

Outlook and Review

Domestic Veg. Oil Market Summary

Compared to the last week, edible oil basket featured mixed tone during the week under review. Groundnut, mustard, and cottonseed oil quoted down tracking bearish fundamentals and dull demand against adequate supplies. While, soy and coconut oil prices featured steady to slightly firm note on w-o-w basis.

On the currency front, Indian rupee against USD closed (01 Feb. 2014) at 62.65, up 0.02 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 and inventories figures.

We expect edible oil complex to trade sideways 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 upside risk in the prices.

International Veg. Oil Market Summary

CBOT soy oil (Mar) is expected to stay in the range of 37.00 cents/lb to 38.80 cents/lb. CPO at BMD (Apr) is likely to trade in the range of 2490-2640 ringgit per tons. Exports of Malaysian palm oil products for January 1 to 25 fell 10.5 per cent to 1,017,662 tons from 1,137,374 tons shipped during December 1 to 25 - Cargo surveyor Societe Generale de Surveillance.

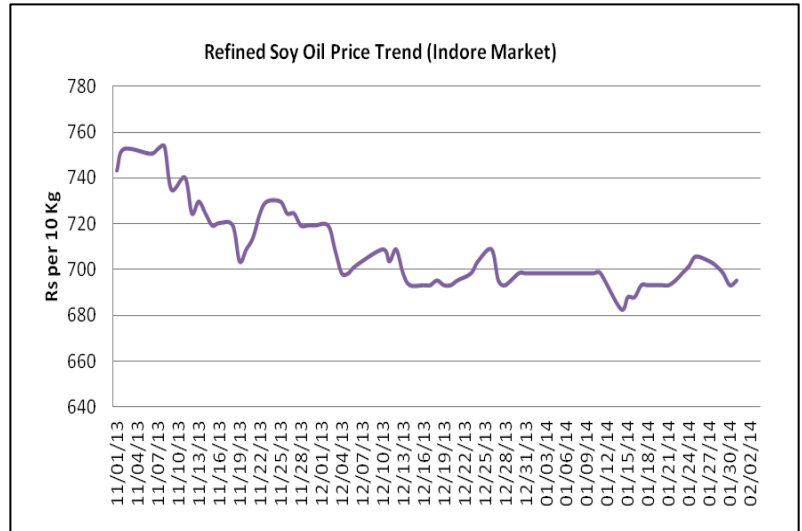
On the international front, adequate soybean supplies, higher South American soybean production estimates in the current season and on an estimated rise in global oilseed supplies may favor the bears. While, good demand from China could limit excessive downside risk in the prices.

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 tracking need-based demand at spot market and slight losses in the international oil & fats market.
- Higher South American soybean production estimates, adequate edible oils supplies in the cash market and in expectation of higher Rabi mustard output support the bears in the medium term. However, renewed demand at lower quotes favor slight gains for the short term.
- 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.
- 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 tone in the coming days.



International Front

- 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, world soybean production seen at 287.8 million tons in the current year MY (2013/14), up 0.2 million tons from the previous forecast. Brazil's soy crop projection pegged at 89.5 million tons and Argentina's to 54 million tons because of dry weather - Oil world. 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.
- The Buenos Aires Grain Exchange forecasts Argentina's 2014 soybean production seen at 53 million tons, up 9.2 percent from the last year. In the previous season, Argentina produced 48.5 million tons of soybeans.
- According to FCStone, Brazil's soybean production for 2014 seen at 90.2 million tons, up 0.5 million tons from previous forecast of 89.3. While, last year Brazil produced 81.5 million tons of soybean.
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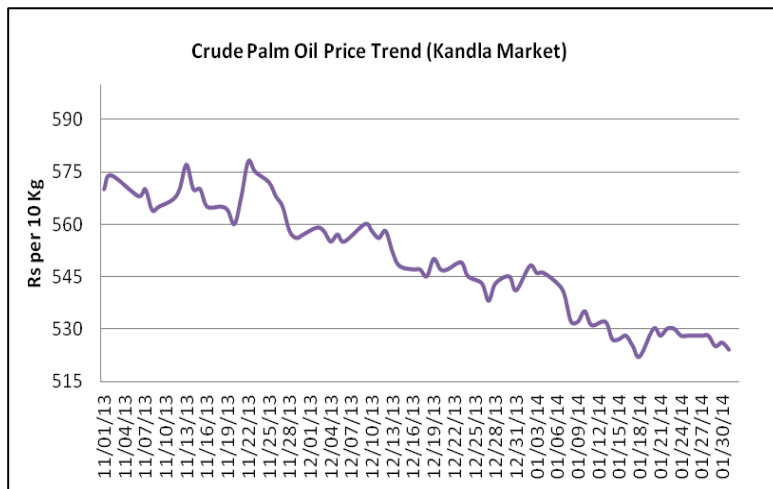
Price Outlook:

We expect refined soy oil at Indore (with VAT) to stay in the range of 682-702 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 due to need based buying.
- As per the latest government notification, Indian Government has revised the tariff value for crude palm oil to US \$ 857, RBD palm oil to US \$880, Crude and refined palmolein to 869, 899 (US dollar per metric tons) respectively. Moreover, USD 917 per tons sets, as a new base import price for crude soybean oil Tariff value is the base price at which the customs duty is determined to prevent under-invoicing.
- 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).
- 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.
- We expect domestic palm oil prices likely to trade range bound in the days ahead.



International Front

- CPO at BMD witnessed slight losses on w-o-w basis owing to lower volumes ahead of Chinese New Lunar Year. 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 2,559 per tons, up by 31 points from last week. Exports of Malaysian palm oil products for January 1 to 25 fell 10.5 per cent to 1,017,662 tons from 1,137,374 tons shipped during December 1 to 25 - Cargo surveyor Societe Generale de Surveillance.
- 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.
- China imports 6,52,503 tons of palm oil and 89,501 tons of soy oil during December, down 31.6% and 55.8% on Y-o-Y basis respectively – Chinese Customs Department.
- 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.

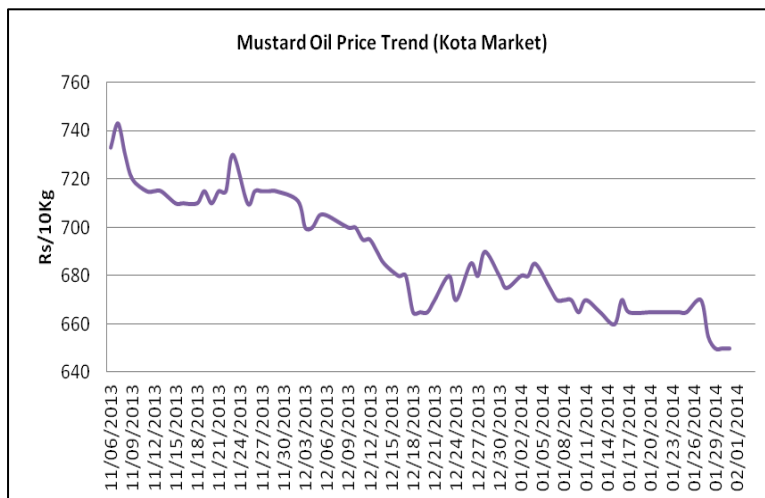
Price Outlook:

We expect CPO Kandla 5% (with VAT) to stay in the range of 525-545 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 lackluster buying against adequate edible oils supplies and higher mustard seed sowing report support the crop production prospects.
- As per Agriwatch estimates, mustard seed production seen at 75.6 lakh tons, up 3.6 lakh tons from the previous oil year and mustard oil output seen at 27.97 lakh tons in 2013-14 Oil year (Nov-Oct). Meanwhile, the government target mustard seed production forecast for 2013/14 sets at 7.49 million tons. As per Oil world, world production of rapeseed was pegged at 69.3 million tons, up 8.4 per cent from a year earlier.
- Adequate edible oil supplies in the cash market and higher mustard seed planting report support the bears in the coming weeks. However, renewed demand could witness at lower quotes. Indian buyers imported 1.48 lakh tons of crude rapeseed oil during 30 Dec -12 Jan 2014.
- 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.
- We expect RM seed oil prices may trade range bound in the days ahead.

