

## **Executive Summary**

### **Domestic Veg. Oil Market Summary**

*Compared to the last week, edible oil basket featured steady tone during the week under review. Palm and soy quoted slightly up tracking recovery in the international palm and soy oil market.*

*On the currency front, Indian rupee against USD closed (18 Jan. 2014) at 61.55, up 0.55 percent as compared to the previous week. Factors to watch in the coming weeks will be the movement of Indian rupee against US dollar, Chinese soybean demand, and Malaysian palm oil exports figures.*

*We expect edible oil complex to trade sideways to slightly firm tone in expectation of recovery in the oil complex and renewed demand at lower quotes. However, higher global oilseeds production estimates and adequate edible oil supplies in the cash market may limit excessive gains.*

### **International Veg. Oil Market Summary**

*CBOT soy oil (Mar) is expected to stay in the range of 36.90 cents/lb to 39.70 cents/lb. CPO at BMD (Apr) is likely to trade in the range of 2460-2590 ringgit per tons. Exports of Malaysian palm oil products for Jan 1-15 fell 28 percent to 460,248 tons, from the last corresponding period of the last year - cargo surveyor Intertek Testing Services.*

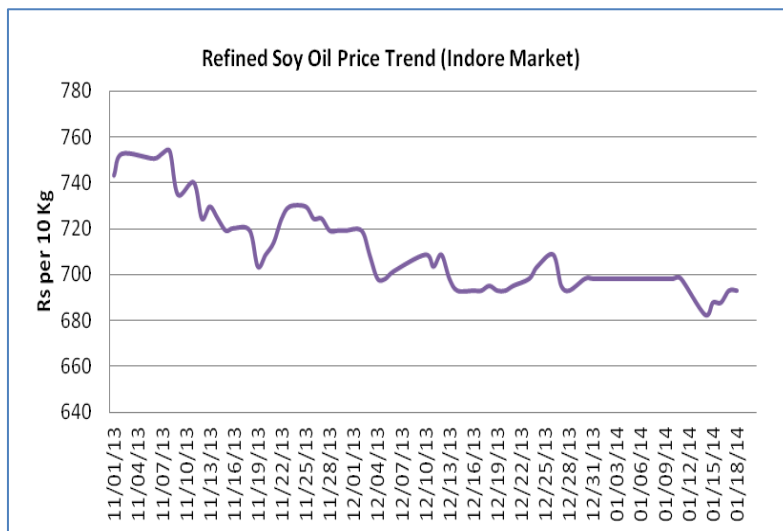
*On the international front, adequate soybean supplies, beneficial rains over key Argentinean soybean growing regions and on an estimated rise in global soy, supplies may favor the bears. While, good demand from china may limit downside risk in the prices.*

*Higher than expected Malaysian palm oil inventories for December and uncertain palm oil demand as palm oil solidifies in the cold may support the bears in the days ahead. While, slower pace of palm oil production in the South East Asian countries, and good biofuel demand may limit downside risk in the palm oil prices.*

## Soy oil Fundamental Analysis and Outlook:-

### Domestic Front

- Soybean oil featured steady tone on need based buying against adequate supplies, and higher prices of Indian meals. However, recovery in the international oil & fats market limit downside.
- At the import front, IBIS figures revealed that India imported 0.610 lakh tons of crude soybean degummed oil during 30 Dec-12 Jan 2014 majorly from Brazil and Argentina. While Indian buyers imported 1,091,311 tons in the 2012-13 oil year (Nov-Oct). Import parity for crude soy oil from Argentina is hovering in positive territory due to higher domestic prices as compared to the international prices. We expect import parity to be in the positive side in the coming days.
- Higher soybean production estimates for South American countries, favorable weather conditions over Argentina's key soy growing belt support the soil moisture and adequate edible oils supplies in the cash market support the bears in the days ahead. However, lower quotes may favor renewed demand at lower quotes.
- As per Agriwatch second estimates, soybean production for 2013-14 is projected at 127.12 lakh tons which are higher than last year production estimate of 125 lakh tons.
- We expect soy oil may trade with a steady to slightly firm tone in the coming days.



