

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 and mustard oil quoted down tracking bearish fundamentals and dull demand against adequate supplies. While, soy and palm oil prices featured steady to slightly firm note on w-o-w basis.

On the currency front, Indian rupee against USD closed (09 Feb. 2014) at 62.28, up 0.58 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 US soybean inventories 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 upside risk in the prices.

International Veg. Oil Market Summary

CBOT soy oil (Mar) is expected to stay in the range of 38.00 cents/lb to 40.10 cents/lb. CPO at BMD (Apr) is likely to trade in the range of 2515-2640 ringgit per tons. Exports of Malaysian palm oil products for January 1-31 fell 10.8 per cent to 1,296,266 tons from 1,423,644 tons shipped during December 1-31 - Cargo surveyor Societe Generale de Surveillance (SGS).

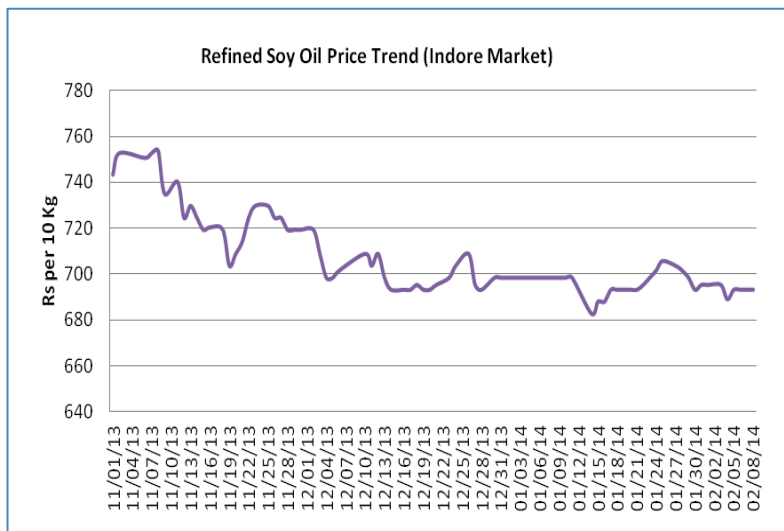
On the international front, adequate soybean supplies, higher South American soybean production estimates in the current season and on an estimated rise in global oilseed supplies may favor the bears. While, good demand from China and talks of crop damage in Brazil could limit downside risk in the prices.

Lower than expected Malaysian palm oil inventories for January and South East Asian countries are in lower palm oil yield phase may support the bulls in the days ahead. While, higher global soybean crop estimates may and adequate supplies may limit excessive gains 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 weak meals export demand in the international oil& fats market.
- Talks of crop loss in Brazil and lower than expected Malaysian palm oil inventories for Jan. could support the domestic soy oil in the near term. However, weak soymeal export demand and need based demand for oil might caps the excessive gains.
- At the import front, IBIS figures revealed that India imported 1.5 lakh tons of crude soybean degummed oil during January 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 to slightly firm tone in the coming days.

International Front

- Infoma cut its forecast for Argentina during 2013/14 to 57 million tons, down 0.5 million tons from its previous figure and raised its projection for Brazil's 2013/14 soybean harvest to 89.7 million tons, up one million tons from its previous forecast.
- 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.
- 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.
- 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.
- 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 and talks of crop damage in Brazil could limit downside risk in the prices.

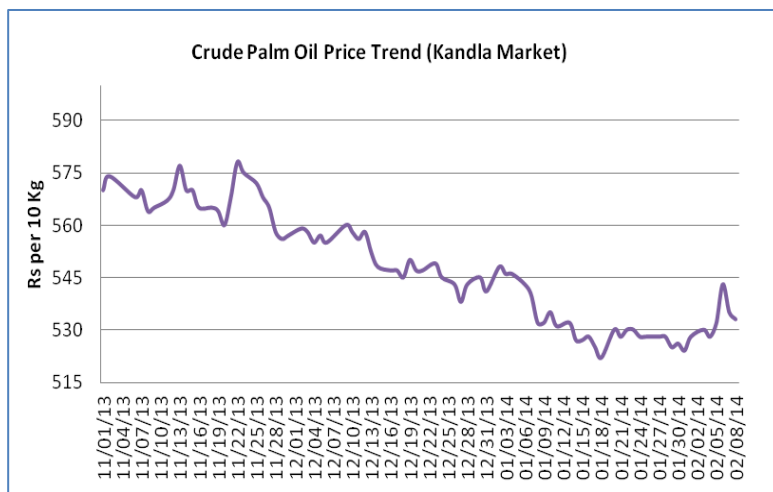
Price Outlook:

