



Veg. Oil Monthly Research Report

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Outlook and Review:
Domestic Front

Edible oil basket featured recovery during the month under review. While, palm, groundnut, sunflower, mustard oil featured recovery and coconut oil corrected from higher levels.

Coconut oil (Kangayan) was the worst performer among the edible oil pack tracking new supplies from the producing regions. Mustard oil at Kota market featured gains on m-o-m basis owing to easing RM seed arrivals and recovery in the edible oil basket.

Coconut oil (Kangayan) quoted down 6.65 percent to Rs 1416/10 Kg (monthly average basis). Mustard oil at Kota market quoted higher to Rs 636 per 10 Kg, up 0.79 percent on m-o-m basis. On the currency front, Indian rupee against USD weakens during the month under review by 1.81 percent and closed at 60.17 from previous month.

We believe soybean, palm, and sunflower oil to trade with a steady to firm tone owing to weak monsoon forecast, diminishing soybean arrivals. On the other hand, higher global oilseeds production estimate may limit the gains.

Recommendation:

We recommend to go long in RSO above 678 for a target of 695 and 698 with a stop loss at 668 on closing basis and go long in CPO in above 516 for a target of 536 and 538 with a stop loss at 510.40 on closing basis. Market Participants can offload refined soy oil Indore in the cash markets at 700-705 levels, if needed.

International Veg. Oil Market Summary

CBOT soy oil (August) is expected to stay in the range of 37.80 cents/lb to 39.50 cents/lb. CPO at BMD (August) is likely to stay in the range of 2350-2500 ringgits per tons. Focus during the coming days will be on the Malaysian palm oil ending stocks, weather over US and Indian soybean growing belt and edible oils demand during Muslim festivities.

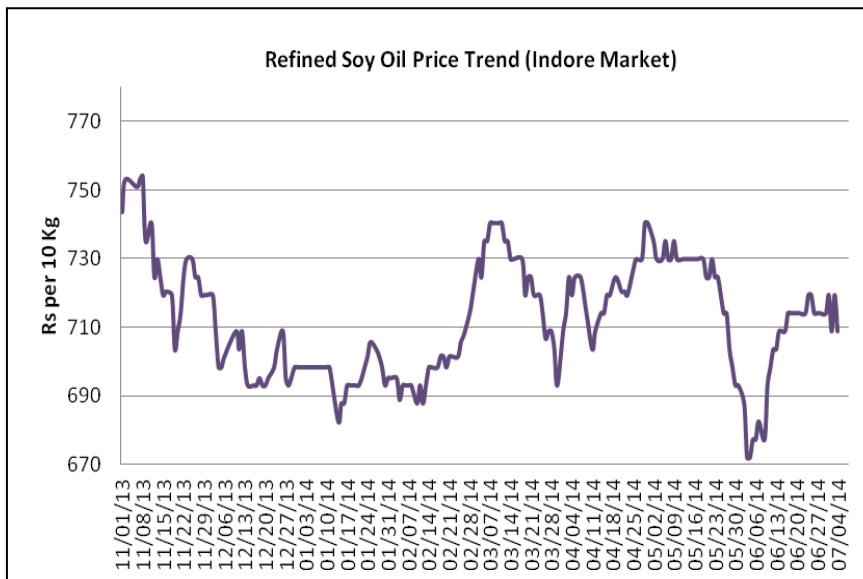
As per Societe Generale de Surveillance, Malaysian palm oil products exports for June rose 4.6 percent to 1,389,806 tons from 1,328,594 tons shipped during May.

On the international front, improved weather over US soybean growing belt, better than expected US soybean stocks position, and higher planting prospects favors the bears. However, soy supplies are tight in US which may limit the losses in soy complex.

Seasonal demand during Ramadan and rising domestic demand for bio diesel may support the palm oil prices for short term. However, rising palm oil supply in the South East countries and new soy oil supplies from South American countries may dent the bulls rally.

Soy oil: Domestic Market Fundamentals

- Refined soybean oil prices featured recovery during the month in review due to better buying and weak rainfall forecast over key soy growing regions.
- As per Agriwatch estimates, we seen soybean acreage similar to the last year and in view of EL Nino factor soybean production for 2014-15 is projected at 121 lakh tons and crushing seen at 109 lakh tons. Considering the above factors, soy oil output for 2014/15 oil year seen at 18.53 lakh tons, up 0.65 percent from the normal soybean oil production.
- As per Government of India, planting of soybean in the current season has progressed to 1.01 lakh hectares as on June 26, compared with 1.77 lakh hectares in the same period a year earlier. Maharashtra soybean planting progress is reported at 0.25 lakh ha v/s 0.01 lakh ha same period of the last year. While, no sowing reported in Madhya Pradesh.
- Delay in monsoon has affected the soybean sowing prospects in Madhya Pradesh and Maharashtra in the current year. However, nominal soybean sowing witness in some pockets of irrigated areas of Maharashtra. Further delay in monsoon may affect the overall soybean production which may add fuel to the edible oil prices. However, higher soft oils imports during the last 1-2 months and cheaper imported oils may curb the bulls rally.
- As per IBIS data (compiled by Agriwatch), Indian crude degummed soybean oil imports reached to 1.26 lakh tons during 1-29 June 2014 majorly from Argentina (0.99 lakh tons), Paraguay (0.01 lakh tons) and Brazil (0.26 lakh tons). During the current oil year (Nov-Oct) 2013-14, India imported 8.15 lakh tons of crude soybean oil majorly from Argentina and Brazil during (Nov-May), 131.5 percent higher from the same period of last year. We expect soy oil may trade range bound in the coming days.