### International Front

- Buenos Aires Grains Exchange estimates Argentina's 2013/14 soybean planted acreage at 20.35 million hectares, which is has been slightly cut from the previous its estimate of 20.45 million hectares. US Sep/Feb 2013/14 soybean exports are expected to reach a record 34.8 Mn T. Brazil is expected to harvest 90 Mn T this season.
- According to local reports, the soybean in Brazil is in the period of germination to plant development stage and the crop condition is good. Various analyst forecast soybean crop in Brazil between 89.5-91.5 million tons in the current marketing year.
- According to the oil world, soybean prices is likely to fall in the next coming months owing to good South American soybean crop prospects and in anticipation of higher soybean acreage in US. Brazilian soybean production in the current MY seen at 90 million tons. While, Argentina's crop probably also will be an all-time high of as much as 55 million tons. On the demand side, U.S. and South America's top five producer exports totaled 32.72 million tons from Sept-Dec 2013, up 23 percent from the corresponding year of last year.
- China is likely to imports 46.1 lakh tons of soybeans in January - Ministry. China imported 63.38 million tons of soy in 2013, a rise of 8.6 percent from the year due to expand in crushing capacity and good demand. December soybean imports jumped 26 percent on Y-o-Y basis to 7.4 million tons.
- On the international front, adequate soybean supplies, beneficial rains over key Argentinean soybean growing regions and on an estimated rise in global soy, supplies may favor the bears. While, good demand from china may limit downside risk in the prices.

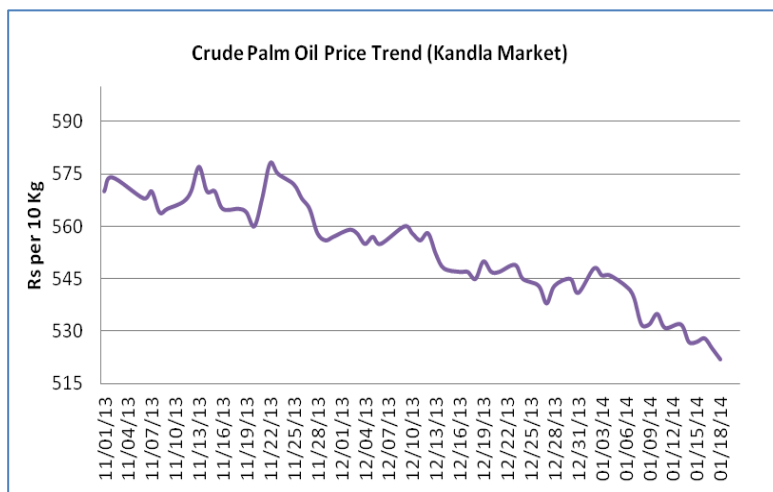
### Price Outlook:

We expect refined soy oil at Indore (with VAT) to stay in the range of 675-696 per 10 Kg in the near term.

## Palm oil Fundamental Analysis and Outlook -:

### Domestic Front

- CPO Kandla 5% witnessed steady note during the week in review sideways trend in the international palm oil market and need based buying.
- Indian Government has revised the tariff value for crude palm oil to US \$ 877, RBD palm oil to US \$897, Crude and refined palmolein to 899, 902 (US dollar per metric tons) respectively. Moreover, USD 944 per tons sets as a new base import price for crude soybean oil.
- The CCEA has approved the proposal for increasing the import duty on refined edible oils of vegetable origin to 10 percent to maintain a reasonable differential between import duty on crude and refined vegetable oils to protect the domestic refining industry and domestic farmers. Earlier the import duty on refined edible oils was 7.5 percent.
- At the import front, IBIS figures revealed that Indian buyers imported 3.240 lakh tons of crude palm oil, 2.51 lakh tons of RBD palmolein, 1.83 lakh tons of crude sunflower oil and 0.029 lakh tons of crude palm kernel oil during 30 Dec-12 Jan. 2014. Moreover, Indian buyers imported 58.89 lakh tons of crude palm oil in the 2012-13 oil year( Nov-Oct), which is 1.93 percent lower against corresponding period of last year. Meanwhile, RBD palmolein imports were also higher at 22.2 lakh tons during 2012-13 oil year (Nov-Oct), up 41 percent compared to the last year (SEA of India).
- We expect domestic palm oil prices likely to trade range bound in the days ahead.