We expect refined soy oil at Indore (with VAT) to stay in the range of 680-700 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.
- At the import front, IBIS figures revealed that Indian buyers imported 4.8 lakh tons of crude palm oil, 2.7 lakh tons of RBD palmolein, and 1.88 lakh tons of crude sunflower oil during 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).
- 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.
- We expect domestic palm oil prices likely to trade range bound to slightly firm tone in the days ahead.



International Front

- CPO at BMD witnessed slight gains on w-o-w basis owing to talks of crop damage in Brazil. However, weak export demand capped the excessive gains. Crude palm oil at BMD April contract ended at RM 2,578 per tons, up by 19 points from last week. Exports of Malaysian palm oil products for January 1-31 fell 10.8 per cent to 1,296,266 tons from 1,423,644 tons shipped during December 1-31 - Cargo surveyor Societe Generale de Surveillance (SGS).
- As per MPOB's report, Malaysian palm oil stocks for January eased to 1.93 million tons, down 2.6 percent from the last month. While, palm oil output estimate in Jan pegged at 1.51 million tons and export estimates pegged at 1.36 million tons.
- According to a Malaysian government circular, Malaysia has kept its crude palm oil export tax for February unchanged from the previous month at 5%.
- 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.
- Lower than expected Malaysian palm oil inventories for January and South East Asian countries are in lower palm oil yield phase may support the bulls in the days ahead. While, higher global soybean crop estimates may and adequate supplies may limit excessive gains in the palm oil prices.

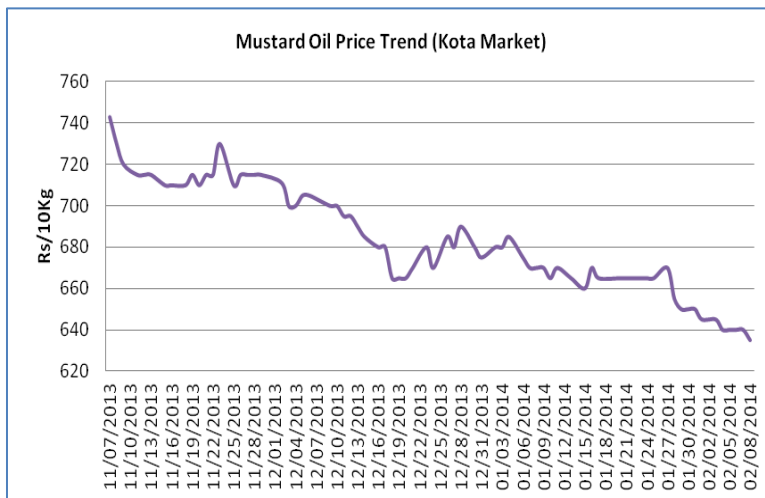
Price Outlook:

We expect CPO Kandla 5% (with VAT) to stay in the range of 530-550 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.
- New mustard seed arrivals noticed from MP and Rajasthan with an average of 0.35 and 0.10 lakh bags on daily basis. Adequate edible oil supplies in the cash market and higher mustard seed planting report support the bears in the coming weeks. Moreover, new crop arrivals are likely to pick up in the coming 10-15 days.
- 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.
- 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.

