



Veg. Oil Monthly Research Report

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Executive Summary

Domestic Veg. Oil Market Summary

Edible oil basket featured mixed tone during the month under review. Coconut and soybean featured gains on m-o-m basis. While, groundnut, rapeseed, palm and sunflower oil posted slight losses compared to the last month.

Coconut oil (Kangayan based) was the best performer among the edible oil pack owing to lower copra arrivals from the major producing regions and tight supplies in the cash market. While, refined sunflower oil at Chennai market was the worst performer among the edible oils on m-o-m basis average due to higher imports and consolidation in the international sun oil market.

Coconut oil at Kangayan market quoted higher to Rs 1466 per 10 Kg, up 16.62 percent on m-o-m basis. On the currency front, Indian rupee against USD closed at 60.35, down 0.61 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 optimism ahead of Muslim festivities in June, lower soybean crushing in the domestic market, and fear of El Nino may hurt the oilseed production in 2014-15 which may give underlying support to the edible oils prices. However, 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 42.00 cents/lb to 45.00 cents/lb. CPO at BMD (June) is likely to stay in the range of 2600-2750 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 edible oil demand from India and China.

Malaysian palm oil products export for Apr. 1-25 rose 3.4 percent to 965,446 tons from 933,593 tons shipped during Mar. 1-25, cargo surveyor Societe Generale de Surveillance.

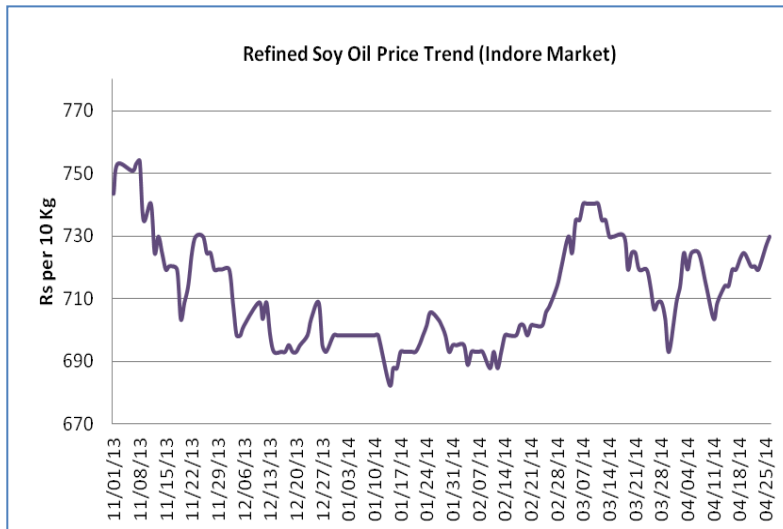
On the international front, tight soybean supplies in US may favor the bulls for the short term. However, soybeans supplies from South American countries are picking pace and cancellation of soybean cargos by Chinese buyers may limit the excessive gains.

Widening of the spread between palm oil and soft oil may favor demand at lower quotes and optimism that festive-driven demand will underpin prices in the coming weeks. However, uncertain demand prospects from China and ending of lower palm oil yield phase may limit the excessive upside risk in the prices.

Soy oil:

Domestic Market Fundamentals

- Refined soy oil prices featured steady to slightly firm movement during the month in review due to correction India rupee against US dollar and gains in the international oil & fats market.
- Crude soybean oil imports by India is likely to cross 1.5 million tons due to lower domestic oilseeds crushing and lower spread between palm and soybean oil prices. While, SEA of India reported that Indian buyer imported around 5.28 lakh tons of crude soybean oil majorly from Argentina and Brazil during Nov-March 2014, up 112.9 percent from the same period of last year.
- Soybean crushing units are operating at 25-30 percent due to lower availability of soybean and crusher had crushed 5 million tons of soybeans during current soybean marketing year till March (Oct-Sept) lower by 1 million tons compared to the same period of last year - SOPA.
- Lower soybean arrivals in the domestic cash market and optimism that lower rains in the current Kharif season could hinder the domestic oilseeds production in 2014/15 may support the soybean oil prices in the coming days. Current stock of edible oils as on 1st April, 2014 at various ports is estimated at 490,000 tons (CPO 270,000 tons, RBD palmolein 90,000 tons, soybean oil degummed 50,000 tons and crude sunflower oil 80,000 tons) and about 710,000 tons in pipelines – SEA of India
- Buyers are likely to import higher soybean oil in the coming days due to import parity and lower domestic crushing. Imported soy oil offered at discount at around USD 38-42 per MT (1-25 April) after refining & processing.
- We expect soy oil may trade with a range bound to firm tone in the days ahead.