### International Front

- CPO at BMD witnessed firm tone on w-o-w basis owing to lower palm oil production and recovery of competing soy oil prices. However, weak demand and higher than expected Malaysian palm oil inventories for December capped the excessive gains. Crude palm oil at BMD April contract ended at RM 2,540 per tons, up by 23 points from last week. Exports of Malaysian palm oil products for Jan 1-15 fell 28 percent to 460,248 tons, from the last corresponding period of the last year - cargo surveyor Intertek Testing Services.
- According to a Malaysian government circular, Malaysia has kept its crude palm oil export tax for February unchanged from the previous month at 5%.
- As per data released by the Malaysian Palm Oil Board (MPOB), palm oil inventories rose 0.3 percent in December to 1.985 million tons. While, the palm oil production fell by 10.75 percent to 1.667 million tons in December. Exports also rose by 0.3 percent to 1.50 million tons from a month ago.
- CPO at BMD may go to 2,600-2,900 ringgits/tons in near term if Brent crude prices remain in the range of \$95-115/barrel and weather remains normal. Moreover, prices could touch 3,000 ringgits/tons by March 2014 for short term - Mistry. As per Indonesian ministry, Indonesia kept its export tax for crude palm oil unchanged at 12 percent for January.
- Higher than expected Malaysian palm oil inventories for December and uncertain palm oil demand as palm oil solidifies in the cold may support the bears in the days ahead. While, slower pace of palm oil production in the South East Asian countries, and in expectation of good biofuel demand may limit downside risk in the palm oil prices.

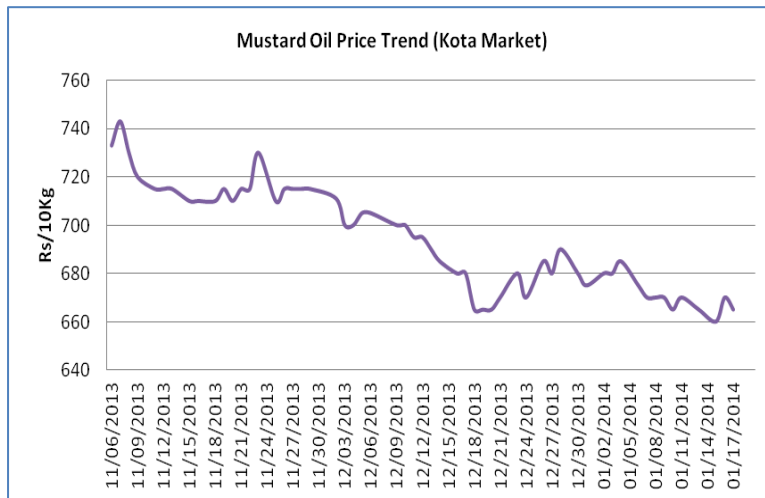
### Price Outlook:

We expect CPO Kandla 5% (with VAT) to stay in the range of 520-540 per 10 Kg in the near term.

### Rapeseed oil Fundamental Review and Analysis:-

#### Domestic Front

- Mustard oil featured steady to weak tone during the week at the Kota market due to higher mustard seed sowing report and adequate edible oils supplies in the cash market.
- Sown area for Rabi groundnut seed stood at 70.35 lakh hectares as on 09 Jan. 2014, up 4.13 lakh hectares compared to the corresponding period last year - Ministry of Agriculture.
- Weakness in the edible oil complex, higher mustard seed planting report, and higher veg. oil imports during the last two months support the bears in the coming weeks. Indian buyers imported 1.48 lakh tons of crude rapeseed oil during 30 Dec -12 Jan 2014.
- As per Agriwatch estimates, mustard oil output seen at 29.2 lakh tons, up 22 percent from the previous oil year. 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 in the days ahead.

