

Executive Summary

Domestic Veg. Oil Market Summary

Compared to the last week, edible oil basket featured firm tone during the week under review. Soy and palm oil prices featured firm note on w-o-w basis.

On the currency front, Indian rupee against USD closed (21 Feb. 2014) at 62.12, down 0.30 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, Brazil weather conditions over key soybean growing regions and Malaysian palm oil exports.

We expect edible oil complex to trade sideways to firm tone owing to recovery in the oil complex, dry weather concern over Brazil 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 40.00 cents/lb to 42.25 cents/lb. CPO at BMD (May) is likely to trade in the range of 2670-2800 ringgit per tons. Exports from Malaysia rose 17 per cent to 875,091 tons in the first 20 days of Feb. from the same period of last month - Intertek.

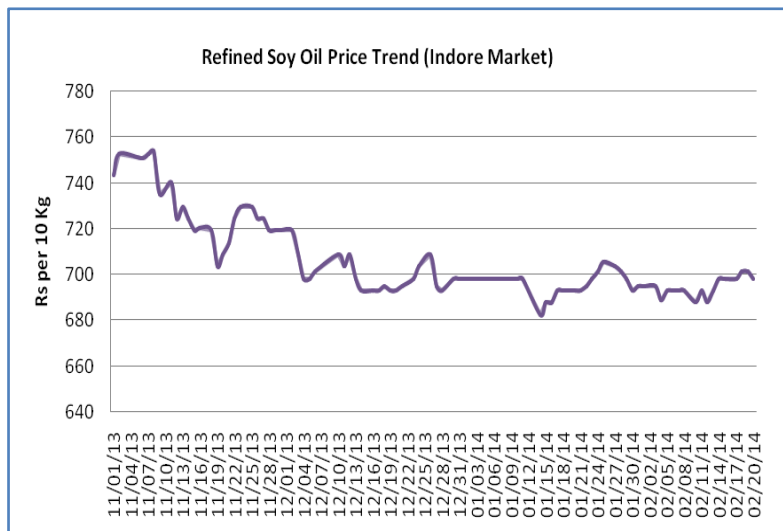
On the international front, good demand from China and heat concern over key soybean growing regions of Brazil may favor the bulls in the coming days. While, adequate soybean supplies, higher South American soybean production estimates in the current season and on an estimated rise in global oilseed supplies could limit upside 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 and adequate supplies may limit excessive gains in the palm oil prices.

Soy oil Fundamental Analysis and Outlook:-

Domestic Front

- Soybean oil featured steady to slightly firm tone tracking need-based demand at spot market and recovery in the international oil& fats market.
- Lower soybean arrivals in the cash market and speculative buying on concern of dry weather over key soybean growing regions of Brazil may threaten soybean yields likely to support the market sentiments in the near term. However, weak soymeal export demand (Indian Origin) and need based demand for oil might cap the excessive gains.
- On the supply side, as per the second advance estimates, Ministry of agriculture lowers its soybean output projections for 2013/14 to 12.45 million tons. While, last year India's soybean production was 12.21 million tons. While, 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.
- Current stock of edible oils as on 1st February, 2014 at various ports is estimated at 705,000 tons (CPO 330,000 tons, RBD Palmolein 175,000 tons, Degummed Soybean Oil 80,000 tons, Crude Sunflower Oil 105,000 tons and Canola Rape Oil 15,000 tons) and about 810,000 tons in pipelines. Total stock, both at ports and in pipelines has decreased by 80,000 tons to 1,515,000 tons (SEA of India).
- We expect soy oil may trade with a steady to firm tone in the coming days.



International Front

- As per Safras & Mercado, Brazilian farmers have harvested 21 percent of the soybean estimated acreage as of 14 Feb., 2014, up 8 percent from last week. However, last year at the same period farmers had harvested 15 percent.
- AgRural lowered Brazil's soybean projections to 87 million tons for 2014, down one million tons from the previous estimates.
- As per Buenos Aires Grain Exchange, Argentina's 2014 soybean production seen at 53 million tons, unchanged from the previous forecast.
- According to numbers from China's General Administration of Customs, China imported 5.91 million tons of soybeans in January, up 23.7 percent from the corresponding period of last year due to good demand for meals and good crush margins.
- As per USDA, global soybean production is projected at record 287.7 million, up 0.9 million tons. Soybean production for Brazil is projected at 90.0 million tons, up one million from last month estimates and for the Argentina soybean crop seen at 54.0 million tons, down 0.5 million from last month estimates.
- On the international front, good demand from China and heat concern over key soybean growing regions of Brazil may favor the bulls in the coming days. While, adequate soybean supplies, higher South American soybean production estimates in the current season and on an estimated rise in global oilseed supplies could limit upside risk in the prices.