International Market Fundamentals

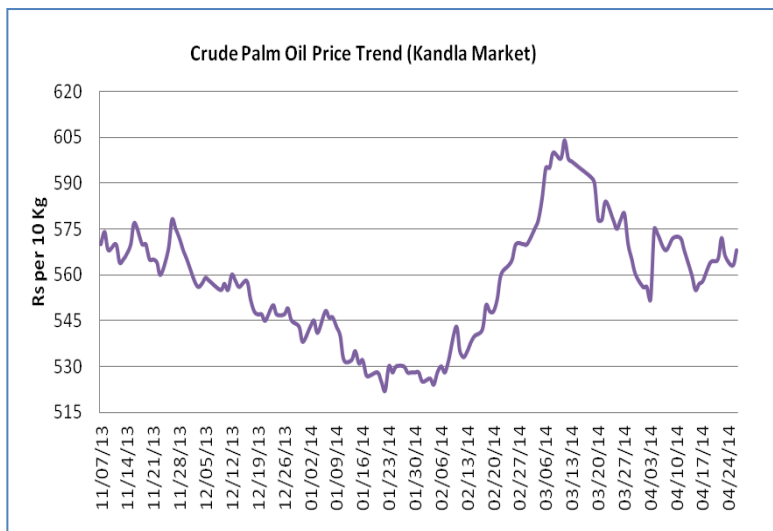
- Buenos Aires Grain Exchange reported that 21% of the soybean was harvested as of April 16, 2014. This is ahead of last year's pace of 18%. On the other hand, Brazilian farmers have harvested around 90 percent of the total soybean acreage estimated of 2013/14.
- As per Chinese customs department, China imported 15.3 Mln. t of soybean, during January to March 2014, up 34 percent compared to same period of the last year. Soybean imports from the USA were 13.7 Mln t, from Brazil to 1.0 Mln. t and rest others. Soybean oil imports increased to 274,000, up 44 percent, including 98,000 tons from Argentina and 105,000 tons from Brazil.
- On the soybean production front, CONAB revised its forecast for Brazil's 2014 soybean production to 86.1 Mln t from the previous figure of 85.4 Mln t. Last year soybean production was 81.5 Mln t. Oil World Brazil may export around 5.5 million tons of soybeans in April, lower compared to the last month, which was 6.23 million tons. Last year at the same period the soybean exports from Brail was 7.15 million tons.
- On the international front, tight soybean supplies in US may favor the bulls in the short term. However, soybeans supplies from South American countries are picking pace and cancellation of soybean cargos by Chinese buyers may limit the excessive gains.

Price Outlook: We expect Ref. soy oil with VAT to trade in the price band of Rs 720-755 per 10 Kg.

Palm oil:

Domestic Market Fundamentals

- CPO Kandla 5% prices featured steady to slightly firm movement during the month in review due to gains in the international palm oil market and weak Indian rupee against US dollar.
- As per Solvent Extractors' Association of India, India palm oil imports including crude and refined fell 23 percent to 5.37 lakh tons from the same period of the last year. During Nov-Mar 2013/14, Import of refined palm oil reported at 817,615 tons compared to 620,698 tons during the same period of the last year. While, crude palm oil imports is down by 27.2% and reported at 2,273,444 tons compared to the same period of last year.
- Fears of El Nino may curb the domestic as well as international edible oils output and Muslim festivities in June may support the palm oil prices in the coming days. Moreover, lower soybean crushing in the domestic market may add fuel to the bullish sentiments. While, new soybean supplies from South American countries and South East Asian countries entering into higher palm oil production phase may curb the excessive gains.
- Imported palm oil offered at discount around USD 25-30 per MT (1-25 April) after refining & processing. Higher shipments of palm oil could notice in the month of April.
- We expect that the domestic crude palm oil prices likely to feature steady to firm tone in the coming days.