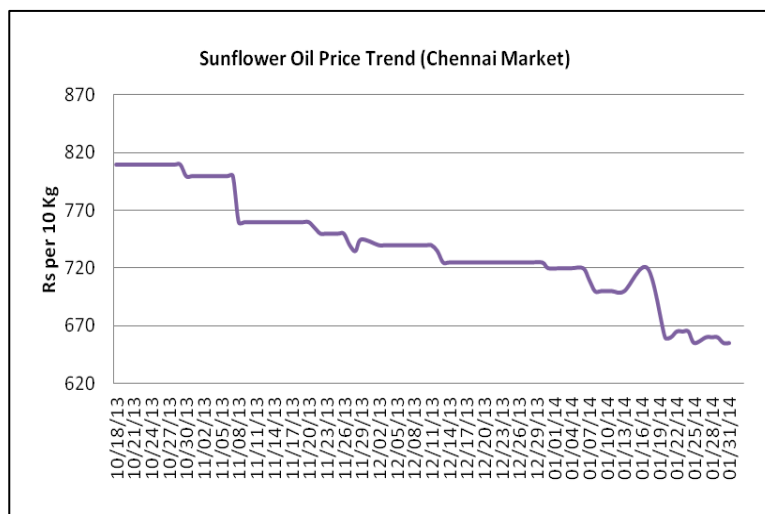


Price Outlook: Rapeseed oil (without VAT) prices in Kota may stay in the range of Rs 638-660 per 10 Kg.

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.
- At import front, Indian buyers imported 1.83 lakh tons of crude sunflower oil during 30 Dec-12 Jan 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.
- 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.
- We expect sunflower oil prices may trade with steady tone in the near term.



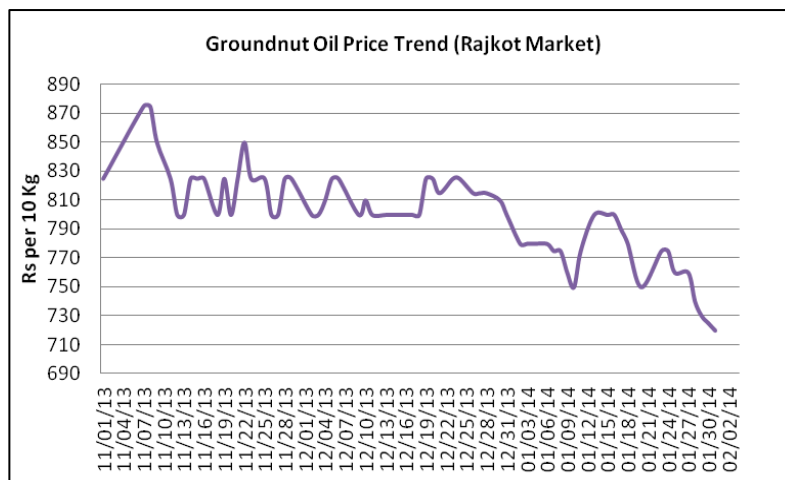
International Front

- Global sunflower seed output projection for 2013/14 pegged at 41.6 million tons, up 17 percent higher than the previous season in expectation of higher sunseed production in Ukraine and Russia – Oil World.

Price Outlook: Sunflower oil (with VAT) prices in Chennai may stay in the range of Rs 650-685 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.
- As per sources, weak export demand for groundnut seed, good availability of raw material for crushing and higher groundnut seed production in major peanut exporting countries (US & Argentina) support the bears in the coming days. While, lower quotes of groundnut oil compared to other competing oils could support the retail demand.
- As per SOMA, lower price difference between G/N oil and other edible oils support the retail demand. 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 is higher than last year production estimate of 3.28 lakh tons.
- We expect groundnut oil prices may trade sideways in the days ahead.