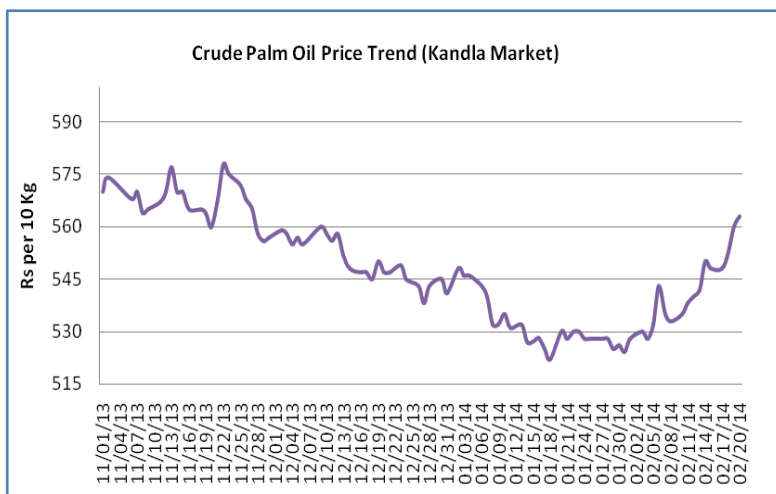
Price Outlook:

We expect refined soy oil at Indore (with VAT) to stay in the range of 692-712 per 10 Kg in the near term.

Palm oil Fundamental Analysis and Outlook -:

Domestic Front

- CPO Kandla 5% witnessed firm note during the week in review due to need based buying and firm cues from the international palm oil market.
- As per SEA of India, Indian buyers imported 15.7 lakh tons of crude palm oil in the 2013-14 oil years (Nov-Oct) till Jan., which was 16.93 percent lower against corresponding period of last year. Meanwhile, RBD palmolein imports were also higher at 5.7 lakh tons during 2012-13 oil years (Nov-Oct) till Jan., up 59.6 percent compared to the last year.
- Bullish cues from the international palm oil market and lower palm oil & its derivative products imports by Indian buyers likely to support the palm oil prices in the near term.
- As per the latest government notification, Indian Government has revised the tariff value for crude palm oil to US \$ 866, RBD palm oil to US \$897, Crude and refined palmolein to 895, 898 (US dollar per metric tons) respectively. Moreover, USD 916 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 firm tone in the days ahead.



International Front

- CPO at BMD witnessed gains on w-o-w basis owing to talks of crop damage in Brazil and good export demand. Crude palm oil at BMD May contract ended at RM 2,755 per tons, up by 90 points from last week.
- Exports from Malaysia rose 17 per cent to 875,091 tons in the first 20 days of Feb. from the same period of last month - Intertek. According to an Indonesian ministry, Indonesia keeps its export tax for crude palm oil unchanged at 10.5% for March.
- 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%.
- 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 and adequate supplies may limit excessive gains in the palm oil prices.

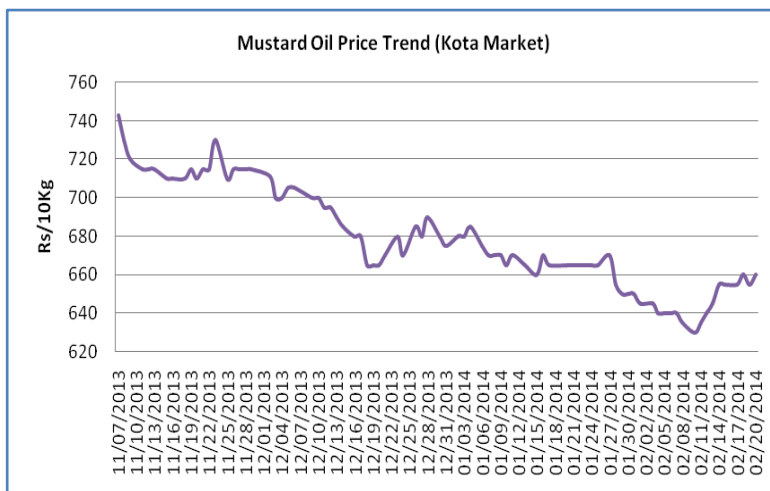
Price Outlook:

We expect CPO Kandla 5% (with VAT) to stay in the range of 558-585 per 10 Kg in the near term.