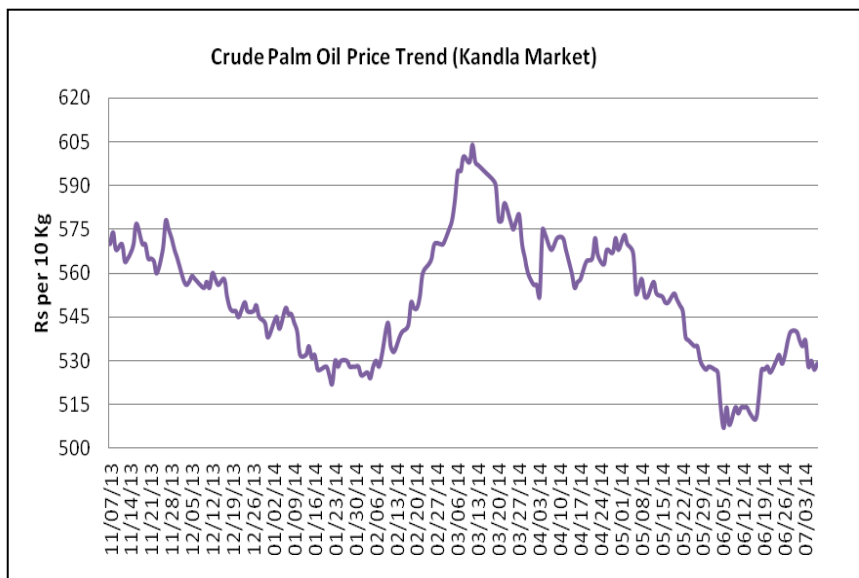
International Market Fundamentals

- US soybean planting is reported at 95% by 22 June, which is slightly above 5 year average of 94% and ahead from 91% during the same period last year. Soybean emergence is reported at 90% higher than 5-year average of 87% and above 79% during the same period last year. Further, about 72% is under is good to excellent condition.
- As per Abiove, Brazil is expected to export 44 million tons of soybeans in 2014, up one million tons from previous estimate. Last year soybean exports were 42.8 million tons. On the harvesting front, Argentinean had harvested 97.4 percent of the area planted with soybeans in 2013/14. While, soybean harvesting in Brazil is complete. As per CGT labor organization, workers in Argentina's main grains port of Rosario will begin an indefinite strike on Friday (04 July) over working conditions. (Reuters). As per trade ministry, Brazilian exports of soybeans eased in June to 6.9 million tons of soybeans in June v/s 7.6 million tons in May.
- On the international front, improved weather over US soybean growing belt, better than expected US soybean stocks position, and higher planting prospects favors the bears. However, soy supplies are tight in US may limit the losses in soy complex.

Price Outlook: We expect Ref. soy oil with VAT to trade in the price band of Rs 680-710 per 10 Kg.

Palm oil:
Domestic Market Fundamentals

- CPO Kandla 5% prices featured recovery during the month in review tracking bullish cues from the international palm oil market.
- As per IBIS data (compiled by Agriwatch), India imported around 5.96 lakh tons of crude palm oil which consists of 3.47 lakh tons from Indonesia, 1.33 lakh tons from Malaysia, 0.16 lakh tons from others sources during 1-29 June 2014. While, RBD palmolein imports during 1-29 June stood at 1.17 lakh tons, it comprises of 0.95 lakh tons from Indonesia and 0.22 lakh tons from Malaysia. SEA of India reported that India's crude palm oil imports rose 43.9 percent to 547,151 tons in May from a month ago and RBD palmolein imports stood at 100,605 tons, down 73 percent on m-o-m basis.
- Lower rains raises the concern of lower oilseed output 2014-15 oil year and lower crushing may support the palm oil prices in the coming days. We expect palm oil imports likely to surge in the coming weeks due to import parity and lower oilseed crushing.
- Currently crude palm oil CNF July delivery is offered at USD 840/T and August delivery at USD 837.50/T. RBD palmolein July is quoted at USD 837.50/T v/s USD 835/T for August delivery. We expect palm oil likely to trade range bound in the days ahead.