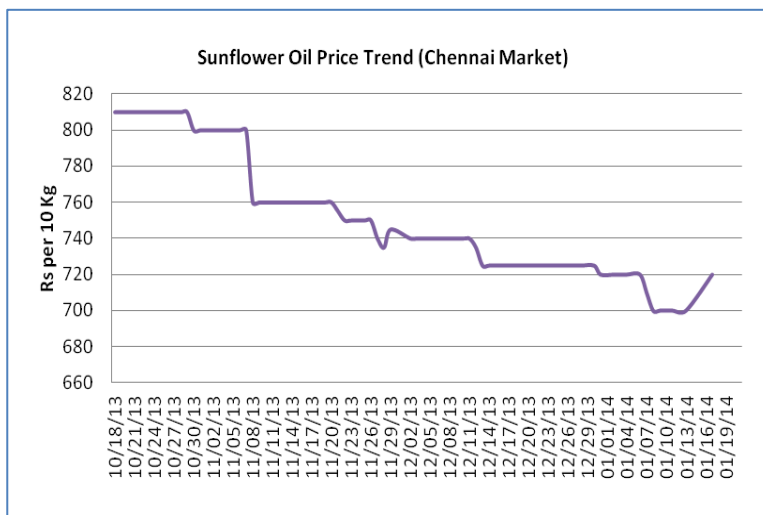


**Price Outlook:** Rapeseed oil (without VAT) prices in Kota may stay in the range of Rs 655-680 per 10 Kg.

### Sunflower oil Fundamental Review and Analysis:-

#### Domestic Front

- Sunflower oil featured steady to weak tone at its benchmark market Chennai during the week owing to stable demand from stockists and higher imports during last three months.
- As per Ministry of Agriculture, sown area for Rabi sunflower seed stood at 3.80 lakh hectares as on 09 Jan. 2014, down 0.70 lakh hectares compared to the corresponding period last year.
- At import front, Indian buyers imported 1.83 lakh tons of crude sunflower oil during 30 Dec-12Jan majorly from Ukraine and Argentina. While, SEA of India reports that crude sunflower oil imports by India during November of 2013-14-oil year (Nov-Oct) were 1.20 lakh tons. However, imports were higher on y-o-y basis in November by 0.73 lakh tons. As pre Dorab Mistry, sunflower oil imports may rise by 23 percent to 12 lakh tons during 2013-14. Indian buyers imported 9.73 lakh tons during 2013-13 oil year.
- We expect sunflower oil prices may trade with steady tone in the near term.



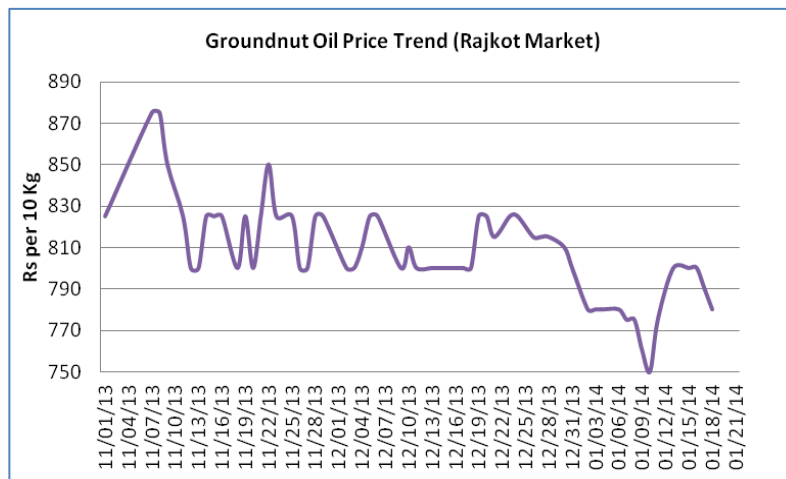
#### International Front

- As per UkrAgroConsult, Ukraine sunflower seed production in the current year seen at 10.3 million tons, down 0.1 million tons from last year in expectation of lower sunflower seed acreage