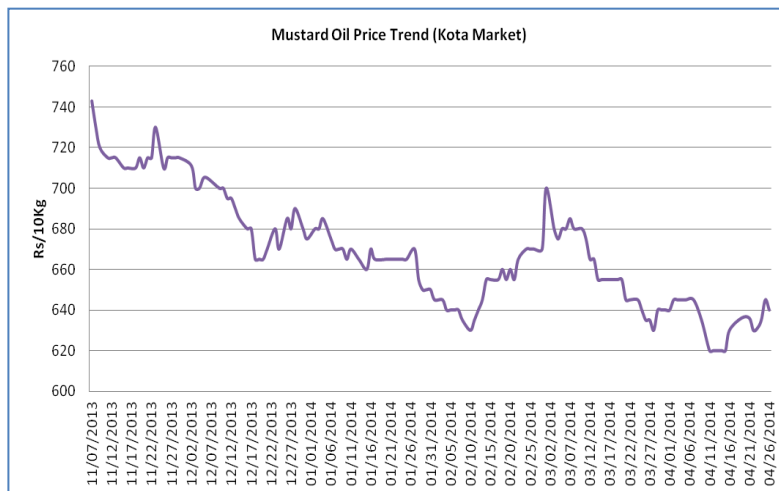
International Market Fundamentals

- Crude palm oil at BMD May contract ended higher on optimism that good buying might witness from top buyers ahead of Muslim festivities in June. Crude palm oil at BMD May contract ended at RM 2720 per tons (as at 28 April 2014), up by 65 points from last month.
- Malaysian palm oil products export for Apr. 1-25 rose 3.4 percent to 965,446 tons from 933,593 tons shipped during Mar. 1-25, cargo surveyor Societe Generale de Surveillance. Indonesia lowered its export tax for crude palm oil to 12 percent for May from 13.5 percent in April - Indonesian Trade Ministry. While, Malaysia has kept its crude palm oil export tax for May at 5.5 percent, the same as a month ago.
- As per Oil World, global palm oil imports during April-to-June 2014 seen at 10.5 million tons down 0.9 million tons from previous quarter (Jan.-March) in expectation of good buying from major importers ahead of Muslim festivities in late June.
- As per Chinese customs department, China imported 1.6 million tons during Jan-Mar, 2014 up 0.1 million tons from the same period of the last year. Palm oil imports from Indonesia were 759,000 T and from Malaysia to 816,000 T.
- Malaysian palm oil inventories for March estimated at 1,687,709 tons against a revised 1,656,908 tons last month. Inventories surged by rose 2 percent compared to last month. However, Malaysian palm oil inventories hovering at 22.2 percent lower on y-o-y basis - Malaysian Palm Oil Board.
- Widening of the spread between palm oil and soft oil may favor demand at lower quotes and optimism that festive-driven demand will underpin prices in the coming weeks. However, uncertain demand prospects from China and ending of lower palm oil yield phase may limit the excessive upside risk in the prices.

Price Outlook: We expect CPO Kandla 5% to trade in the price band of Rs 558-585 per 10 Kg.

Rapeseed oil: Domestic Market Fundamentals

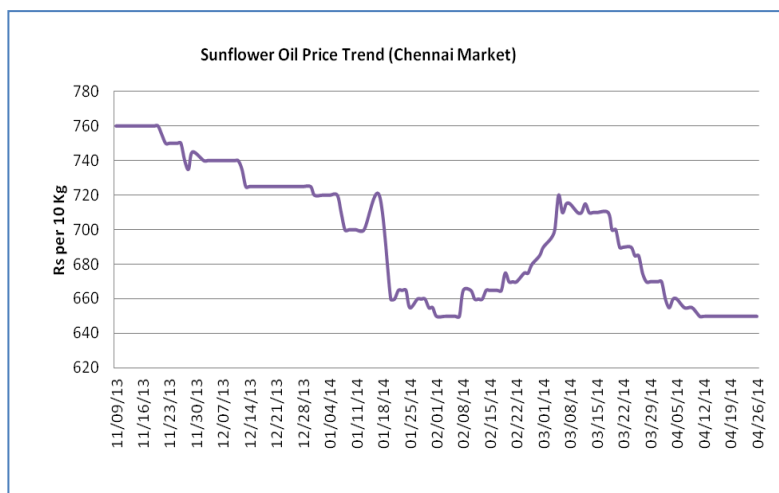
- Rapeseed oil featured sideways to slightly weak tone during the month of April due to rising mustard seed supplies.
- Lower oilseed crushing, good demand for edible oils ahead of Muslim festivities in June and gains in the competing oils likely to underpin the mustard oil prices in the coming days. However, ongoing RM arrivals from major producing regions may cap the excessive upside risk in the prices.
- On the harvesting pace, Rapeseed harvesting is almost over in Rajasthan and arrivals are likely to ease from the mid May. On the supply side, market participants are expecting 0.15-0.28 million tons of crop loss in mustard due to unseasonal rains in late February. Mustard seed production seen at 75.6 lakh tons, up 3.6 lakh tons from the previous oil year - Agriwatch estimates.
- RM seed oil prices may trade range bound in the coming days.



Price Outlook: We expect Rapeseed oil (Kota) to trade in the price band of Rs 628-670 per 10 Kg.