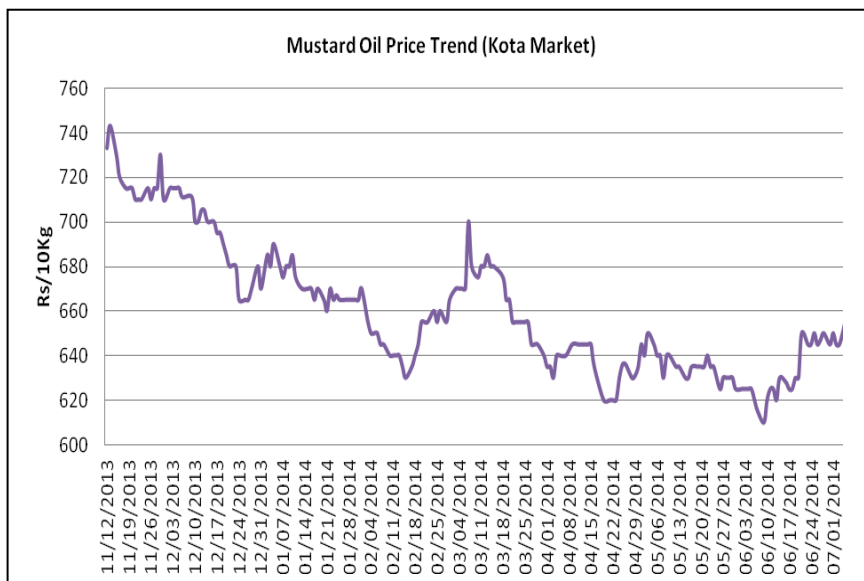

International Market Fundamentals

- CPO at BMD (July contract) contract ended at MYR 2431 per tons (as on 30 June 2014), up by 6 points from last month. As per Societe Generale de Surveillance, Malaysian palm oil products exports for June rose 4.6 percent to 1,389,806 tons from 1,328,594 tons shipped during May. India & sub continent imported 2.51 lakh tons of palm oil & its product during June, down 4.56 percent from last month.
- As per Reuters survey, Malaysian palm oil stocks for June seen at 1.80 million tons, down 2.2 percent from May due to a dry weather affect output and better exports.
- As per Dorab Mistry, palm oil prices may rise to 2,600 ringgit per tons if the current dry weather drags on beyond the next couple of weeks, and even hit 2,800 ringgit depending on the length and severity of El Nino. On the production front, Mistry sees Malaysia's palm oil output to between 19.7-19.9 million tons this year, higher from an earlier estimate of 19.5-19.7 million tons and Indonesia's palm oil production estimate sets at 30.5 million tons.
- Seasonal demand during Ramadan and rising domestic demand for bio diesel may support the palm oil prices for short term. However, rising palm oil supply in the South East countries and new soy oil supplies from South American countries may dent the bulls rally.

Price Outlook: We expect CPO Kandla 5% to trade in the price band of Rs 520-545 per 10 Kg.

Rapeseed oil: Domestic Market Fundamentals

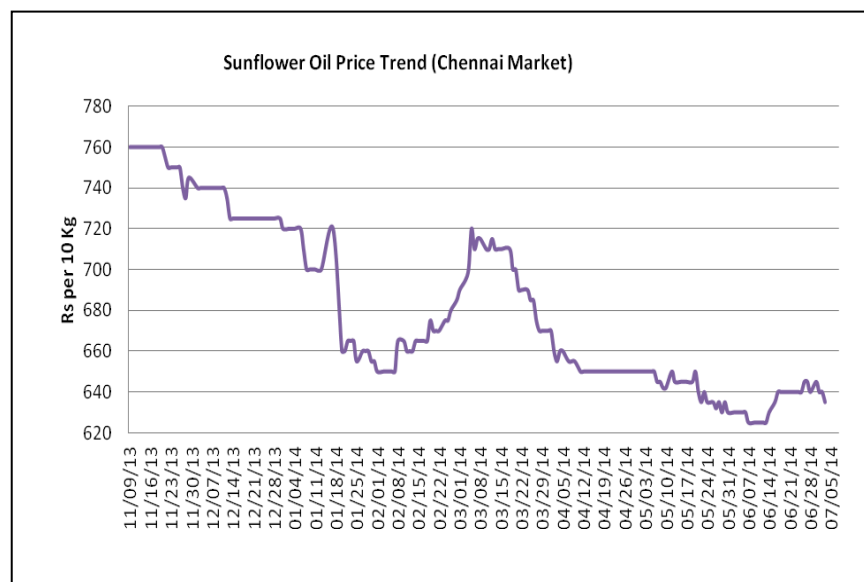
- Rapeseed oil featured sideways to slightly firm tone during the month of June in line with the other edible oils.
- Mustard seed arrival pace eased during June owing to slow selling by farmers and disparity in crushing led to subdued demand from millers. However, retail demand was need based and lower rains over key oilseed producing region likely to support the mustard oil prices in the near term.
- On the supply side, we have revised mustard output estimates for 2014 to 77.4 lakh tons, up 5.4 lakh tons from the previous oil year. Mustard oil output estimates pegged at 28.12 lakh tons for 2013-14 oil year - Agriwatch estimates. Last year mustard oil production was 2.66 million tons.
- 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 625-665 per 10 Kg.