**Price Outlook:** Sunflower oil (with VAT) prices in Chennai may stay in the range of Rs 670-720 per 10 Kg.

### Groundnut oil Fundamental Review and Analysis:- Domestic Front

- Groundnut oil depicted weak movement at its benchmark market (Rajkot) during the week due to higher groundnut seed production in the current season and adequate supplies.
- Good supplies against average demand likely to pressurize the groundnut oil prices in the coming weeks. Most of the raw material consumed by oil millers. While weak export demand for groundnut seed noticed. However, lower quotes of groundnut oil may support the retail demand and could curb excessive losses.
- As per SOMA, lower price difference between G/N oil and other edible oils support the retail demand. Currently, demand has crossed over 250 tons per day. Groundnut seed production could be around 25.95 lakh tons. While, last year groundnut production was seven lakh tons (SEA of India). Sown area for Rabi groundnut seed stood at 5.59 lakh hectares as on 09 Jan. 2014, down 0.55 lakh hectares compared to the corresponding period last year - Ministry of Agriculture.
- As per Agriwatch, groundnut oil production for 2013-14 marketing year is projected at six lakh tons which are higher than last year production estimate of 3.28 lakh tons.
- We expect groundnut oil prices may trade sideways in the days ahead.

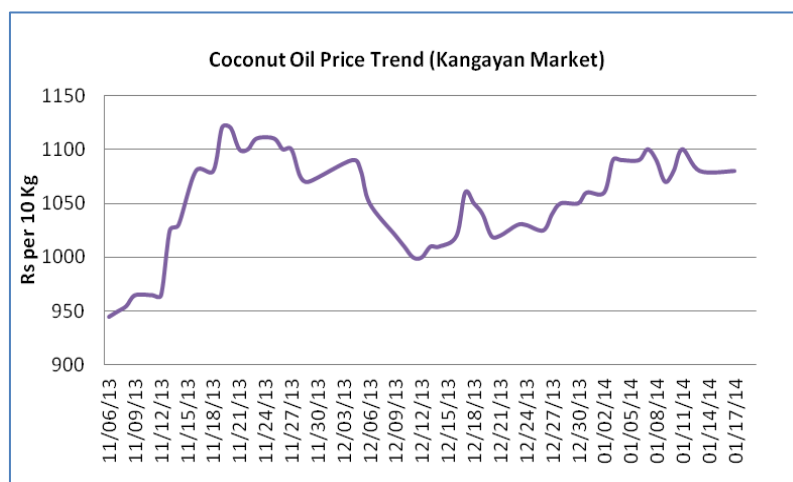


### Price Outlook

Groundnut oil (without VAT) in Rajkot market is likely to trade in the price band of Rs 760-810 per 10 Kg.

### Coconut Oil Fundamental Review and Analysis:- Domestic Front

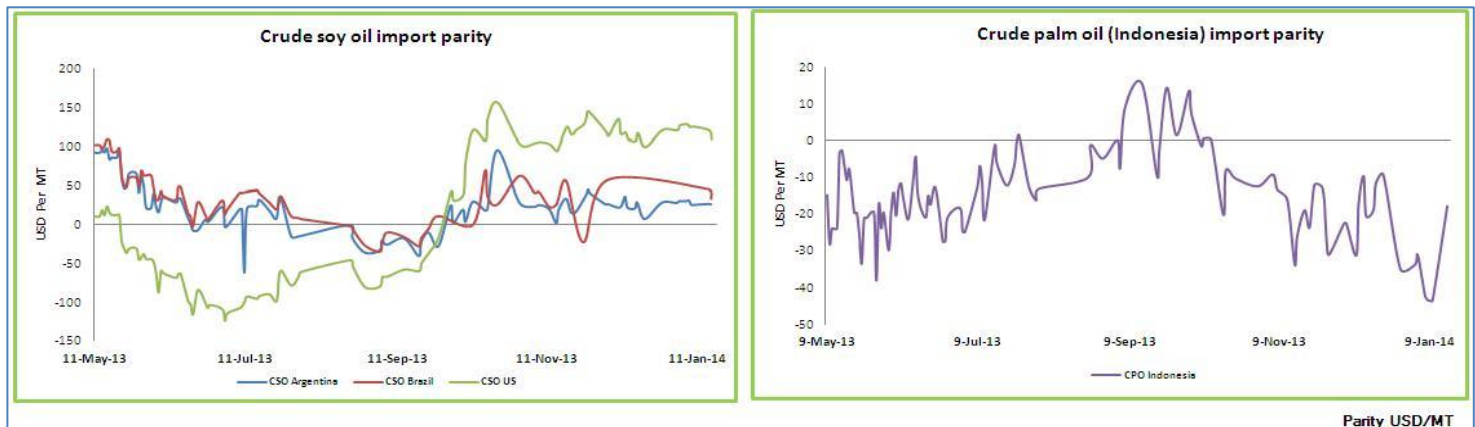
- Coconut oil featured steady tone at its benchmark market Kangayan during the week due to lackluster buying interest and coconut oil markets were inactive due to festivities.
- Lower demand at higher quotes, weakness in the palm oil prices, and copra stocks offload by stockists likely to support the bears for the short term. However, lean season and coconut crop damage in Philippines may limit excessive losses in the domestic prices As per Dorab Mistry, international coconut oil prices may go to US dollar 1500 per tons and above in 2014. Moreover, likely to trade with higher premiums compared to the palm kernel oil.
- We expect coconut oil prices may trade range bound in the coming week.