Rapeseed oil Fundamental Review and Analysis:-

Domestic Front

- Mustard oil featured steady to firm tone during the week at the Kota market in line with the competing soy oil prices and renewed demand.
- New mustard seed arrivals from MP and Rajasthan registered with an average of 0.35 and 0.40 lakh bags on daily basis respectively. Moreover, new crop arrivals are likely to pick up pace in the coming week.
- Good demand from oil millers and gains in the competing oils support the mustard oil prices. However, rising mustard seed supplies and with an advent of summer season may cap excessive gains in the medium term, Sown area for Rabi groundnut seed stood at 71.67 lakh hectares as on 31 Jan. 2014, up 4 lakh hectares compared to the corresponding period last year - Ministry of Agriculture.
- On the supply side, as per the second advance estimates of production released by Ministry of agriculture, mustard seed output is estimated at 8.25 million tons, up .22 million tons from 2012/13 estimates. 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.
- We expect RM seed oil prices may trade range bound in the days ahead.

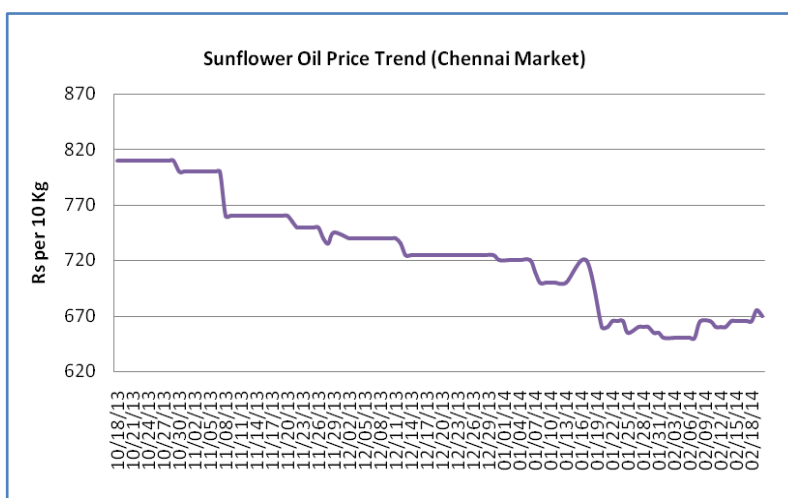


Price Outlook: Rapeseed oil (without VAT) prices in Kota may stay in the range of Rs 654-674 per 10 Kg.

Sunflower oil Fundamental Review and Analysis:-

Domestic Front

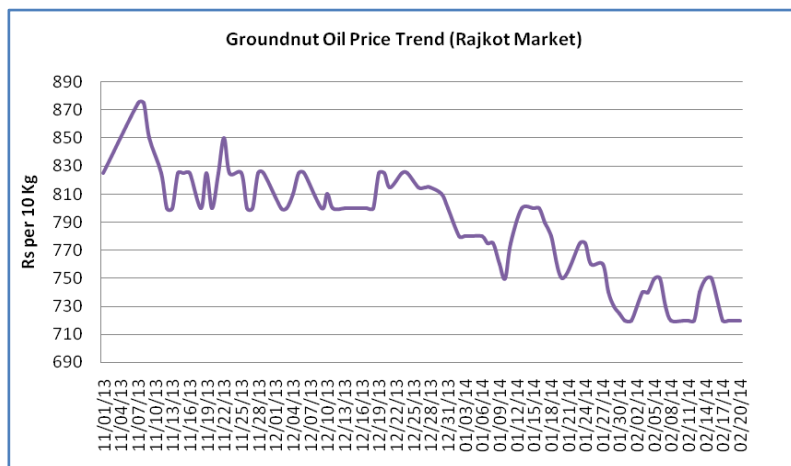
- Sunflower oil featured steady to slightly firm tone at its benchmark market Chennai during the week owing to stable demand from stockists and firmness in the oil complex. However, higher imports during last three months curb the bulls.
- SEA of India reports that crude sunflower oil imports by India during Nov-Jan of 2013-14-oil year (Nov-Oct) were 3.62 lakh tons. However, imports were higher on y-o-y basis by 1.16 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 4.29 lakh hectares as on 20 Feb. 2014, down 0.83 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 trade sideways at its benchmark market (Rajkot) during the week tracking need-based demand from wholesalers. However, higher groundnut seed production in the current season and adequate raw material supplies for crushing limit the excessive gains.
- Groundnut oil prices are likely to stay range bound in the coming days owing to higher crushing, lower export demand for groundnut seed. However, lower prices may support retail demand, which may cap the excessive losses. 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.
- Sown area for Rabi groundnut seed stood at 8.31 lakh hectares as on 20 Feb. 2014, down 0.82 lakh hectares compared to the corresponding period last year - Ministry of Agriculture.
- We expect groundnut oil prices may trade sideways in the days ahead.