Sunflower oil: Domestic Market Fundamentals

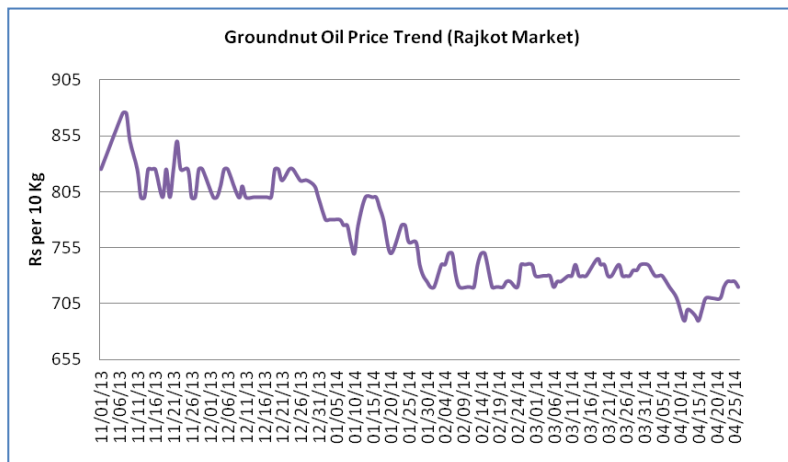
- Sunflower oil featured steady tone during the month of April due to higher sunflower oil imports and consolidation in the international sunflower oil market.
- Crude sunflower oil (Ukraine origin) CIF at Kandla is being offered at \$940-945 per tons during the week. While, Sunflower oil FOB quoted around USD 860-865 per tons. Good demand noticed for sunflower oil from Indian buyers during April owing to attractive prices against other soft oils and fear of El Nino. We expect higher sunflower oil imports likely to continue in the coming weeks.
- As per trade sources, India imported 3.11 lakh tons of crude sunflower oil during 21-28 April, 2014 majorly from Ukraine on an average rate of Rs 583 per 10 Kg. While, Sea of India, Indian buyers purchase 97,900 tons of crude sunflower oil majorly from Ukraine during March. While, India imported 5.18 lakh tons of crude sunflower oil in Nov.-March 2013/14, up 23 percent from same period of the last year – SEA of India.
- We expect sunflower oil prices may trade range bound to slightly firm tone in the coming days.



Price Outlook: We expect sunflower oil (Chennai) to trade in the price band of Rs 635-665 per 10 Kg.

Groundnut oil: Domestic Market Fundamentals

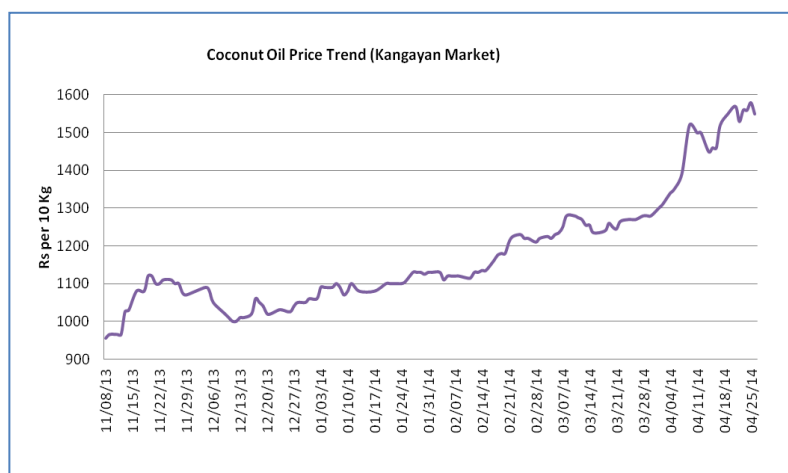
- Groundnut oil featured steady tone during the month of March owing to higher groundnut seed production in Gujarat and adequate supplies for crushing.
- Groundnut oil prices are likely to trade with a steady to slightly firm tone in the coming days owing to renewed demand for groundnut oil in the cash market. However, adequate groundnut supplies and record production in the current year may cap the excessive gains. Groundnut oil is offered at around at Rs 700-710 per 10 Kg at Rajkot market excluding tax.
- 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.
- 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 690-745 per 10 Kg.