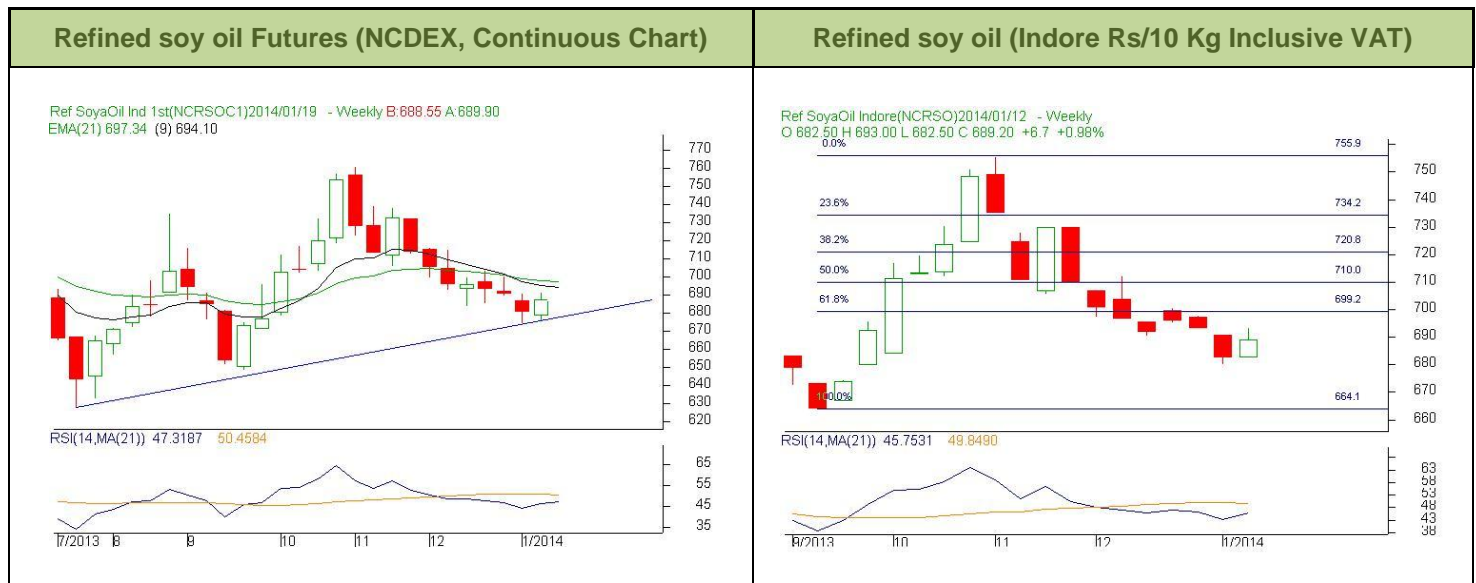
**Price Outlook:** Coconut oil (without VAT) prices in Erode may stay in the range of Rs 1075-1120 per 10 Kg.