Sunflower oil: Domestic Market Fundamentals

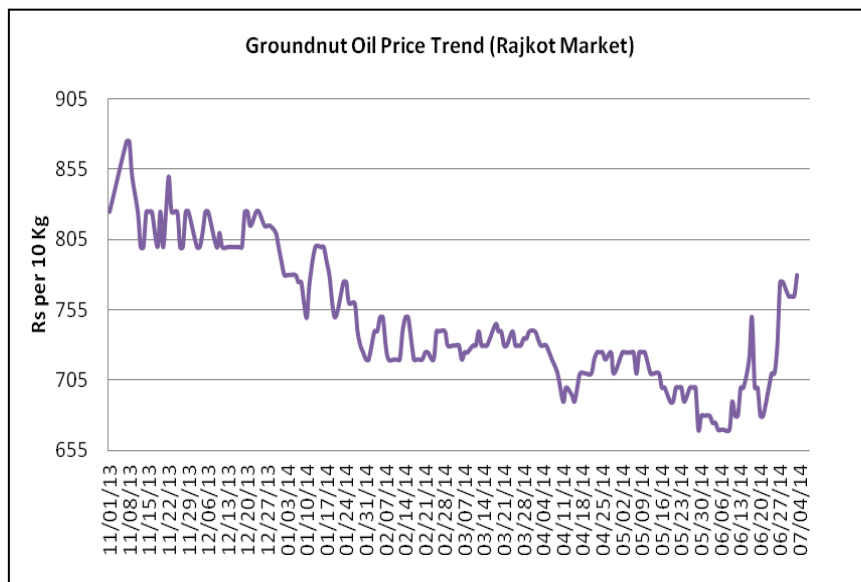
- Sunflower oil featured steady to slightly firm tone during the month of June due to sideways trend in the international sunflower oil market and higher imported sunflower oil imports.
- Government increased minimum support price (MSP) of Sunflower seed by Rs 50/Qtl. to Rs 3750/Qtl. and Sesame to sesamum and niger seed at Rs 4,600 and Rs 3,600 a quintal respectively.
- As per IBIS data (compiled by Agriwatch), India imported 2.05 lakh tons of crude sunflower oil during 1-29 June 2014 majorly from Ukraine. Indian buyers purchase 867,599 tons of crude sunflower oil majorly from Ukraine during Nov-May 2014, up 50.2 percent from the corresponding period of the last year – SEA of India. We expect sunflower oil prices may trade range bound to firm tone in the coming days.
- Sunflower oil likely to 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 625-655 per 10 Kg.

Groundnut oil: Domestic Market Fundamentals

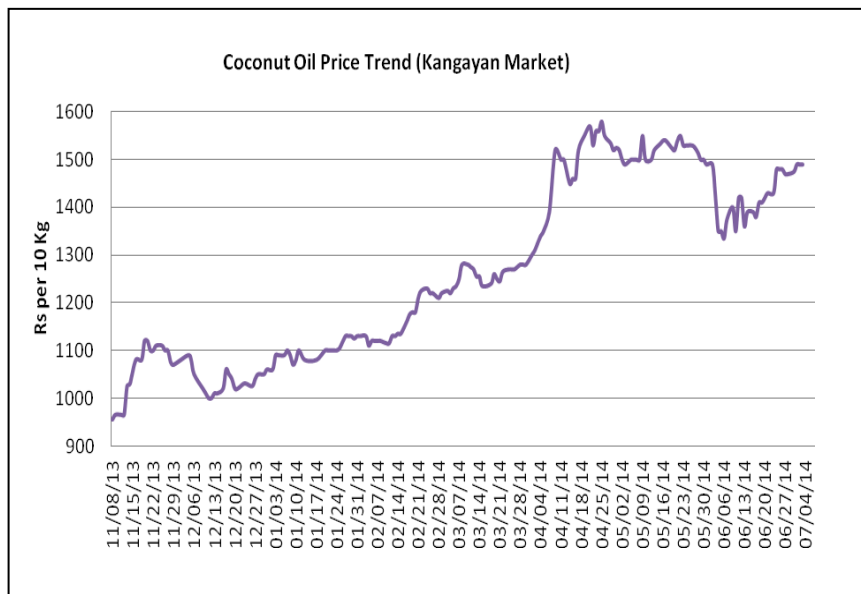
- Groundnut oil featured steady to firm tone during June due to weak rains forecast over key groundnut producing regions and need based demand from wholesalers.
- Skymet lowered its rainfall forecast to 91 percent of long period average, down 3 percent from previous estimate. Moreover, the probability of drought across the country seen at 60 percent, 80 percent chances of drought in northwest India, 75 percent chances of drought in central India and 50 percent chances of drought in Southern India. In anticipation of lower rains over Gujarat may spur the G/N oil prices in the coming days. On the price front, G/N oil at Rajkot market plummeted to Rs 670 per 10 Kg, lowest level in the current oil year and prices are likely to trade in the range of 745-805 level.
- As per Government of India, planting of groundnut in the current season has progressed to 2.58 lakh hectares as on June 26, compared with 5.87 lakh hectares in the same period a year earlier. Gujarat groundnut planting progress is reported at 0.64 lakh ha v/s 3.99 lakh ha same period of the last year due to lower rains.
- Groundnut oil prices are likely to trade with a steady to slightly firm tone in the coming days owing to deficits rainfall over key groundnut growing areas and need based demand from wholesalers. However, adequate groundnut seed stock for crushing may cap the excessive gains.