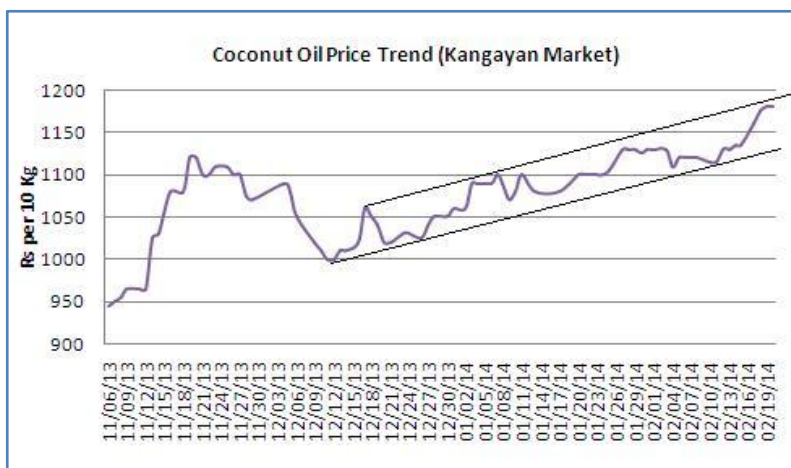


Price Outlook

Groundnut oil (without VAT) in Rajkot market is likely to trade in the price band of Rs 712-750 per 10 Kg.

Coconut Oil Fundamental Review and Analysis:- Domestic Front

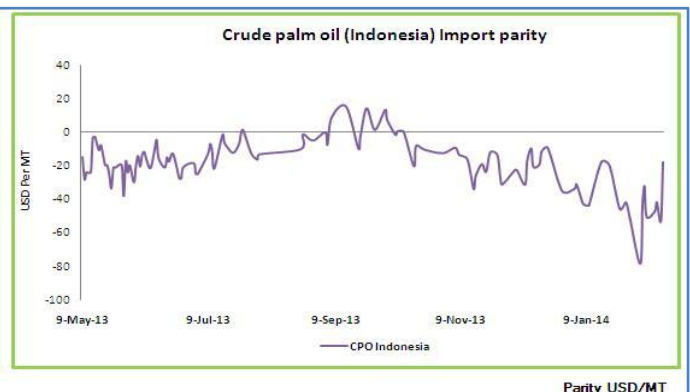
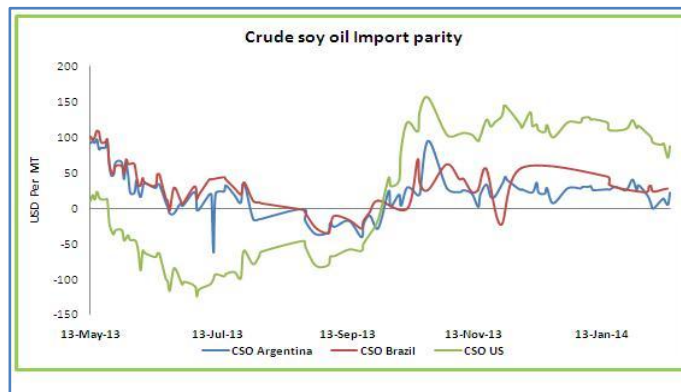
- Coconut oil featured steady to firm tone at its benchmark market Kangayan during the week due to gains in the international oil & fats market and lean season for copra in Southern India. However, limited buying interest at higher quotes limit the upside risk in the prices.
- Lower arrivals of copra, lean season, and coconut crop damage in Philippines support the market sentiments. However, coconut oil prices may fall due to commencement of copra production season in Kerala and copra arrivals likely to pick up in the coming weeks.
- 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 1150-1200 per 10 Kg.