Coconut oil: Domestic Market Fundamentals

- Coconut oil featured firm tone at its benchmark market Kangayan during the week owing to weak copra arrivals in the southern India, gains in the palm oil products and good demand for coconut oil.
- Coconut oil at Kangayan market quoted higher to Rs 1466 per 10 kg, up 16.62 percent on m-o-m average basis. As per Cochin Oil Merchants Association, around 50 per cent drop in certain coconut growing areas of Kerala noticed due to a drought-like situation. Moreover, good export demand of raw nuts has resulted in the shortage of copra.
- Lower copra stocks, weak copra arrivals from the major producing regions and better buying from the local traders likely to support the prices in the near term. Prices are likely to trade with a high volatility in the coming days due to tight supplies. However, commencement of copra production season in Kerala and copra arrivals likely to pick up, which may pressurize the prices in the medium term.



Price Outlook: We expect coconut oil (Erode) to trade in the price band of 1490-1610 per 10 Kg.

Indian Supply and Demand Scenario:

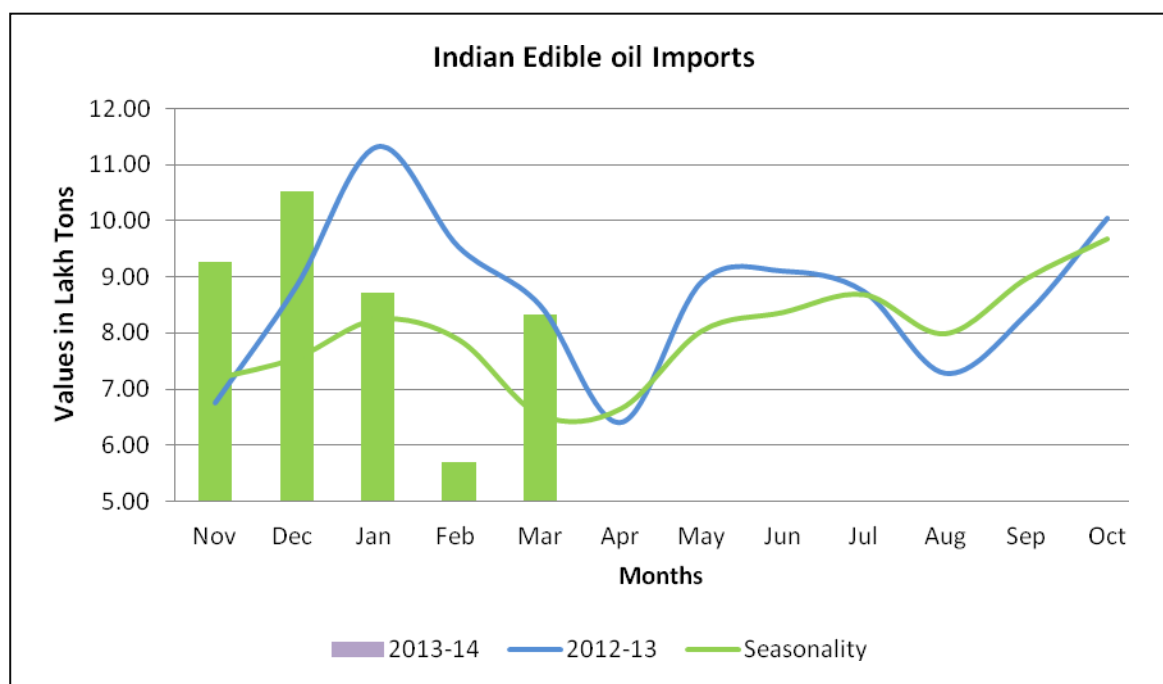
Balance sheet of Indian Edible Oil	2011-12	2012-13	2013-2014	% Change
Value in million tons				
Beginning Stock	0.53	0.76	0.92	21.34
Production*	7.70	7.78	8.00	2.81
Imports**	9.98	10.38	10.90	5.01
Total Supply	18.21	18.92	19.82	4.76
Exports***	0.023	0.012	0.01	-16.67
Total Demand(Consumption)	17.45	18.00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

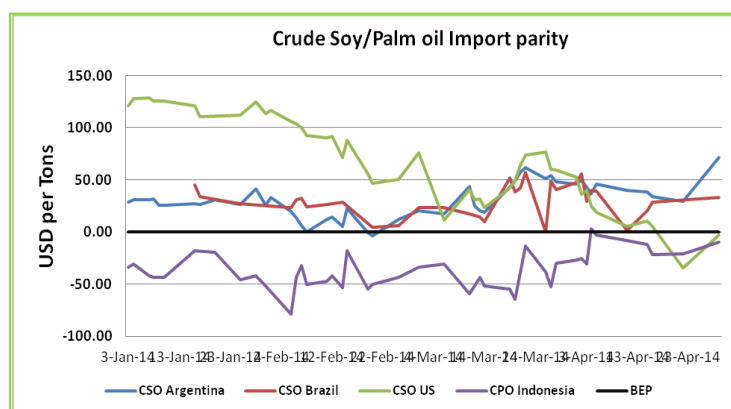
Net edible oil output would likely be 8.0 million tons in 2013-14 on the back of higher ground seed and mustard seed production in the current oil year. An increment of 82.93 percent in groundnut oil and 2.86 percent of gains in the production of mustard oil in the current oil year. However, lower soybean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


As per Solvent Extractors' Association of India, India imported 4.25 million tons of edible oils in the 2013/14 oil year till March. However, edible oils imports were 4.49 million tons in the corresponding period last year.