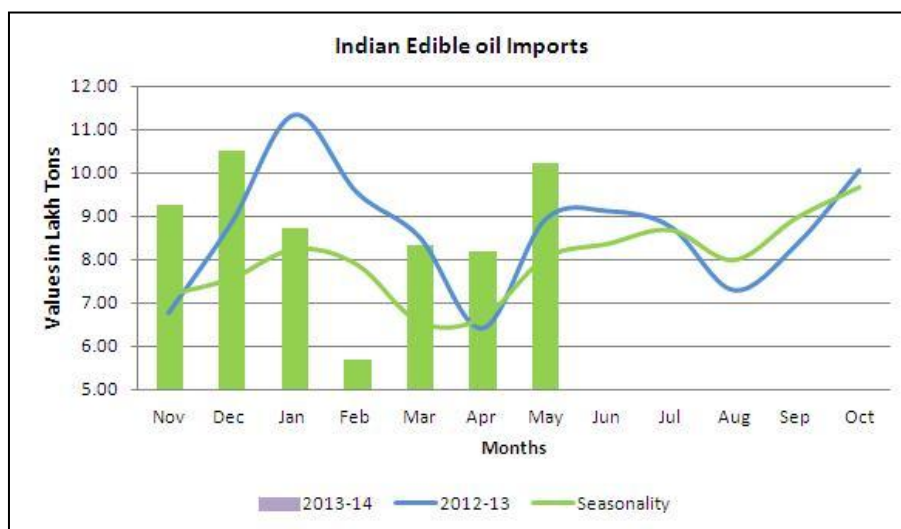
Price Outlook: We expect Groundnut oil (Rajkot) to trade in the price band of Rs 745-805 per 10 Kg.

Coconut oil: Domestic Market Fundamentals

- Coconut oil featured steady to weak tone at its benchmark market Kangayan during the month owing to new supplies from major producing regions. However, good demand from corporate limit the downside risk in the prices.
- Coconut oil prices slipped to Rs 1416 per 10 Kg, down 6.65 percent at Kangayan market, m-o-m basis average. Prices may trade range bound in the coming days due to new supplies but the dry weather hurt the production prospects.
- Cochin Oil Merchants Association reported dry weather in the production centers of Tirupur, Pollachi, Kangayem led to a shortfall of at least 40 per cent of copra during the season. We expect prices may trade range bound due to new copra arrivals from Tamil Nadu and Kerala.



Price Outlook: We expect coconut oil (Erode) to trade in the price band of Rs 1340-1500 per 10 Kg.

Indian Edible Oil Imports Scenario –:


As per Solvent Extractors' Association of India, India imported 6.09 million tons of edible oils in the 2013/14 oil year till May. However, edible oils imports were 6.03 million tons in the corresponding period last year.

Indian Supply and Demand Scenario (Revised):

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	8.09	3.96
Imports**	9.98	10.38	10.80	4.05
Total Supply	18.21	18.92	19.81	4.70
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	1.11	20.69

Balance Sheet Highlights

Net edible oil output would likely be 8.09 million tons in 2013-14 on the back of higher ground seed and mustard seed production in the current oil year.

We have raised mustard oil production estimate to 2.81 million tons, up 1.25 percent from last month estimate. Last year mustard oil production was 2.66 million tons.

On import front, edible oil imports seen at 10.80 million tons for 2013/14 oil year. Ending stocks are projected higher compared to 2013-14 at 1.11 million tons.

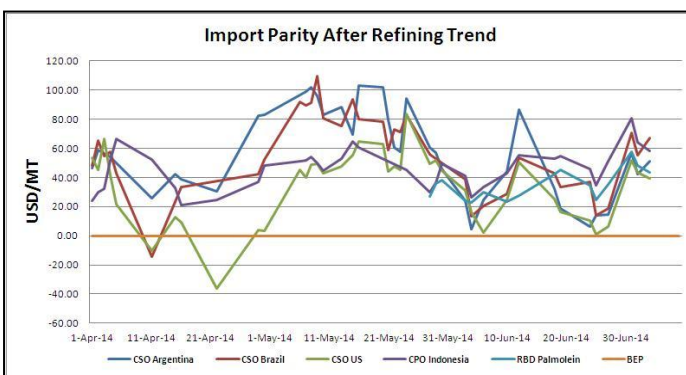
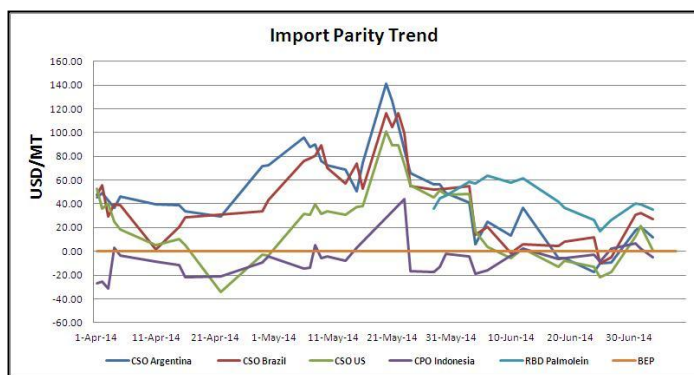
Note - Values in Mln. Tons, Oil year (Nov.-Oct.)