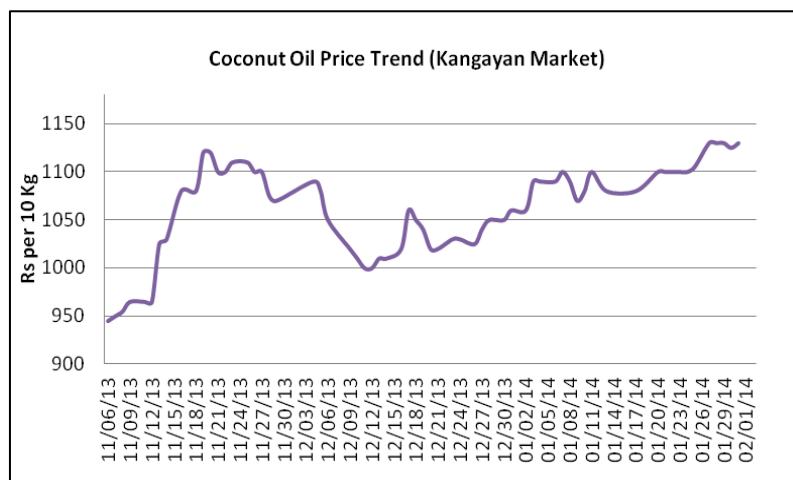


Price Outlook

Groundnut oil (without VAT) in Rajkot market is likely to trade in the price band of Rs 700-770 per 10 Kg.

Coconut Oil Fundamental Review and Analysis:- Domestic Front

- Coconut oil featured steady to slightly firm tone at its benchmark market Kangayan during the week due to firmness in the international coconut oil market. However, limited buying interest at higher quotes limit the upside risk in the prices.
- Lower arrivals of copra, lean season, and coconut crop damage in Philippines support the market sentiments. Meanwhile, limited demand for coconut oil at higher quotes is likely to support the bears for the short term. 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.

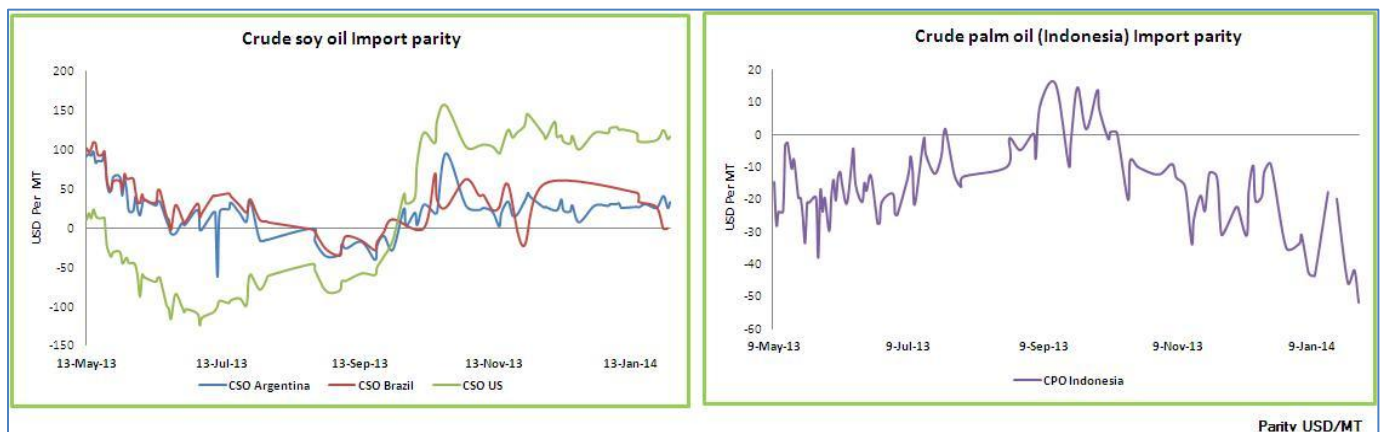


Price Outlook: Coconut oil (without VAT) prices in Erode may stay in the range of Rs 1090-1155 per 10 Kg.