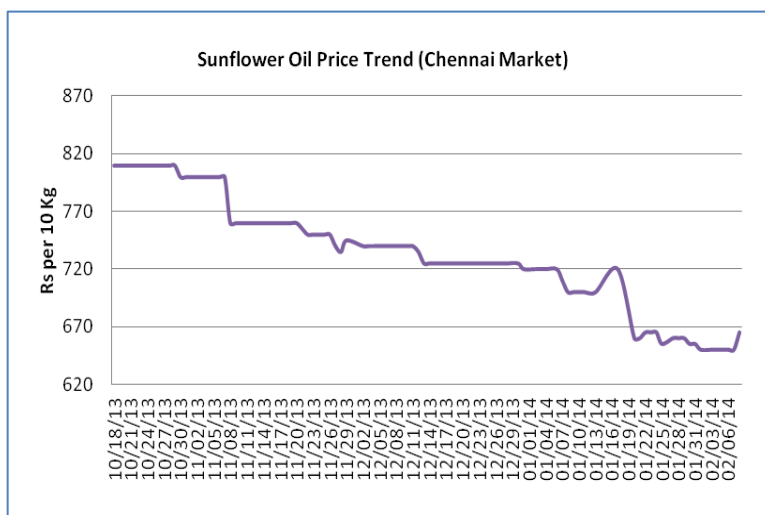


Price Outlook: Rapeseed oil (without VAT) prices in Kota may stay in the range of Rs 620-645 per 10 Kg.

Sunflower oil Fundamental Review and Analysis:-

Domestic Front

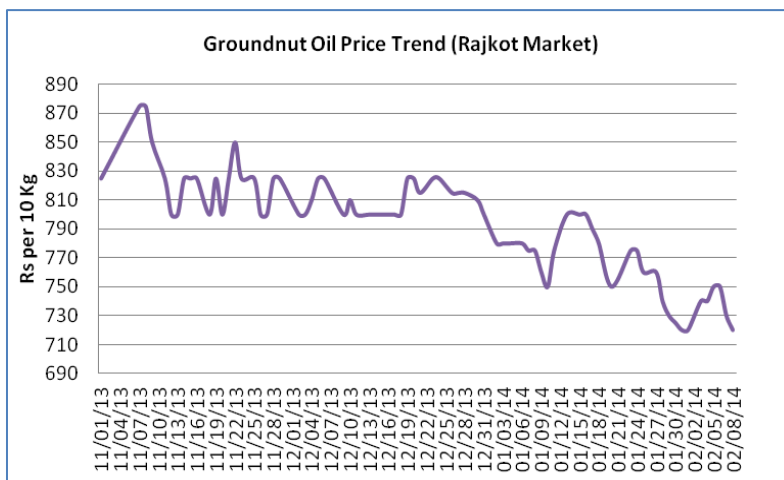
- Sunflower oil featured steady to weak tone at its benchmark market Chennai during the week owing to stable demand from stockists and higher imports during last three months. However, renewed demand limits the excessive losses.
- As per IBIS data, Indian buyers imported 1.88 lakh tons of crude sunflower oil during January majorly from Ukraine. While, SEA of India reports that crude sunflower oil imports by India during Nov-Dec of 2013-14-oil year (Nov-Oct) were 2.27 lakh tons. However, imports were higher on y-o-y basis by 1.11 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.



Price Outlook: Sunflower oil (with VAT) prices in Chennai may stay in the range of Rs 655-695 per 10 Kg.

Groundnut oil Fundamental Review and Analysis:- Domestic Front

- Groundnut oil prices featured losses at its benchmark market (Rajkot) during the week due to higher groundnut seed production in the current season and adequate supplies.
- 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.