*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).

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

Landed Cost Calculation as on 04/07/2014	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
FOB USD per ton	870	863	891	813	810
Freight (USD/MT)	80	72	70	35	35.0
C & F	950.0	935.0	961.0	848.0	845.0
Weight loss (0.25% of FOB)	2.18	2.16	2.23	2.03	2.03
Finance charges (0.4% on CNF)	3.80	3.74	3.84	3.39	3.38
Insurance (0.3% of C&F)	3	3	3	3	3
CIF (Indian Port - Kandla)	959	944	970	856	853
CVD	0	0	0	0	0
Duty USD per ton	24.77	24.77	24.77	22.03	91.70
CVD value USD per ton	0	0	0	0	0
Cess (2% on duty) USD per ton	0.49536	0.49536	0.49536	0.440664	1.83396
Exchange rate	59.79	59.79	59.79	59.79	59.79
Landed cost without customs duty in INR per ton	57328	56424	57994	51178	50997
Customs duty %	2.58%	2.58%	2.58%	2.58%	10.20%
Base import price	960	960	960	854	899
Fixed exchange rate by customs department	60.45	60.45	60.45	60.45	60.45
Duty component in INR per ton	1497.23	1497.23	1497.23	1331.91	5543.14
Clearing charges INR per ton	483	483	483	483	483
Brokerage INR per ton	190	190	190	190	190
Total landed cost INR per ton	59498	58594	60164	53183	57213
Domestic Market price INR/ton Soy Degum Kandla/CPO Kandla 5%	60200	60200	60200	52900	59300
Total landed cost USD per ton	995	980	1006	890	957
Domestic Market price USD/tons Soy Degum Kandla/CPO Kandla 5%	1007	1007	1007	885	992
Parity INR/MT (Domestic - Landed)	702	1606	36	-283	2087
Parity USD/MT (Domestic - Landed)	11.73	26.86	0.61	-4.74	34.90
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	2800.00
Cost of Imported oil after refining/Processing	64598.37	63694.20	65263.81	59183.26	60013.43
Soy/Palm oil imported Price (Including tax)	67828.29	66878.91	68527.00	62142.43	63014.10
Loose price of Soy/Palm in Indore and Delhi market	70875.00	70875.00	70875.00	65625.00	65625.00
Parity after processing and Taxes (Rs per MT)	3046.71	3996.09	2348.00	3482.57	2610.90
Parity after processing and Taxes (USD per MT)	50.96	66.84	39.27	58.25	43.67
Source: Agriwatch					

Import Parity Trend



Import parity before refining in US dollar per tons (Monthly Average)

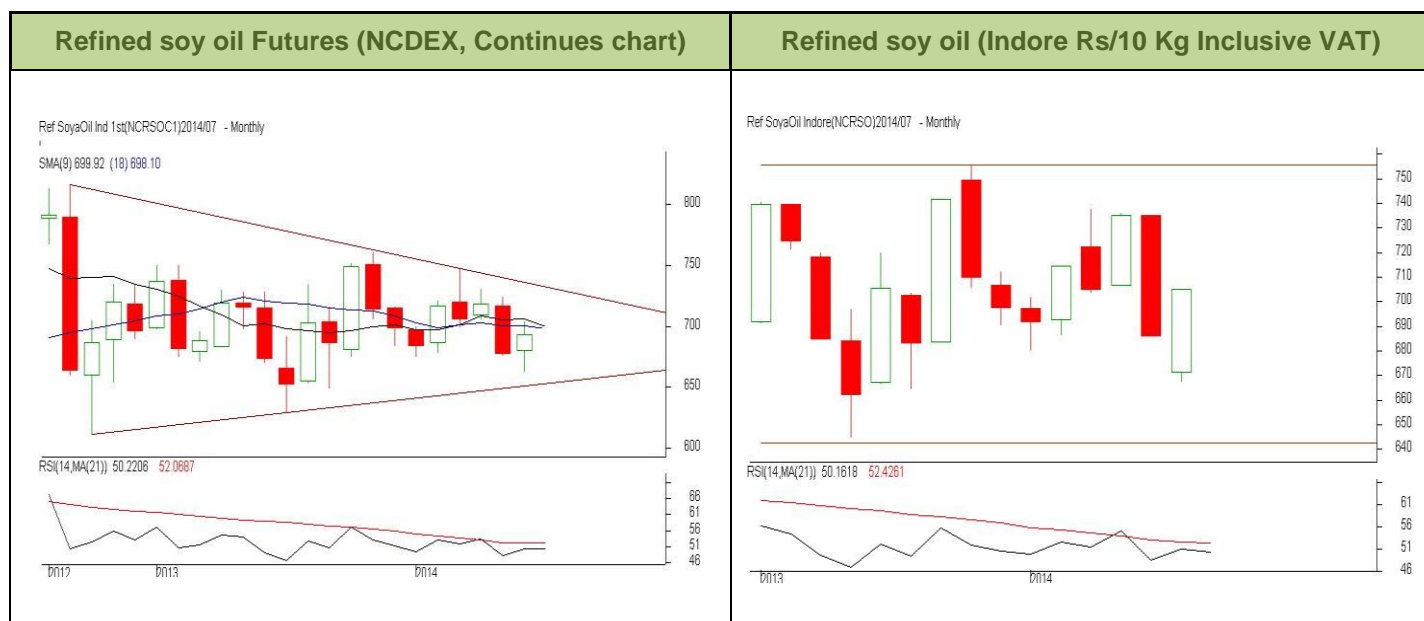
	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
May, 2014	79.82	78.29	51.58	-3.68	42.44
June, 2014	7.46	10.42	-0.69	-6.19	44.78