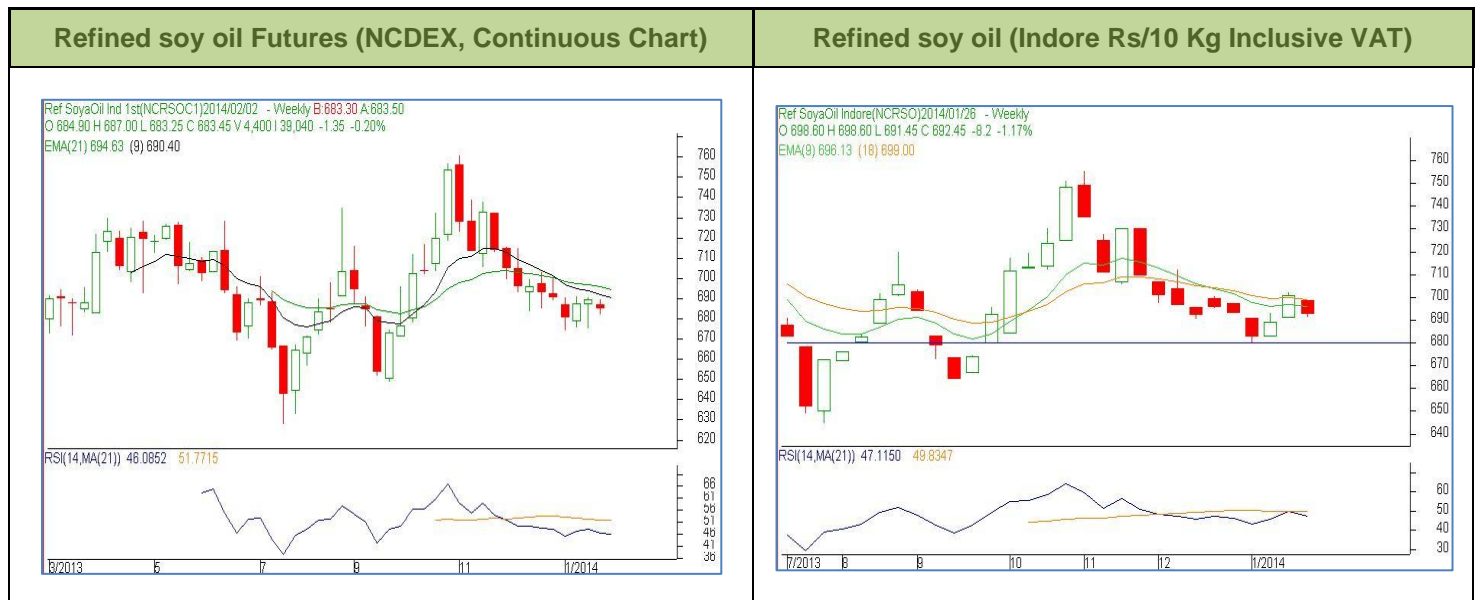
Landed Cost at the Indian Ports - Crude soy oil and Crude palm oil

Landed Cost Calculation as on 31/01/2014	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia
FOB USD per ton	825	NA	757	NA
Freight (USD/MT)	75	65	60	35.0
C & F	900.0	65.0	817.0	-
Weight loss (0.25% of FOB)	2.06	-	1.89	-
Finance charges (0.4% on CNF)	3.60	0.26	3.27	-
Insurance (0.3% of C&F)	3	0	2	-
CIF (Indian Port - Kandla)	908	-	825	-
CVD	0	0	0	0
Duty USD per ton	24.36	24.36	24.36	22.63
CVD value USD per ton	0	0	0	0
Cess (2% on duty) USD per ton	0.487104	0.487104	0.487104	0.452532
Exchange rate	62.47	62.47	62.47	62.47
Landed cost without customs duty in INR per ton	56745	-	51513	-
Customs duty %	2.58%	2.58%	2.58%	2.58%
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	1517.33	1517.33	1517.33	1409.64
Clearing charges INR per ton	483	483	483	483
Brokerage INR per ton	190	190	190	190
Total landed cost INR per ton	58936	-	53704	-
Domestic Market price INR/ton Soy Degum Kandla/CPO Kandla 5%	61000	61000	61000	52400
Total landed cost USD per ton	943	-	860	-
Domestic Market price USD/tons Soy Degum Kandla/CPO Kandla 5%	976	976	976	839
Parity INR/MT (Domestic - Landed)	2064	-	7296	-
Parity USD/MT (Domestic - Landed)	33.04	-	116.80	-

Source: Agriwatch


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) on dips.