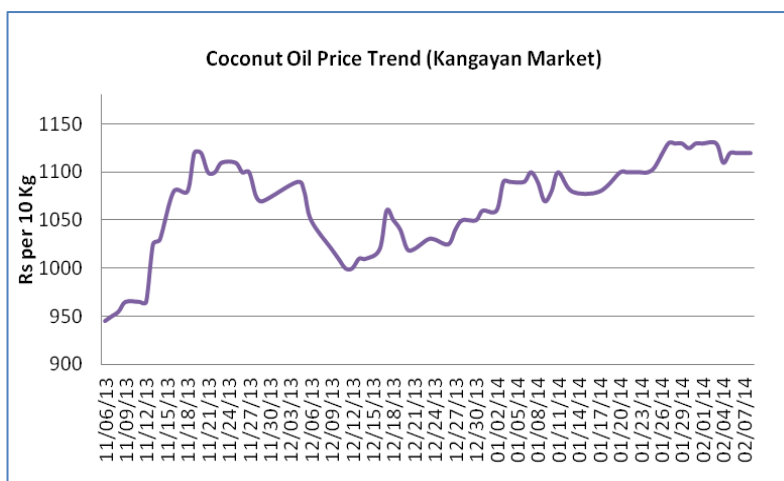


Price Outlook

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

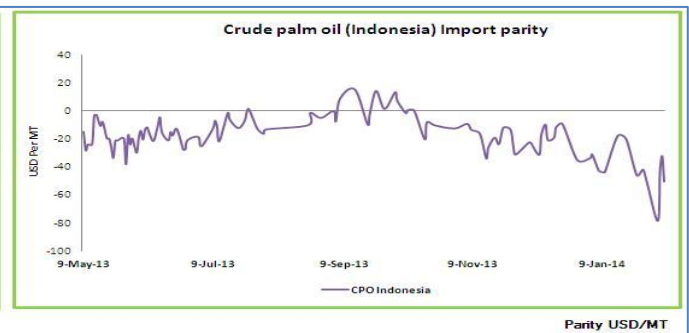
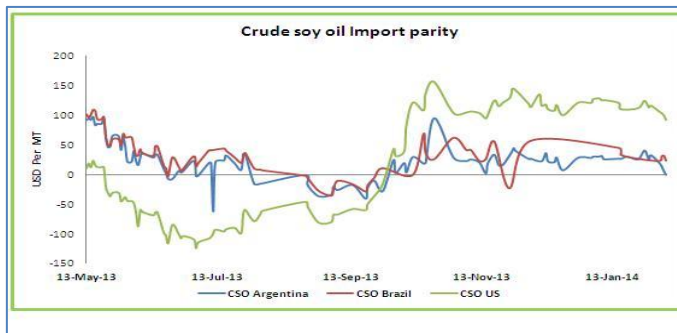
- Coconut oil featured steady tone at its benchmark market Kangayan during the week due to sideways trend in the palm oil and its derivative products and need based demand. However, limited buying interest at higher quotes limit the upside risk in the prices.
- Lower arrivals of copra, lean season, and 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.