Import Parity After Refining in US dollar per tons (Monthly Average)

	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
May, 2014	79.87	78.83	51.40	49.21	33.88
June, 2014	26.94	30.06	18.39	43.80	31.04

Outlook:-

Import parity for crude soy oil from Argentina and palm oil after refining is hovering in positive territory due to cheaper availability of imported oils. We expect cdso/palm oil import parity to be in the positive side. Lower rains expectation over key oilseeds producing regions and positive import parity may favor higher edible oils imports 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 (August contract) on dips.

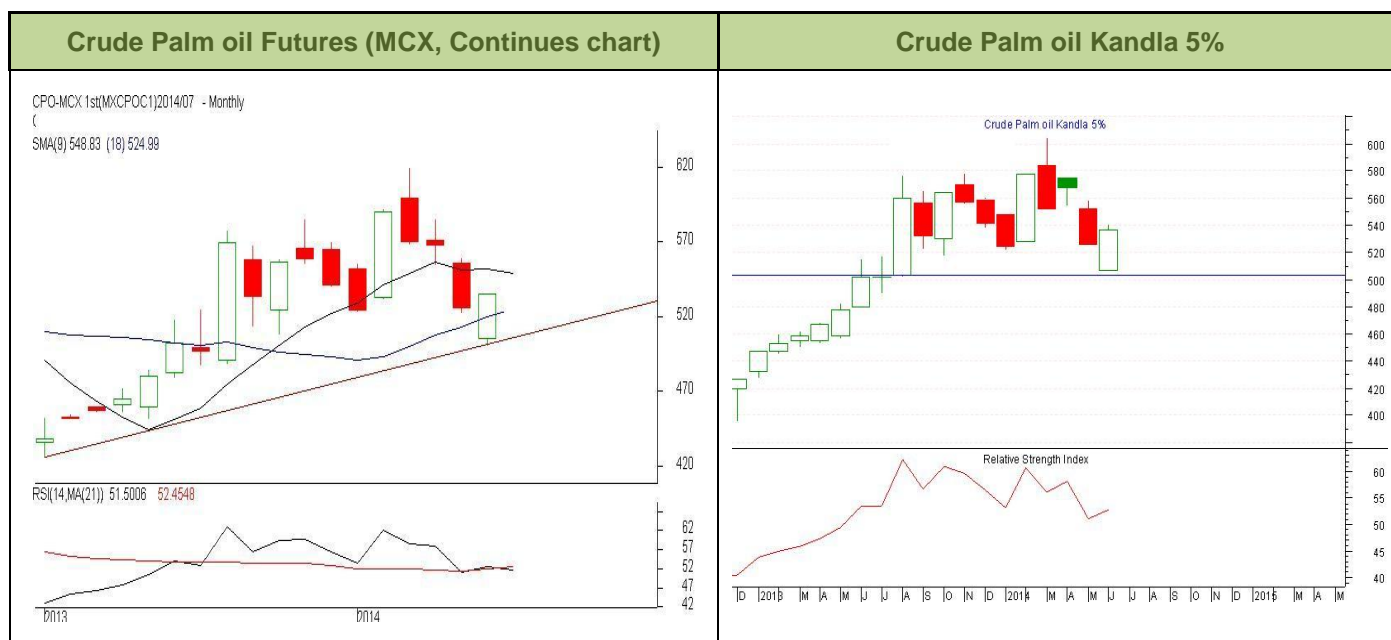
- ❖ Monthly chart of refined soy oil at NCDEX featured recovery in the prices. We expect range bound to slightly firm movement in the coming days.
- ❖ Any close below 668 in monthly chart shall change the sentiments and might take the prices to a bearish phase.
- ❖ Expected price band for next month is 678-698 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 678 for a target of 695 and 698 with a stop loss at 668 on closing basis.

RSO NCDEX

Support and Resistance				
S2	S1	PCP	R1	R2
650.00	658.00	680.00	705.00	712.00

Spot Market outlook: Refined soy oil Indore is likely to stay in the range of 680-710 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 August contract on dips.

- ❖ Candlestick Monthly chart of crude palm oil at MCX depicts gains. We expect prices may feature steady to firm tone in the near term.
- ❖ Any close below 510.40 in monthly chart shall change the sentiments and might bring the prices to a bearish phase.
- ❖ Expected price band for next month is 516-538 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 516 for a target of 536 and 538 with a stop loss at 510.40 on closing basis.