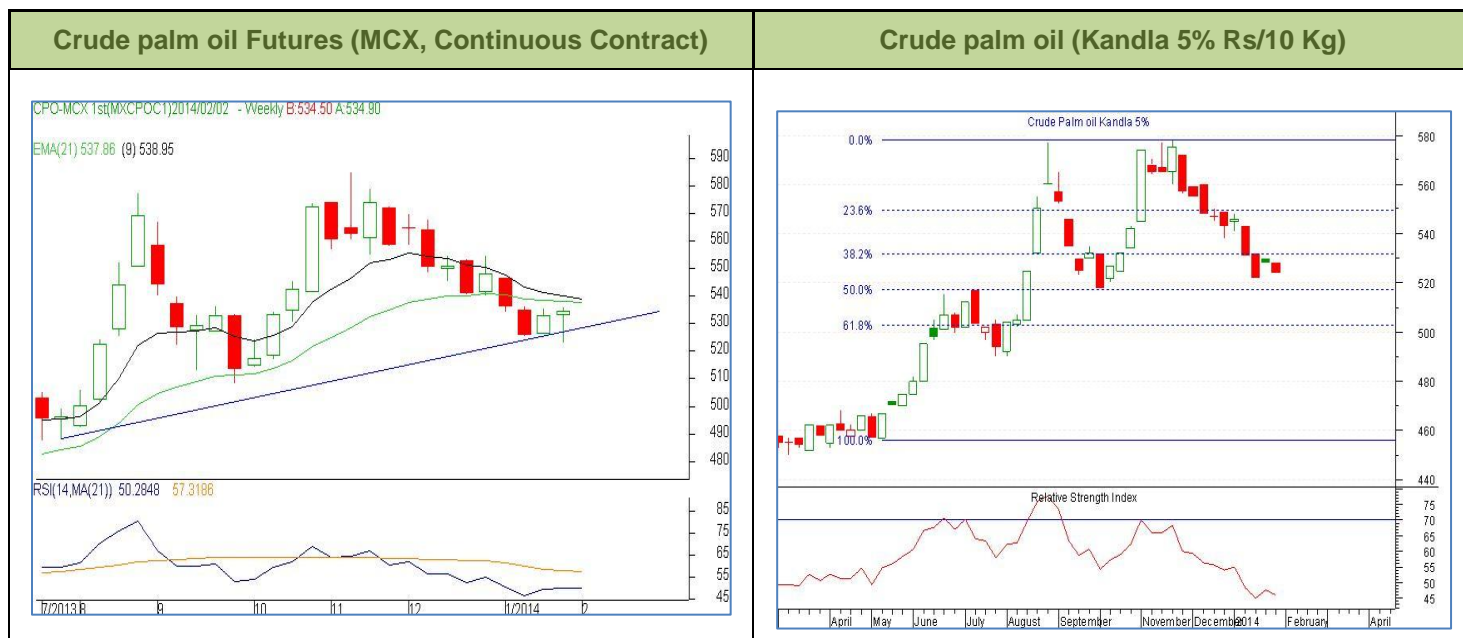
- ❖ Weekly chart of refined soy oil at NCDEX depicts steady to firm tone. We expect prices may trade with a steady to slightly firm note in the near term.
- ❖ Any close below 674.70 in weekly chart shall change the sentiments and might take the prices to a bearish phase.
- ❖ Expected price band for next week is 680-692 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 680 levels for a target of 689 and 692 with a stop loss at 674.70 on closing basis.

RSO NCDEX

Support and Resistance				
S2	S1	PCP	R1	R2
665.00	672.00	684.80	695.00	700.00

Spot Market outlook: Refined soy oil Indore is likely to stay in the range of 682-702 per 10 Kg.

Technical Analysis (Crude Palm oil Weekly Charts)


Outlook - Prices may trade with a steady to slightly firm 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 note in the near term.
- ❖ Any close below 526.20 in weekly chart shall change the sentiments and might bring the prices to a bearish phase.
- ❖ Expected price band for next week is 531-541 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 531 for a target of 539 and 541 with a stop loss at 526.20 on closing basis.

CPO MCX

Support and Resistance				
S2	S1	PCP	R1	R2
520.00	525.00	539.20	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 525-545 per 10 Kg.