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

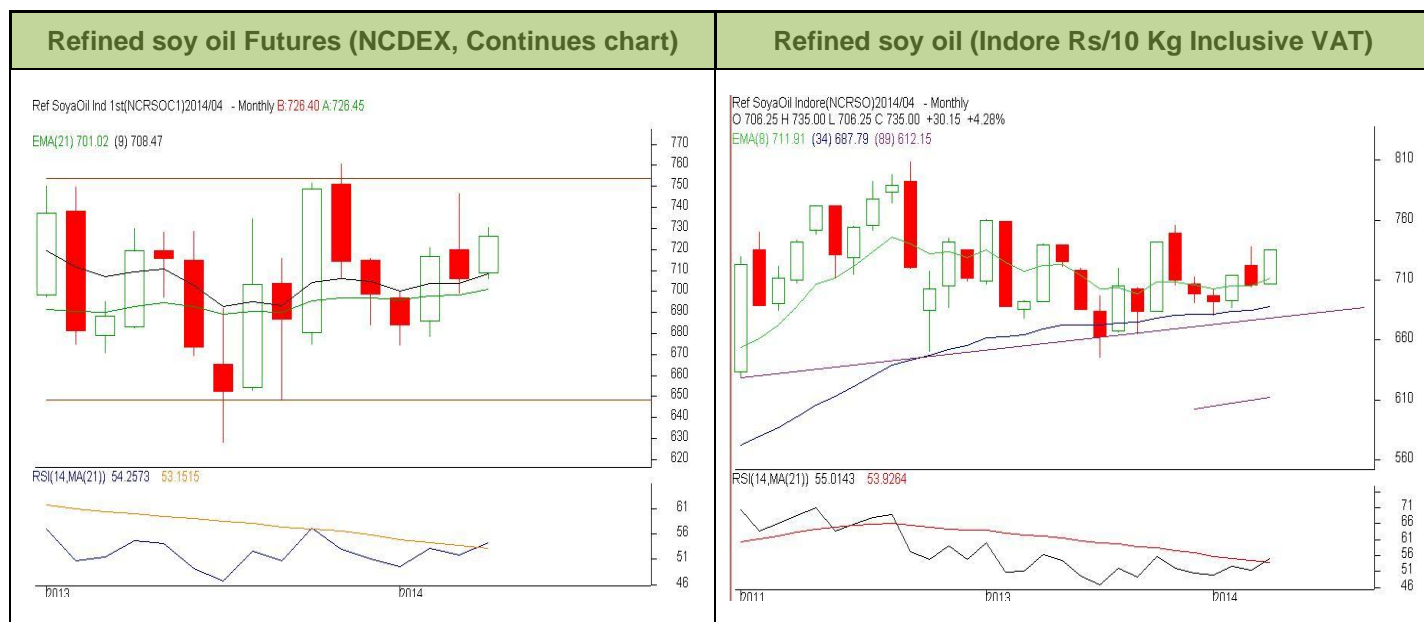
Landed Cost Calculation as on 29/04/2014	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia
FOB USD per ton	878	924	962	873
Freight (USD/MT)	80	72	70	35
C & F	958.0	996.0	1032.0	908.0
Weight loss (0.25% of FOB)	2.20	2.31	2.41	2.18
Finance charges (0.4% on CNF)	3.83	3.98	4.13	3.63
Insurance (0.3% of C&F)	3	3	3	3
CIF (Indian Port - Kandla)	967	1005	1042	917
Duty USD per ton	24.79	24.79	24.79	24.12
Cess (2% on duty) USD per ton	0.495876	0.495876	0.495876	0.48246
Exchange rate	60.48	60.48	60.48	60.48
Landed cost without customs duty in INR per ton	58478	60799	62998	55432
Customs duty %	2.58%	2.58%	2.58%	2.58%
Base import price	961	961	961	935
Fixed exchange rate by customs department	60.80	60.80	60.80	60.80
Duty component in INR per ton	1507.46	1507.46	1507.46	1466.68
Clearing charges INR per ton	483	483	483	483
Brokerage INR per ton	190	190	190	190
Total landed cost INR per ton	60659	62980	65178	57572
Domestic Market price INR/ton Soy Degum Kandla/CPO Kandla 5%	65000	65000	65000	57000
Total landed cost USD per ton	1003	1041	1078	952
Domestic Market price USD/tons Soy Degum Kandla/ CPO Kandla 5%	1075	1075	1075	942
Parity INR/MT (Domestic - Landed)	4341	2020	-178	-572
Parity USD/MT (Domestic - Landed)	71.78	33.40	-2.95	-9.46
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	65758.64	68079.92	70278.18	63571.93
Soy/Palm oil imported Price (Including tax)	69046.57	71483.91	73792.09	66750.52
Loose price of Soy/Palm in Indore and Delhi market	74025.00	74025.00	74025.00	68985.00
Parity after processing and Taxes (Rs per MT)	4978.43	2541.09	232.91	2234.48
Parity after processing and Taxes (USD per MT)	82.32	42.02	3.85	36.95
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 (June contract) on dips.