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

<b>Landed Cost Calculation as on 17/12/2013</b>	<b>CSO Argentina</b>	<b>CSO Brazil</b>	<b>CSO US</b>	<b>CPO Indonesia</b>
FOB USD per ton	841	844	773	NA
Freight (USD/MT)	75	65	60	32.0
C & F	916.0	909.0	833.0	-
Weight loss (0.25% of FOB)	2.10	2.11	1.93	-
Finance charges (0.4% on CNF)	3.66	3.64	3.33	-
Insurance (0.3% of C&F)	3	3	2	-
CIF (Indian Port - Kandla)	925	917	841	-
CVD	0	0	0	0
Duty USD per ton	23.60	23.60	23.60	21.93
CVD value USD per ton	0	0	0	0
Cess (2% on duty) USD per ton	0.472	0.472	0.472	0.4385
Exchange rate	61.35	61.35	61.35	61.35
Landed cost without customs duty in INR per ton	56719	56287	51581	-
Customs duty %	2.5%	2.5%	2.5%	2.5%
Base import price	944	944	944	877
Fixed exchange rate by customs department	62.30	62.30	62.30	62.30
Duty component in INR per ton	1470.28	1470.28	1470.28	1365.93
Clearing charges INR per ton	483	483	483	483
Brokerage INR per ton	190	190	190	190
Total landed cost INR per ton	58862	58430	53724	-
Domestic Market price INR/ton Soy Degum Kandla/CPO Kandla 5%	60500	60500	60500	52800
Total landed cost USD per ton	959	952	876	-
Domestic Market price USD/tons Soy Degum Kandla/CPO Kandla 5%	986	986	986	861
<b>Parity INR/MT (Domestic - Landed)</b>	<b>1638</b>	<b>2070</b>	<b>6776</b>	<b>-</b>
<b>Parity USD/MT (Domestic - Landed)</b>	<b>26.70</b>	<b>33.74</b>	<b>110.45</b>	<b>-</b>
Source: Agriwatch/ Reuters				


**Outlook:-**

Import parity for crude soy oil from Argentina is hovering in positive territory due to higher domestic prices as compared to the international prices. We expect import parity to be in the positive side in the coming days.

**Technical Analysis (Refined soy oil Weekly Charts)**


**Outlook – Prices are likely to trade with a steady to slightly firm note in the days ahead. Investors are advised to buy refined soy oil (Feb. contract).**

- ❖ Weekly chart of refined soy oil at NCDEX depicts steady to firm tone. We expect prices may trade with a steady to slightly firm note in the near term.
- ❖ Any close below 664 in weekly chart shall change the sentiments and might take the prices to a bearish phase.
- ❖ Expected price band for next week is 670-682 level in near to medium term. RSI is near to neutral zone and shows evidence of divergence with the ref. soy oil prices.

**Strategy:** Market participants are advised to go long in RSO above 670 levels for a target of 680 and 682 with a stop loss at 664 on closing basis.

**RSO NCDEX**

Support and Resistance				
S2	S1	PCP	R1	R2
661.00	665.00	673.20	688.00	695.00

**Spot Market outlook:** Refined soy oil Indore is likely to stay in the range of 675-696 per 10 Kg.

### Technical Analysis (Crude Palm oil Weekly Charts)



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

- ❖ Candlestick weekly chart of crude palm oil at MCX depicts consolidation in the prices. We expect prices may trade with a steady to slightly firm note in the near term.
- ❖ Any close below 524 in weekly chart shall change the sentiments and might bring the prices to a bearish phase.
- ❖ Expected price band for next week is 530-542 level. RSI is moving towards neutral zone suggesting likely range bound movement in the coming week.

**Strategy:** Market participants are advised to go long in CPO above 530 for a target of 540 and 542 with a stop loss at 524 on closing basis.

#### CPO MCX

Support and Resistance				
S2	S1	PCP	R1	R2
518.00	522.00	530.00	546.00	552.00

**Spot Market outlook:** Crude palm oil 5% is likely to trade sideways in the coming week. The prices are likely to stay in the range of 522-540 per 10 Kg.