Veg. Oil Prices at Key Spot Markets

Commodity	Centre	Prices(Per 10 Kg)		Change
		31-Jan-14	24-Jan-14	
Refined Soybean Oil	Kota(Loose)	650	665	-15
	Rajkot (Loose)	630	640	-10
	Jaipur (Loose)	NA	NA	-
	Hyderabad+ VAT	NA	NA	-
	Delhi (Loose)	685	698	-13
	Kakinada	NA	NA	-
	Mumbai +VAT	650	650	Unch
	Indore	662	668	-6
	Soy Degum Mumbai+VAT	610	612	-2
	SoyDegum Kandla/Mundra+VAT	610	612	-2
	Haldiya Port (Loose)	NA	NA	-
	Akola (Loose)	NA	NA	-
	Amrawati (Loose)	NA	NA	-
	Jalna	681	686	-5
	Nagpur	NA	NA	-
Palm Oil	Chennai.RBD.Palmolein.(Loose)	583	580	3
	Hyd. RBD Palmolein VAT	555	550	5
	Delhi RBD Palmolein (Loose)	610	608	2
	Kandla CPO (5%FFA)	524	528	-4
	Kakinada.RBD.Palmolein(Loose)	568	571	-3
	Mumbai RBD Pamolein+ VAT	580	575	5
	Kandla RBD Palmolein +VAT	568	565	3
Refined Sunflower Oil	Mumbai + VAT	675	680	-5
	Kandla/Mundra	605	610	-5
	Erode (Exp. Oil)+VAT	680	685	-5
	Hyderabad Exp +VAT	646	646	Unch
	Chennai (Loose)	655	665	-10
	Bellary (Exp. Oil)+VAT	611	611	Unch
	Latur (Exp. Oil)+VAT	621	616	5
	Chellakere (Exp. Oil)+VAT	591	581	10
Groundnut Oil	Rajkot (Loose)	720	775	-55
	Chennai (Loose)	730	720	10
	Delhi (Loose)	725	725	Unch
	Hyderabad Exp +VAT	783	789	-6
	Mumbai + VAT	770	800	-30
	Gondal+VAT	720	775	-55
	Jamnagar +VAT	720	775	-55
	Narsarropeth+VAT	690	690	Unch
	Prodattour+VAT	681	691	-10



Rapeseed Oil	Mumbai (Exp. Oil) +VAT	680	700	-20
	Alwar (Expeller Oil)(Loose)	671	694	-23
	Kota (Expeller Oil) (Loose)	650	665	-15
	Jaipur (Expeller Oil) (Loose)	670	698	-28
	Delhi (Exp. Oil) (Loose)	695	722	-27
	SriGangaNagar(ExpOil-Loose)	677	682	-5
	Hapur+VAT	735	740	-5
	Kolkata	NA	NA	-
	Agra (Kacchi Ghani Oil) +VAT	725	740	-15
Refined Cottonseed Oil	Mumbai +VAT	622	635	-13
	Rajkot (Loose)	620	640	-20
	Delhi (Loose)	610	620	-10
	Hyderabad (Loose)	545	560	-15
Coconut Oil	Kangayan (Crude)	1130	1100	30
	Cochin	1105	1105	Unch
	Trissur	1155	1120	35
Sesame Oil	Delhi	1120	1150	-30
	Mumbai	1180	1200	-20
Kardi	Mumbai	950	1000	-50
Rice Bran Oil (40%)	Delhi	NA	NA	-
Rice Bran Oil (4%)	Punjab	500	510	-10
Malaysia Palmolein USD/MT	FOB (January Shipment)	Closed	797.5	-
	CNF (January Shipment) India	830	830	Unch
Indonesia CPO USD/MT	FOB (February-March Shipment)	Closed	815	-
	CNF (January Shipment) India	835	840	-5
Argentina FOB (\$/MT)		30-Jan-14	23-Jan-14	Change
Crude Soybean Oil Ship		822	832	-10
Refined Soy Oil (Bulk) Ship		850	861	-11
Sunflower Oil Ship		NA	NA	-
Cottonseed Oil Ship		802	NA	-
Refined Linseed Oil (Bulk) Ship		842	977	-135

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