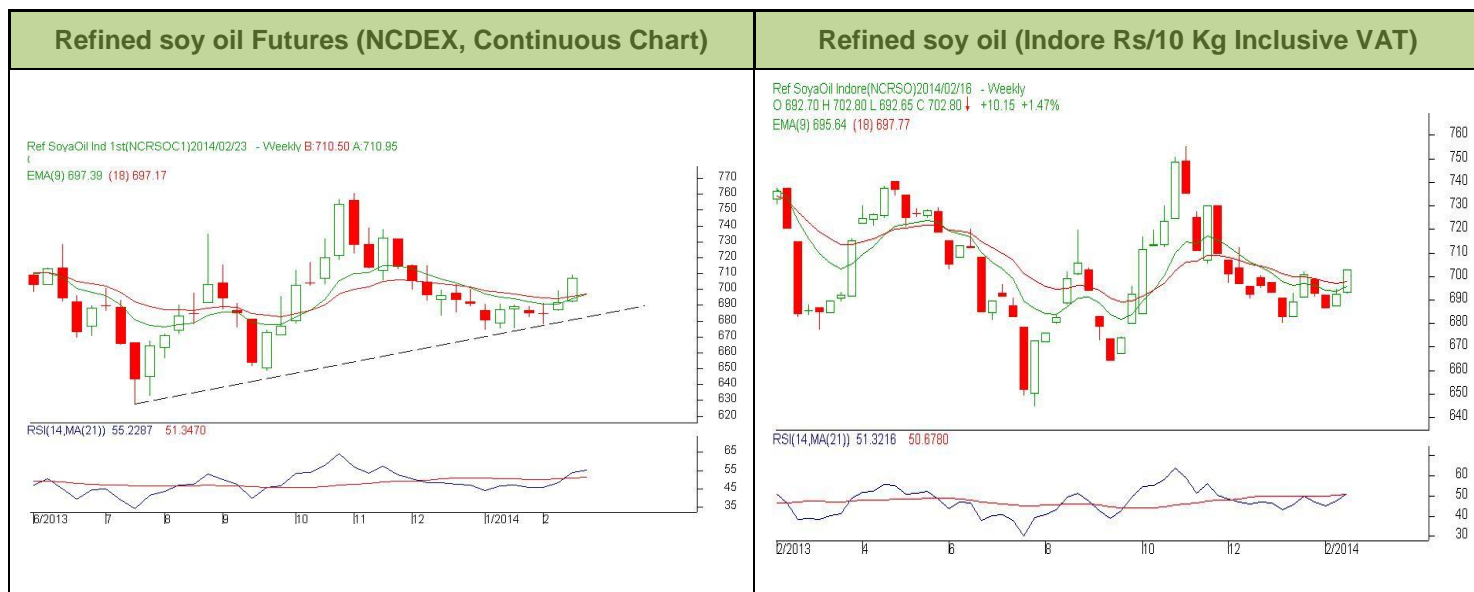
Landed Cost at the Indian Ports - Crude soy oil and Crude palm oil

Landed Cost Calculation as on 20/02/2014	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia
FOB USD per ton	900	902	865	878
Freight (USD/MT)	75	65	60	35.0
C & F	975.0	967.0	925.0	913.0
Weight loss (0.25% of FOB)	2.25	2.26	2.16	2.20
Finance charges (0.4% on CNF)	3.90	3.87	3.70	3.65
Insurance (0.3% of C&F)	3	3	3	3
CIF (Indian Port - Kandla)	984	976	934	922
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	62.28	62.28	62.28	62.28
Landed cost without customs duty in INR per ton	61288	60787	58147	57396
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	63433	62931	60292	59445
Domestic Market price INR/ton Soy Degum Kandla/CPO Kandla 5%	63200	63200	63200	56300
Total landed cost USD per ton	1019	1010	968	954
Domestic Market price USD/tons Soy Degum Kandla/CPO Kandla 5%	1015	1015	1015	904
Parity INR/MT (Domestic - Landed)	-233	269	2908	-3145
Parity USD/MT (Domestic - Landed)	-3.74	4.31	46.70	-50.49
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	68532.76	68031.34	65391.51	62644.66
Soy/Palm oil imported Price (Including tax)	71959.39	71432.91	68661.08	65776.89
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 firm note in the days ahead. Investors are advised to buy refined soy oil (Mar. contract).