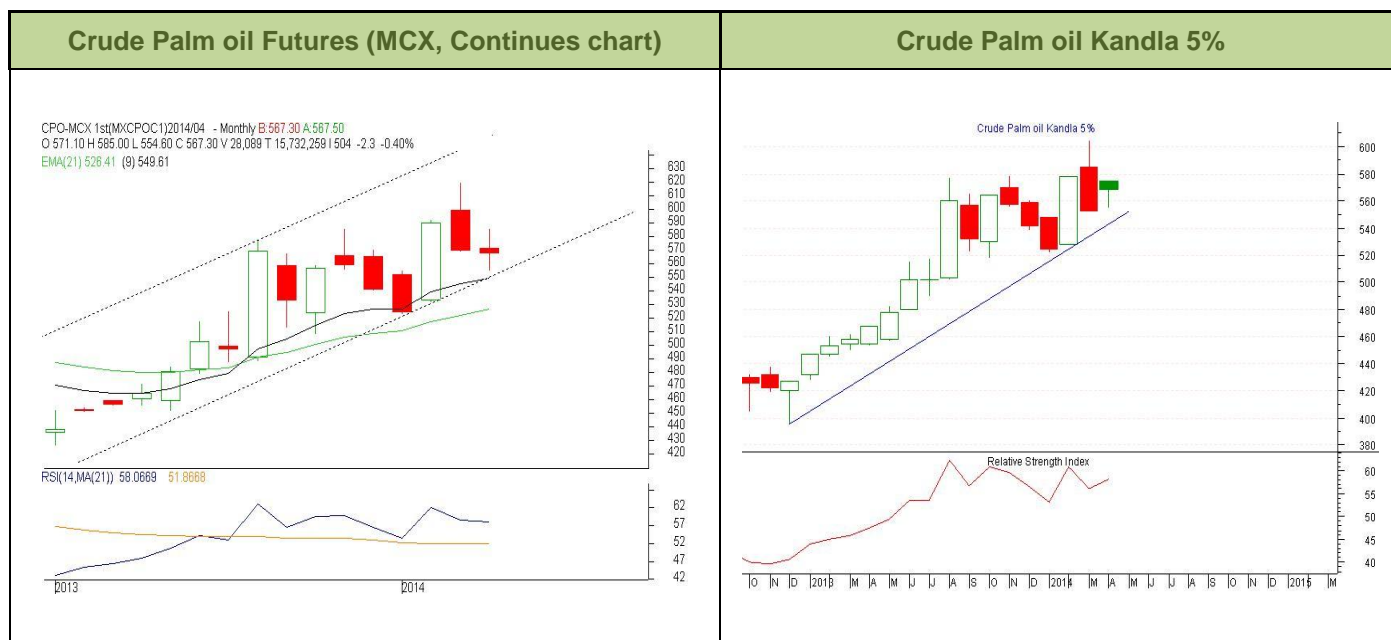
- ❖ Monthly chart of refined soy oil at NCDEX featured gains. We expect range bound to slightly firm movement in the coming days.
- ❖ Any close below 685 in monthly chart shall change the sentiments and might take the prices to a bearish phase.
- ❖ Expected price band for next month is 697-720 level 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 697 for a target of 717 and 720 with a stop loss at 685 on closing basis.

