	28-Feb-14	Change
Crude Soybean Oil Ship		NA	904	-
Refined Soy Oil (Bulk) Ship		NA	935	-
Sunflower Oil Ship		NA	NA	-
Cottonseed Oil Ship		828	884	-56
Refined Linseed Oil (Bulk) Ship		NA	NA	-



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