- ❖ Weekly chart of refined soy oil at NCDEX depicts firmness. We expect prices may trade with a steady to firm note in the near term.
- ❖ Any close below 700.20 in weekly chart shall change the sentiments and might take the prices to a bearish phase.
- ❖ Expected price band for next week is 705-715 level in near to medium term. RSI is near to neutral zone and shows evidence of divergence with the ref. soy oil prices.

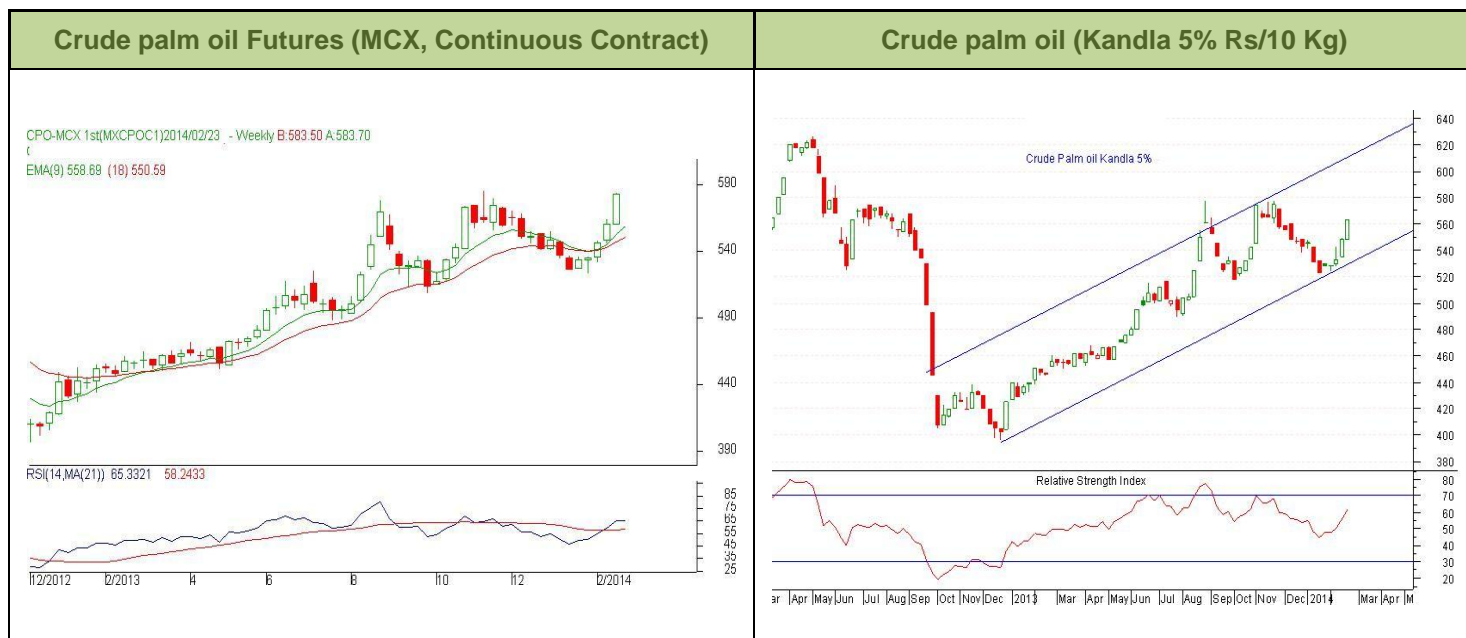
Strategy: Market participants are advised to go long in RSO above 705 levels for a target of 713 and 715 with a stop loss at 700.20 on closing basis.

RSO NCDEX

Support and Resistance				
S2	S1	PCP	R1	R2
690.00	694.00	705.40	718.50	721

Spot Market outlook: Refined soy oil Indore is likely to stay in the range of 692-712 per 10 Kg.

Technical Analysis (Crude Palm oil Weekly Charts)



Outlook - Prices may trade with a steady to 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 gains in the prices. We expect prices may trade with a steady to firm note in the near term.
- ❖ Any close below 549 in weekly chart shall change the sentiments and might bring the prices to a bearish phase.
- ❖ Expected price band for next week is 555-568 level. RSI is moving towards neutral zone suggesting likely range bound to slightly firm movement in the coming week.