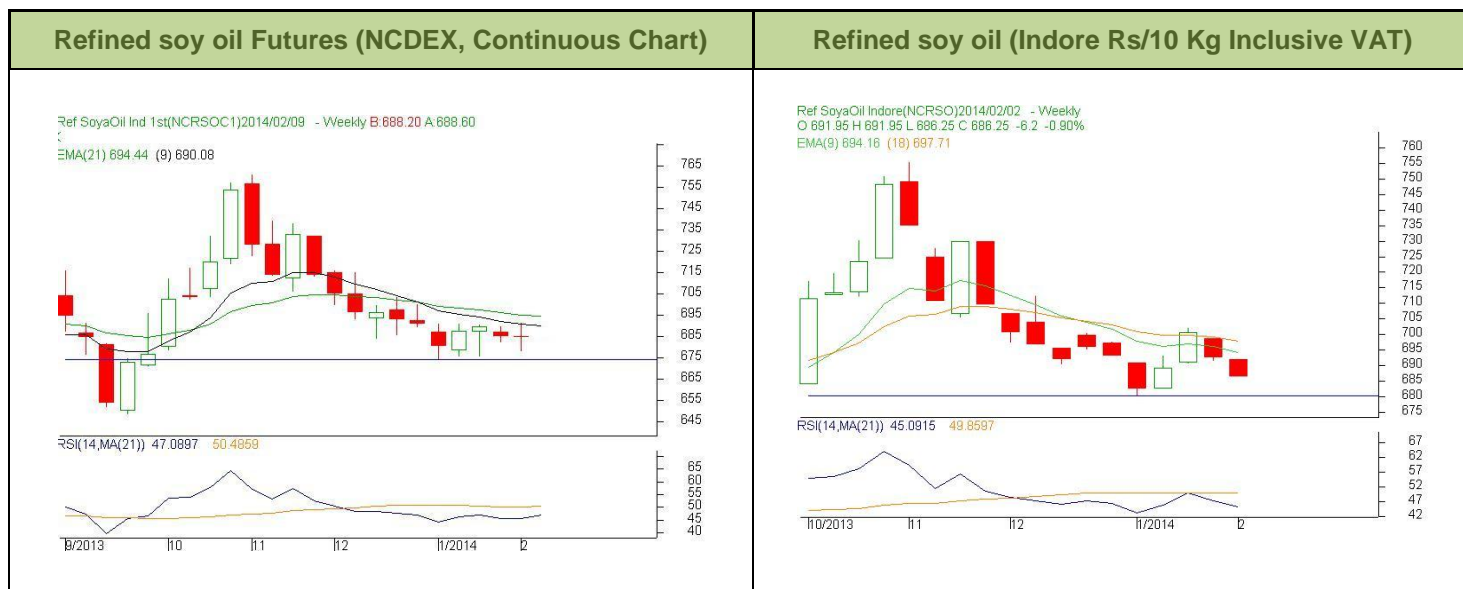
Price Outlook: Coconut oil (without VAT) prices in Erode may stay in the range of Rs 1090-1155 per 10 Kg.

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

Landed Cost Calculation as on 06/02/2014	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia
FOB USD per ton	869	855	792	833
Freight (USD/MT)	75	65	60	35.0
C & F	944.0	920.0	852.0	868.0
Weight loss (0.25% of FOB)	2.17	2.14	1.98	2.08
Finance charges (0.4% on CNF)	3.78	3.68	3.41	3.47
Insurance (0.3% of C&F)	3	3	3	3
CIF (Indian Port - Kandla)	953	929	860	876
CVD	0	0	0	0
Duty USD per ton	23.66	23.66	23.66	22.11
CVD value USD per ton	0	0	0	0
Cess (2% on duty) USD per ton	0.473172	0.473172	0.473172	0.442212
Exchange rate	62.31	62.31	62.31	62.31
Landed cost without customs duty in INR per ton	59368	57860	53583	54593
Customs duty %	2.58%	2.58%	2.58%	2.58%
Base import price	917	917	917	857
Fixed exchange rate by customs department	62.20	62.20	62.20	62.20
Duty component in INR per ton	1471.56	1471.56	1471.56	1375.28
Clearing charges INR per ton	483	483	483	483
Brokerage INR per ton	190	190	190	190
Total landed cost INR per ton	61512	60004	55728	56642
Domestic Market price INR/ton Soy Degum Kandla/CPO Kandla 5%	61500	61500	61500	53500
Total landed cost USD per ton	987	963	894	909
Domestic Market price USD/tons Soy Degum Kandla/CPO Kandla 5%	987	987	987	859
Parity INR/MT (Domestic - Landed)	-12	1496	5772	-3142
Parity USD/MT (Domestic - Landed)	-0.20	24.01	92.64	-50.42
Source: Agriwatch				
Refining/ Processing Cost per MT	2600.00	2600.00	2600.00	3200.00
Freight to Inland location (Indore)	2500.00	2500.00	2500.00	2500.00
Cost of Imported oil after refining/Processing	66612.32	65104.23	60827.68	59841.72
Soy/Palm oil imported Price (Including tax)	69942.93	68359.44	63869.06	62833.80
Source: Agriwatch				


Outlook:-

Import parity for crude soy oil from Argentina is hovering in negative 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 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 firm note in the near term.
- ❖ Any close below 668.80 in weekly chart shall change the sentiments and might take the prices to a bearish phase.
- ❖ Expected price band for next week is 676-692 level in near to medium term. RSI is near to neutral zone and shows evidence of divergence with the ref. soy oil prices.