CPO MCX

Support and Resistance				
S2	S1	PCP	R1	R2
498.00	505.00	521.00	545.00	554.00

Spot Market outlook: Crude palm oil 5% Kandla is likely to stay in the range of 520-545 per 10 Kg.

Monthly spot prices comparison

Commodity	Centre	Prices(Per 10 Kg)		Change
		30-Jun-14	31-May-14	
Refined Soybean Oil	Kota(Loose)	670	650	20
	Rajkot (Loose)	645	620	25
	Delhi (Loose)	705	700	5
	Mumbai +VAT	665	660	5
	Indore	680	660	20
	Kandla/Mundra	650	635	15
	Kolkata	650	630	20
	Indore (Soy Solvent Crude)	635	617	18
	Mumbai (Soy Degum) +VAT	622	605	17
	Kandla/Mundra (Soy Degum) +VAT	615	605	10
	Akola (Loose)	707	686	21
	Amrawati (Loose)	706	686	20
	Jalna	719	NA	-
	Nagpur	709	685	24
	Alwar	690	680	10
	Solapur	717	NA	-
	Bundi	670	652	18
	Kolkata	NA	655	-
	Dhule	715	677	38
Palm Oil	Mumbai (Loose)	578	565	13
	Rajkot (Loose)	570	550	20
	Hyderabad (Loose)	570	570	Unch
	Delhi (Loose)	636	615	21
	Kandla CPO (5%FFA)	537	514	23
	Kandla (RBD Palm oil)	560	545	15
	Mumbai RBD Pamolein+ VAT	578	570	8
	Kandla RBD Pamolein+ VAT	570	555	15
	Mangalore RBD Pamolein+ VAT	585	572	13
	Chennai RBD Pamolein+ VAT	585	572	13
	Kakinada RBD Pamolein+ VAT	570	555	15
	KPT (krishna patnam)+VAT	565	552	13
	Haldia +VAT	565	555	10
Refined Sunflower Oil	Mumbai + VAT	660	675	-15
	Mumbai(Exp. Oil)+VAT	598	570	28
	Kandla/Mundra (Crude) +VAT	595	585	10
	Erode (Exp. Oil)+VAT	675	655	20
	Hyderabad Ref +VAT	665	635	30



	Chennai (Loose)	645	630	15
	Bellary (Exp. Oil)+VAT	NA	588	-
	Latur (Exp. Oil)+VAT	612	NA	-
	Chellakere (Exp. Oil)+VAT	590	590	Unch
Groundnut Oil	Rajkot (Loose)	765	680	85
	Chennai (Loose)	740	750	-10
	Delhi (Loose)	745	730	15
	Hyderabad Exp +VAT	765	NA	-
	Mumbai + VAT	775	740	35
	Gondal+VAT	765	NA	-
	Jamnagar +VAT	760	680	80
	Narsarropeth+VAT	NA	830	-
	Prodattour+VAT	NA	745	-
Rapeseed Oil/Mustard Oil	Mumbai (Exp. Oil) +VAT	673	643	30
	Sri-GangaNagar(Exp Oil-Loose)	660	615	45
	Alwar (Expeller Oil) (Loose)	700	NA	-
	Kota (Expeller Oil) (Loose)	655	620	35
	Jaipur (Expeller Oil) (Loose)	668	641	27
	New Delhi (Exp. Oil) (Loose)	671	670	1
	Hapur (Expeller Oil) +VAT	693	NA	-
	Sri-Ganga Nagar (Kacchi Ghani Oil)	668	640	28
	Kota (Kacchi Ghani Oil)	675	660	15
	Jaipur (Kacchi Ghani Oil)	698	668	30
	Agra (Kacchi Ghani Oil) + VAT	712	685	27
	Bharatpur (Kacchi Ghani Oil)	707	680	27
	Neewai (Kacchi Ghani Oil) + VAT	683	648	35
	Hapur (Kacchi Ghani Oil)+VAT	713	NA	-
Refined Cottonseed Oil	Mumbai +VAT	665	630	35
	Rajkot (Loose)	635	625	10
	New Delhi (Loose)	646	605	41
	Hyderabad (Loose)	660	600	60
Coconut Oil	Kangayan (Crude)	1475	1490	-15
	Cochin	1490	1550	-60
	Trissur	1505	1510	-5
Sesame Oil	New Delhi	895	910	-15
	Mumbai	870	920	-50
Kardi	Mumbai	920	930	-10

Rice Bran Oil (40%)	New Delhi	NA	-	-
Rice Bran Oil (4%)	Punjab	555	550	5
Rice Bran Oil (4%)	Uttar Pradesh	555	550	5
Malaysia Palmolein USD/MT	FOB	813	800	13
	CNF India	841	835	6
Indonesia CPO USD/MT	FOB	818	820	-2
	CNF India	843	845	-2
Ukraine Origin CSFO USD/MT Kandla	CIF	945	930	15
Argentina FOB (\$/MT)		26-Jun-14	30-May-14	Change
Crude Soybean Oil Ship		901	838	63
Refined Soy Oil (Bulk) Ship		933	867	66
Sunflower Oil Ship		NA	-	-
Cottonseed Oil Ship		881	818	63
Refined Linseed Oil (Bulk) Ship		NA	-	-

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