RSO NCDEX

Support and Resistance				
S2	S1	PCP	R1	R2
684.00	691.00	713.00	730.00	737.00

Spot Market outlook: Refined soy oil Indore is likely to stay in the range of 720-755 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 consolidation. We expect prices may feature firm tone in the near term.
- ❖ Any close below 544.20 in monthly chart shall change the sentiments and might bring the prices to a bearish phase.
- ❖ Expected price band for next month is 555-576 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 above 555 for a target of 573 and 576 with a stop loss at 544.20 on closing basis.

CPO MCX

Support and Resistance				
S2	S1	PCP	R1	R2
542.00	548.00	565.00	578.00	586.50

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 558-585 per 10 Kg.

Monthly spot prices comparison

Commodity	Centre	Prices(Per 10 Kg)		Change
		29-Apr-14	31-Mar-14	
Refined Soybean Oil	Kota(Loose)	680	665	15
	Rajkot (Loose)	665	645	20
	Jaipur (Loose)	NA	670	-
	Hyderabad+ VAT	NA	NA	-
	Delhi (Loose)	710	695	15
	Kakinada	NA	NA	-
	Mumbai +VAT	675	655	20
	Indore	705	660	45
	Soy Degum Mumbai+VAT	650	625	25
	SoyDegum Kandla/Mundra+VAT	650	630	20
	Haldiya Port (Loose)	NA	NA	-
	Akola (Loose)	714	691	23
	Amrawati (Loose)	714	691	23
	Jalna	726	701	25
	Nagpur	719	696	23
Palm Oil	Chennai.RBD.Palmolein.(Loose)	610	620	-10
	Hyd. RBD Palmolein VAT	620	NA	-
	Delhi RBD Palmolein (Loose)	657	655	2
	Kandla CPO (5%FFA)	570	570	Unch
	Kakinada.RBD.Palmolein(Loose)	598	610	-12
	Mumbai RBD Pamolein+ VAT	610	622	-12
	Kandla RBD Palmolein +VAT	597	595	2
Refined Sunflower Oil	Mumbai + VAT	680	700	-20
	Kandla/Mundra	610	610	Unch
	Erode (Exp. Oil)+VAT	675	705	-30
	Hyderabad Exp +VAT	666	NA	-
	Chennai (Loose)	666	670	-4
	Bellary (Exp. Oil)+VAT	611	NA	-
	Latur (Exp. Oil)+VAT	636	646	-10
	Chellakere (Exp. Oil)+VAT	610	630	-20
Groundnut Oil	Rajkot (Loose)	710	740	-30
	Chennai (Loose)	760	730	30
	Delhi (Loose)	725	740	-15
	Hyderabad Exp +VAT	810	NA	-
	Mumbai + VAT	760	770	-10

	Gondal+VAT	710	740	-30
	Jamnagar +VAT	730	735	-5
	Narsarropeth+VAT	750	800	-50
	Prodattour+VAT	721	NA	-
Rapeseed Oil	Mumbai (Exp. Oil) +VAT	667	673	-6
	Alwar (Expeller Oil)(Loose)	661	656	5
	Kota (Expeller Oil) (Loose)	645	640	5
	Jaipur (Expeller Oil) (Loose)	664	663	1
	Delhi (Exp. Oil) (Loose)	655	680	-25
	SriGangaNagar(ExpOil-Loose)	646	661	-15
	Hapur+VAT	705	710	-5
	Kolkata		NA	-
	Agra (Kacchi Ghani Oil) +VAT	715	720	-5
Refined Cottonseed Oil	Mumbai +VAT	675	660	15
	Rajkot (Loose)	665	640	25
	Delhi (Loose)	635	630	5
	Hyderabad (Loose)	610	NA	-
Coconut Oil	Kangayan (Crude)	1520	1280	240
	Cochin	1450	1280	170
	Trissur	1480	1280	200
Sesame Oil	Delhi	925	900	25
	Mumbai	980	1010	-30
Kardi	Mumbai	950	950	Unch
Rice Bran Oil (40%)	Delhi		NA	-
Rice Bran Oil (4%)	Punjab	525	525	Unch
Malaysia Palmolein USD/MT	FOB	867.5	848	19.5
	CNF India	887.5	908	-20.5
Indonesia CPO USD/MT	FOB	872.5	865	7.5
	CNF India	897.5	918	-20.5
Argentina FOB (\$/MT)		28-Apr-14	31-Mar-14	Change
Crude Soybean Oil Ship		876	846	30
Refined Soy Oil (Bulk) Ship		906	875	31
Sunflower Oil Ship		895	NA	-
Cottonseed Oil Ship		856	826	30
Refined Linseed Oil (Bulk) Ship		1021	991	30



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