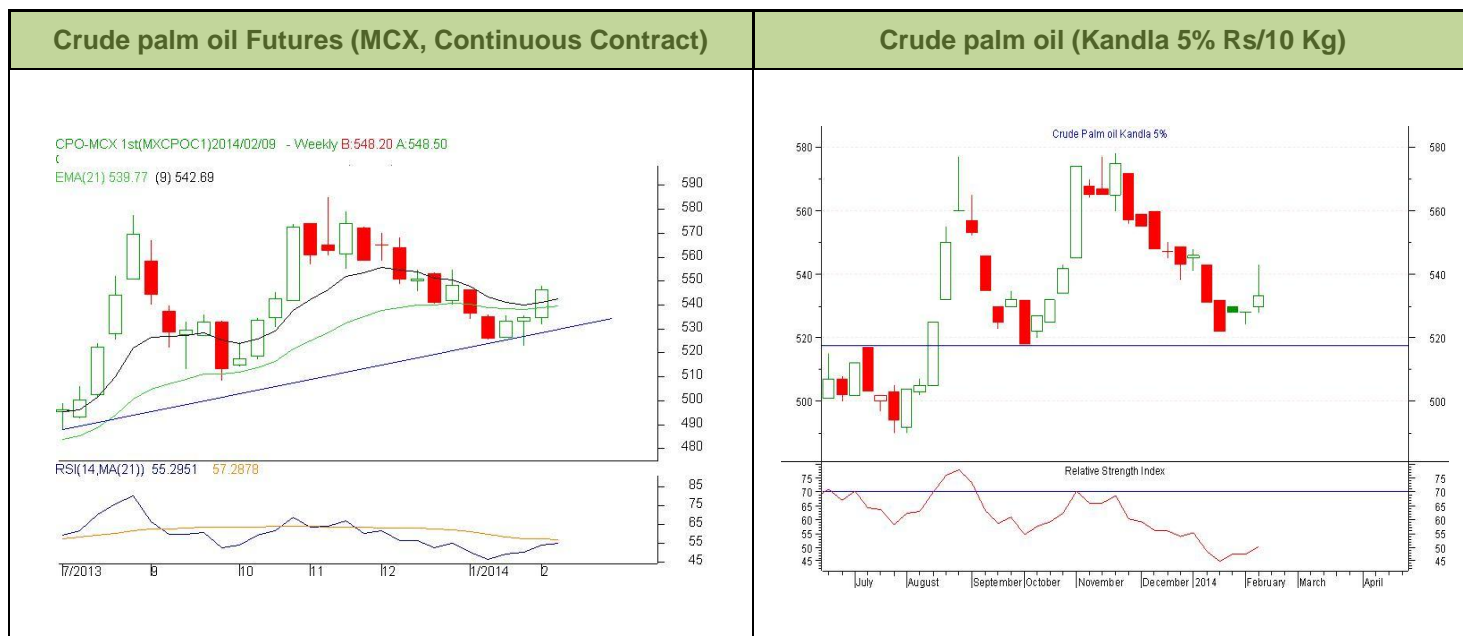
Strategy: Market participants are advised to go long in RSO above 676 levels for a target of 688 and 692 with a stop loss at 668.80 on closing basis.

RSO NCDEX

Support and Resistance				
S2	S1	PCP	R1	R2
665.00	672.00	677.85	695.00	700.00

Spot Market outlook: Refined soy oil Indore is likely to stay in the range of 680-700 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 542-552 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 542 for a target of 550 and 552 with a stop loss at 537.20 on closing basis.

CPO MCX

Support and Resistance				
S2	S1	PCP	R1	R2
530.00	534.00	544.10	553.00	556.00

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 530-550 per 10 Kg.