Strategy: Market participants are advised to go long in CPO above 577 for a target of 585 and 588 with a stop loss at 572.20 on closing basis.

CPO MCX

Support and Resistance				
S2	S1	PCP	R1	R2
565.00	570.00	582.30	595.00	600.00

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 558-585 per 10 Kg.

Veg. Oil Prices at Key Spot Markets

Commodity	Centre	Prices(Per 10 Kg)		Change
		21-Feb-14	14-Feb-14	
Refined Soybean Oil	Kota(Loose)	675	670	5
	Rajkot (Loose)	660	655	5
	Jaipur (Loose)	NA	NA	-
	Hyderabad+ VAT	NA	NA	-
	New Delhi (Loose)	715	700	15
	Kakinada	NA	NA	-
	Mumbai +VAT	672	665	7
	Indore	668	665	3
	Soy Degum Mumbai+VAT	638	628	10
	SoyDegum Kandla/Mundra+VAT	638	628	10
	Haldiya Port (Loose)	NA	NA	-
	Akola (Loose)	682	673	9
	Amrawati (Loose)	681	672	9
	Jalna	685	NA	-
	Nagpur	695	681	14
Palm Oil	Chennai.RBD.Palmolein.(Loose)	625	605	20
	Hyd. RBD Palmolein VAT	590	575	15
	New Delhi RBD Palmolein (Loose)	660	635	25
	Kandla CPO (5%FFA)	565	550	15
	Kakinada.RBD.Palmolein(Loose)	605	605	Unch
	Mumbai RBD Pamolein+ VAT	620	610	10
	Kandla RBD Palmolein +VAT	608	610	-2
Sunflower Oil	Mumbai + VAT	690	685	5
	Kandla/Mundra	630	615	15
	Erode (Exp. Oil)+VAT	700	695	5
	Hyderabad Exp +VAT	NA	NA	-
	Chennai (Loose)	670	665	5
	Bellary (Exp. Oil)+VAT	NA	NA	-
	Latur (Exp. Oil)+VAT	NA	NA	-
	Chellakere (Exp. Oil)+VAT	605	600	5
Groundnut Oil	Rajkot (Loose)	725	750	-25
	Chennai (Loose)	725	725	Unch
	New Delhi (Loose)	725	710	15
	Hyderabad Exp +VAT	NA	NA	-
	Mumbai + VAT	750	760	-10
	Gondal+VAT	725	740	-15

	Jamnagar +VAT	725	740	-15
	Narsarropeth+VAT	NA	NA	-
	Prodattour+VAT	NA	NA	-
Rapeseed Oil	Mumbai (Exp. Oil) +VAT	687	675	12
	Alwar (Expeller Oil)(Loose)	676	675	1
	Kota (Expeller Oil) (Loose)	655	655	Unch
	Jaipur (Expeller Oil) (Loose)	671	669	2
	New Delhi (Exp. Oil) (Loose)	710	690	20
	Sri-GangaNagar(ExpOil-Loose)	670	656	14
	Hapur+VAT	720	740	-20
	Kolkata	NA	NA	-
	Agra (Kacchi Ghani Oil) + VAT	725	720	5
Refined Cottonseed Oil	Mumbai +VAT	640	630	10
	Rajkot (Loose)	620	615	5
	New Delhi (Loose)	635	630	5
	Hyderabad (Loose)	600	565	35
Coconut Oil	Kangayan (Crude)	1210	1135	75
	Cochin	1140	1140	Unch
	Trissur	1185	1140	45
Sesame Oil	New Delhi	1020	1050	-30
	Mumbai	1120	1160	-40
Kardi	Mumbai	950	950	Unch
Rice Bran Oil (40%)	New Delhi	NA	475	-
Rice Bran Oil (4%)	Punjab	500	500	Unch
Malaysia Palmolein USD/MT	FOB (February Shipment)	860	843	17
	CNF (March Shipment) India	890	873	17
Indonesia CPO USD/MT	FOB (March Shipment)	885	860	25
	CNF (March Shipment) India	905	881	24
Argentina FOB (\$/MT)		20-Feb-14	13-Feb-14	Change
Crude Soybean Oil Ship		907	885	22
Refined Soy Oil (Bulk) Ship		938	916	22
Sunflower Oil Ship		NA	NA	-
Cottonseed Oil Ship		887	865	22
Refined Linseed Oil (Bulk) Ship		NA	NA	-



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