

Outlook and Review
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 (07 Mar. 2014) at 61.07, up 1.16 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, Malaysian palm oil exports and Mustard seed crop output.

We expect edible oil complex to trade sideways to firm tone owing to recovery in the oil complex, renewed demand at lower quotes and mustard loss concern in Rajasthan. 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 42.45 cents/lb to 46.50 cents/lb. CPO at BMD (May) is likely to trade in the range of 2800-2945 ringgit per tons. Malaysian February palm oil exports pegged at 1.24 million tons, down 2.1% on m-o-m basis –SGS.

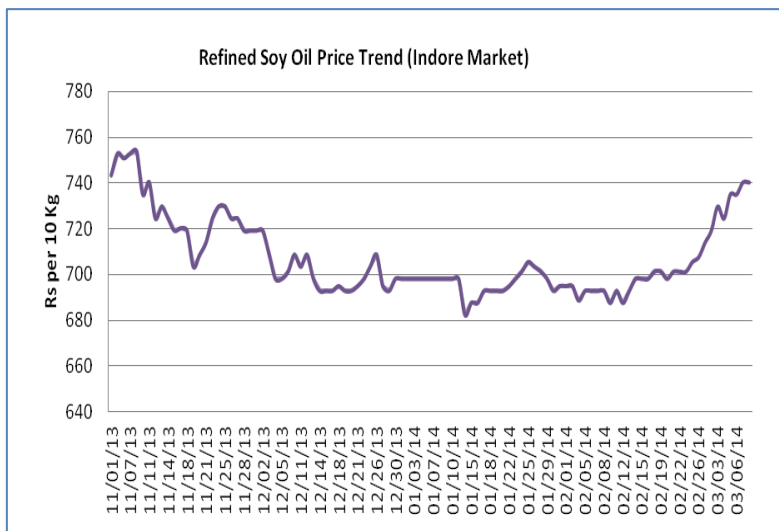
On the international front, good demand from China, heat concern over key soybean growing regions of Brazil and geopolitical crisis in Ukraine may favor the bulls in the coming days. However, soybean supplies from South American countries are likely to pick up pace in the coming months which may limit the excessive gains.

Lower than expected Malaysian palm oil inventories for January, South East Asian countries are in lower palm oil yield phase and recovery in the international crude oil prices 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.
- At the import front, IBIS figures revealed that India imported 1.3 lakh tons of crude soybean degummed oil during Feb. 2014 majorly from Brazil and Argentina. India imported 2.42 lakh tons during Nov-Jan, 2014 v/s 1.39 lakh tons same period of the last year.
- 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 soybean meal 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 third estimates, soybean production for 2013-14 is projected at 11.4 million tons, which is lower than last year production estimate of 12.5 million tons.
- Imported soy oil offered at discount around USD 10-15 per MT (Feb) v/s USD 25-30 per MT (Jan). Import parity for soy oil from Argentina is likely to hover in positive territory in the days ahead due to higher South American soybean production forecast. We expect soy oil may trade with a range bound to slightly firm tone movement.



International Front

- Informa Economics lowered its estimates of soybean production for Argentina 2013/14 to 54 million tons, from 57 million previously. While, Brazil's soybean production forecast at 88.8 million tons for 2013/14.
- 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.
- As per Chinese Ministry of Commerce China is likely to import 5.05 million tons of soybeans in February, up from the previous forecast of 5 million tons. While, soybean imports during March seen at 3.49 million tons
- AgRural lowered Brazil's soybean projections to 87 million tons for 2014, down one million tons from the previous estimates.
- 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, heat concern over key soybean growing regions of Brazil and geopolitical crisis in Ukraine may favor the bulls in the coming days. However, soybean supplies from South American countries are likely to pick up pace in the coming months which may limit the excessive gains.