Veg. Oil Prices at Key Spot Markets

Commodity	Centre	Prices(Per 10 Kg)		Change
		7-Feb-14	31-Jan-14	
Refined Soybean Oil	Kota(Loose)	650	650	Unch
	Rajkot (Loose)	650	630	20
	Jaipur (Loose)	NA	NA	-
	Hyderabad+ VAT	NA	NA	-
	Delhi (Loose)	685	685	Unch
	Kakinada	NA	NA	-
	Mumbai +VAT	657	650	7
	Indore	660	662	-2
	Soy Degum Mumbai+VAT	615	610	5
	SoyDegum Kandla/Mundra+VAT	615	610	5
	Haldiya Port (Loose)	NA	NA	-
	Akola (Loose)	673	NA	-
	Amrawati (Loose)	673	NA	-
	Jalna	676	681	-5
	Nagpur	679	NA	-
Palm Oil	Chennai.RBD.Palmolein.(Loose)	595	583	12
	Hyd. RBD Palmolein VAT	560	555	5
	Delhi RBD Palmolein (Loose)	620	610	10
	Kandla CPO (5%FFA)	535	524	11
	Kakinada.RBD.Palmolein(Loose)	581	568	13
	Mumbai RBD Pamolein+ VAT	590	580	10
	Kandla RBD Palmolein +VAT	585	568	17
Refined Sunflower Oil	Mumbai + VAT	680	675	5
	Kandla/Mundra	605	605	Unch
	Erode (Exp. Oil)+VAT	680	680	Unch
	Hyderabad Exp +VAT	641	646	-5
	Chennai (Loose)	650	655	-5
	Bellary (Exp. Oil)+VAT	601	611	-10
	Latur (Exp. Oil)+VAT	611	621	-10
	Chellakere (Exp. Oil)+VAT	591	591	Unch
Groundnut Oil	Rajkot (Loose)	730	720	10
	Chennai (Loose)	720	730	-10
	Delhi (Loose)	710	725	-15
	Hyderabad Exp +VAT	778	783	-5
	Mumbai + VAT	760	770	-10
	Gondal+VAT	730	720	10
	Jamnagar +VAT	730	720	10
	Narsarropeth+VAT	660	690	-30
	Prodattour+VAT	681	681	Unch

Rapeseed Oil	Mumbai (Exp. Oil) +VAT	670	680	-10
	Alwar (Expeller Oil)(Loose)	666	671	-5
	Kota (Expeller Oil) (Loose)	640	650	-10
	Jaipur (Expeller Oil) (Loose)	660	670	-10
	Delhi (Exp. Oil) (Loose)	680	695	-15
	SriGangaNagar(ExpOil-Loose)	657	677	-20
	Hapur+VAT	722	735	-13
	Kolkata	NA	NA	-
	Agra (Kacchi Ghani Oil) +VAT	705	725	-20
Refined Cottonseed Oil	Mumbai +VAT	625	622	3
	Rajkot (Loose)	620	620	Unch
	Delhi (Loose)	610	610	Unch
	Hyderabad (Loose)	550	545	5
Coconut Oil	Kangayan (Crude)	1120	1130	-10
	Cochin	1105	1105	Unch
	Trissur	1130	1155	-25
Sesame Oil	Delhi	1105	1120	-15
	Mumbai	1180	1180	Unch
Kardi	Mumbai	950	950	Unch
Rice Bran Oil (40%)	Delhi	NA	NA	-
Rice Bran Oil (4%)	Punjab	500	500	Unch
Malaysia Palmolein USD/MT	FOB (January Shipment)	805	Closed	-
	CNF (January Shipment) India	843	830	13
Indonesia CPO USD/MT	FOB (February-March Shipment)	833	Closed	-
	CNF (January Shipment) India	858	835	23
Argentina FOB (\$/MT)		6-Feb-14	30-Jan-14	Change
Crude Soybean Oil Ship		865	822	43
Refined Soy Oil (Bulk) Ship		895	850	45
Sunflower Oil Ship		NA	NA	-
Cottonseed Oil Ship		845	802	43
Refined Linseed Oil (Bulk) Ship		885	842	43

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