Veg. Oil Prices at Key Spot Markets

Commodity	Centre	Prices(Per 10 Kg)		Change
		17-Jan-14	10-Jan-14	
Refined Soybean Oil	Kota(Loose)	665	655	10
	Rajkot (Loose)	635	640	-5
	Jaipur (Loose)	NA	NA	-
	Hyderabad+ VAT	NA	NA	-
	Delhi (Loose)	695	700	-5
	Kakinada	NA	NA	-
	Mumbai +VAT	650	650	Unch
	Indore	660	648	12
	Soy Degum Mumbai+VAT	610	623	-13
	SoyDegum Kandla/Mundra+VAT	605	622	-17
	Haldiya Port (Loose)	671	676	-5
	Akola (Loose)	676	668	8
	Amrawati (Loose)	676	668	8
	Jalna	681	671	10
	Nagpur	686	678	8
Palm Oil	Chennai.RBD.Palmolein.(Loose)	580	586	-6
	Hyd. RBD Palmolein VAT	580	575	5
	Delhi RBD Palmolein (Loose)	610	600	10
	Kandla CPO (5%FFA)	525	535	-10
	Kakinada.RBD.Palmolein(Loose)	561	560	1
	Mumbai RBD Pamolein+ VAT	572	575	-3
	Kandla RBD Palmolein +VAT	565	572	-7
Refined Sunflower Oil	Mumbai + VAT	670	700	-30
	Kandla/Mundra	620	625	-5
	Erode (Exp. Oil)+VAT	695	700	-5
	Hyderabad Exp +VAT	651	661	-10
	Chennai (Loose)	720	700	20
	Bellary (Exp. Oil)+VAT	611	614	-3
	Latur (Exp. Oil)+VAT	616	621	-5
	Chellakere (Exp. Oil)+VAT	611	611	Unch
Groundnut Oil	Rajkot (Loose)	790	750	40
	Chennai (Loose)	720	720	Unch
	Delhi (Loose)	725	700	25
	Hyderabad Exp +VAT	789	794	-5

	Mumbai + VAT	800	780	20
	Gondal+VAT	780	750	30
	Jamnagar +VAT	780	750	30
	Narsarropeth+VAT	720	730	-10
	Prodattour+VAT	681	681	Unch
Rapeseed Oil	Mumbai (Exp. Oil) +VAT	700	700	Unch
	Alwar (Expeller Oil)(Loose)	696	691	5
	Kota (Expeller Oil) (Loose)	665	665	Unch
	Jaipur (Expeller Oil) (Loose)	688	689	-1
	Delhi (Exp. Oil) (Loose)	720	724	-4
	SriGangaNagar(ExpOil-Loose)	687	695	-8
	Hapur+VAT	745	747	-2
	Kolkata	NA	NA	-
	Agra (Kacchi Ghani Oil) +VAT	747	740	7
Refined Cottonseed Oil	Mumbai +VAT	625	608	17
	Rajkot (Loose)	602	605	-3
	Delhi (Loose)	610	590	20
	Hyderabad (Loose)	NA	575	-
Coconut Oil	Kangayan (Crude)	1080	1080	Unch
	Cochin	1090	1080	10
	Trissur	1085	1080	5
Sesame Oil	Delhi	1150	1200	-50
	Mumbai	1200	1200	Unch
Kardi	Mumbai	1000	1000	Unch
Rice Bran Oil (40%)	Delhi	NA	NA	-
Rice Bran Oil (4%)	Punjab	500	510	-10
Malaysia Palmolein USD/MT	FOB (January Shipment)	NA	798	-
	CNF (January Shipment) India	820	830	-10
Indonesia CPO USD/MT	FOB (February-March Shipment)	NA	813	-
	CNF (January Shipment) India	827.5	835	-7.5
<b>Argentina FOB (\$/MT)</b>		<b>16-Jan-14</b>	<b>10-Jan-14</b>	<b>Change</b>
Crude Soybean Oil Ship		NA	856	-
Refined Soy Oil (Bulk) Ship		NA	885	-
Sunflower Oil Ship		NA	NA	-
Cottonseed Oil Ship		NA	836	-



Refined Linseed Oil (Bulk) Ship	NA	NA	-
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