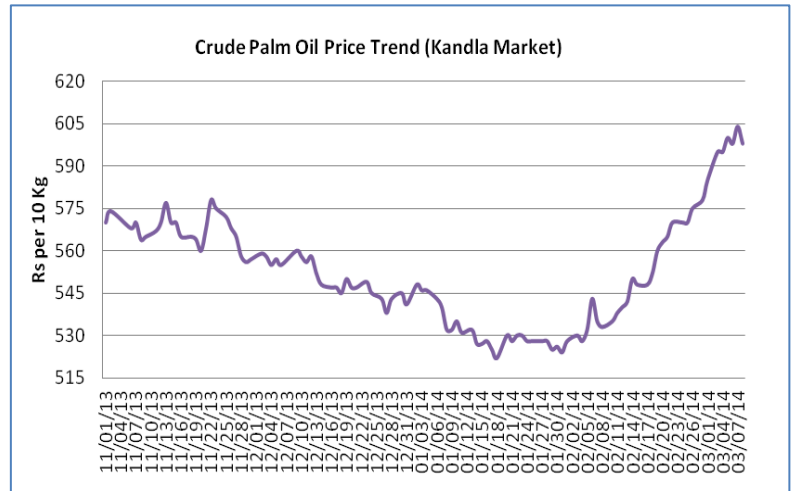
Price Outlook:

We expect refined soy oil at Indore (with VAT) to stay in the range of 725-752 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 owing to need based buying and firm cues from the international palm oil market.
- Lower palm oil production phase in Malaysia and lower palm oil imports due to disparity may support the bulls in the coming days. However, with an advent of summer season and rising mustard supplies may limit the excessive gains.
- IBIS figures (compiled by Agriwatch) revealed that Indian buyers imported 3.6 lakh tons of crude palm oil, and 1.7 lakh tons of RBD palmolein, during Feb. 2014. 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.
- As per the latest government notification, Indian Government has revised the tariff value for crude palm oil to US \$ 914, RBD palm oil to US \$957, Crude and refined palmolein to 964, 967 (US dollar per metric tons) respectively. Moreover, USD 972 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 2,888 per tons, up by 88 points from last week.
- As per MPOB's report, Malaysian palm oil stocks for February eased to 1.65 million tons, down 14.3 percent from the last month. While, palm oil output estimate in Feb pegged at 1.27 million tons and export estimates pegged at 1.34 million tons.
- CPO at BMD is likely to rise by 5 percent to RM 3000 per tons by June owing to lower palm oil productions, good demand for bio diesel and lower inventories. However, if the weather conditions are normal prices may trade in the MYR 2,600-MYR 2,900/ton level from July to October. if the El Nino weather phenomenon develops, BMD CPO will "cling" to MYR 3,000/ton beyond June, Mr. Mistry said. With production likely to be affected from late 2014 as a result of that, BMD CPO may move toward MYR3,500/tons – Dorab Mistry.
- Traders estimated palm oil stocks at different Chinese ports at between 1-1.2 million tons, up from the usual 500,000 to 600,000 tons (Reuters). Higher imports during the last two months, weak demand and in expectation of good oilseed supplies may hits Chinese palm oil imports in the coming months.
- Lower than expected Malaysian palm oil inventories for January, South East Asian countries are in lower palm oil yield phase and recovery in the international crude oil prices 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.

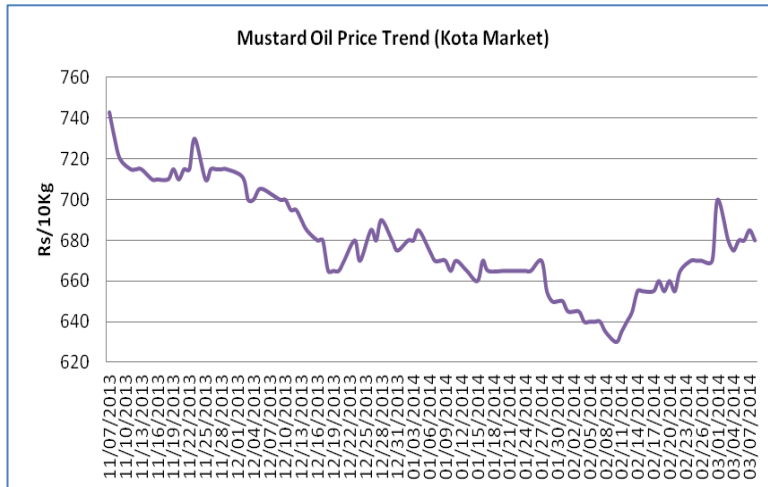
Price Outlook:

We expect CPO Kandla 5% (with VAT) to stay in the range of 583-610 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 unseasonal rains during harvesting.
- Unseasonal rains and hailstorm over key mustard growing areas raises the concern of crop loss and good demand for RM seed from oil millers likely to support the mustard oil prices in the coming days. However, with an advent of summer season domestic demand is likely to ease which may cap excessive gains in the medium term. Market participants are expecting 0.15-0.28 million tons of crop loss in mustard.
- At import front, Indian buyers imported 0.011 million tons of crude rapeseed oil during Feb. majorly from UAE - IBIS figures (compiled by Agriwatch). On the supply side, 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.
- India's rapeseed production estimate for 2013/14 pegged at 72.5 lakh tons, up 1.5 lakh tons from last year. - COOIT
- We expect RM seed oil prices may trade range bound in the days ahead.

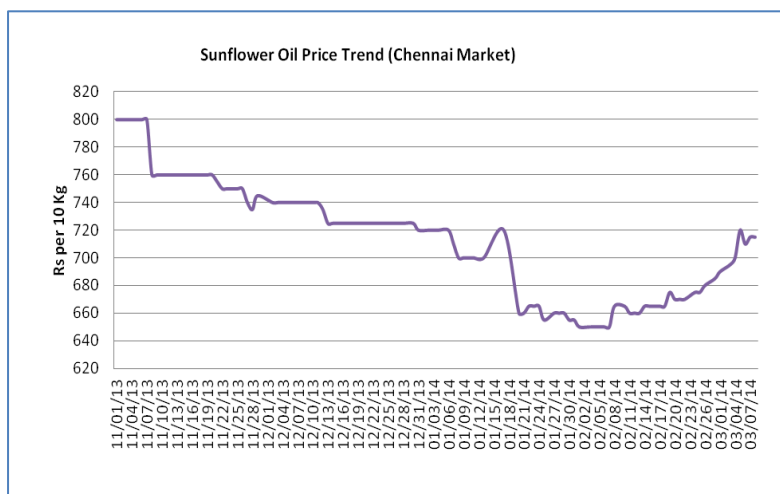


Price Outlook: Rapeseed oil (without VAT) prices in Kota may stay in the range of Rs 660-690 per 10 Kg.

Sunflower oil Fundamental Review and Analysis:-

Domestic Front

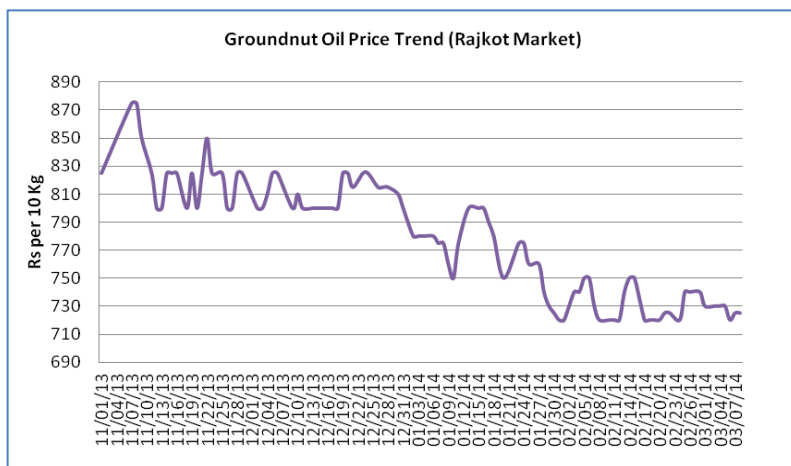
- Sunflower oil featured steady to firm tone at its benchmark market Chennai during the week tracking gains in the domestic edible oil basket and recovery in the international sun oil market. However, higher imports during last three months curb the bulls.
- At import front, Indian buyers imported 1.3 lakh tons of crude sunflower oil during Feb. majorly from Ukraine - IBIS figures (compiled by Agriwatch). While, 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. Geopolitical concern in Ukraine, supportive Malaysian palm oil market and renewed demand from wholesalers likely to underpin the domestic sunflower oil prices in the near term. Indian buyers are likely to import more than 0.1 million tons in March.
- We expect sunflower oil prices may trade with steady to slightly firm tone in the near term.



Price Outlook: Sunflower oil (with VAT) prices in Chennai may stay in the range of Rs 700-735 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.
- 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.
- 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.
- We expect groundnut oil prices may trade sideways in the days ahead.

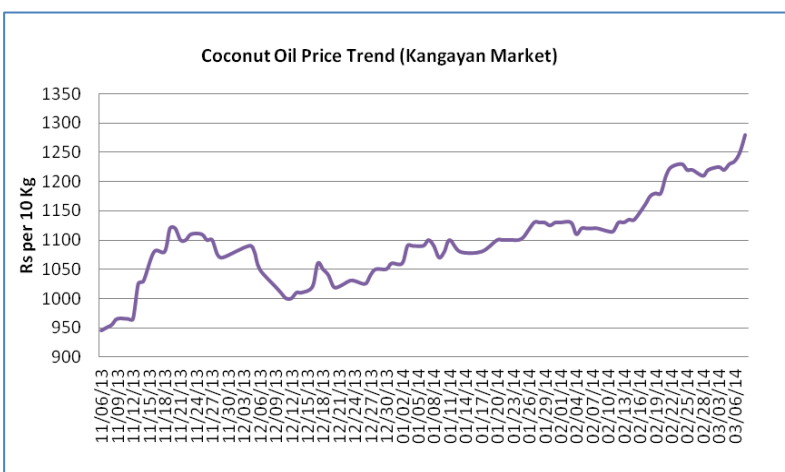


Price Outlook

Groundnut oil (without VAT) in Rajkot market is likely to trade in the price band of Rs 715-740 per 10 Kg.

Coconut Oil Fundamental Review and Analysis:- Domestic Front

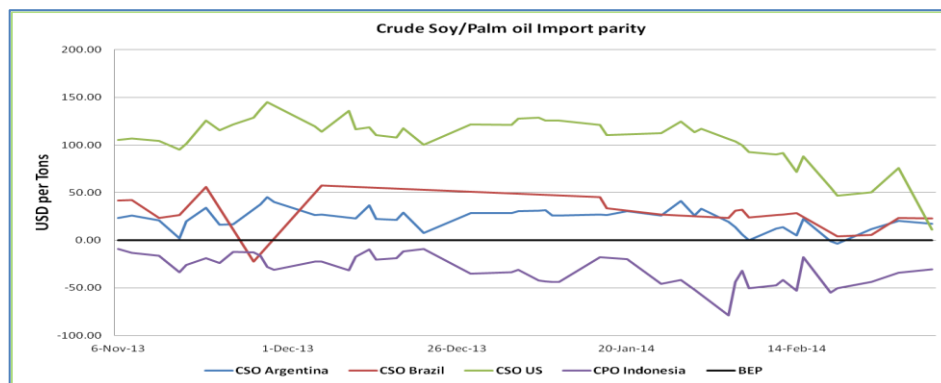
- Coconut oil featured steady to firm tone at its benchmark market Kangayan during the week due to gains in the international oil & fats market and lean season for copra in Southern India. However, limited buying interest at higher quotes limit the upside risk in the prices.
- Lower arrivals of copra, 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.
- 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 1215-1315 per 10 Kg.

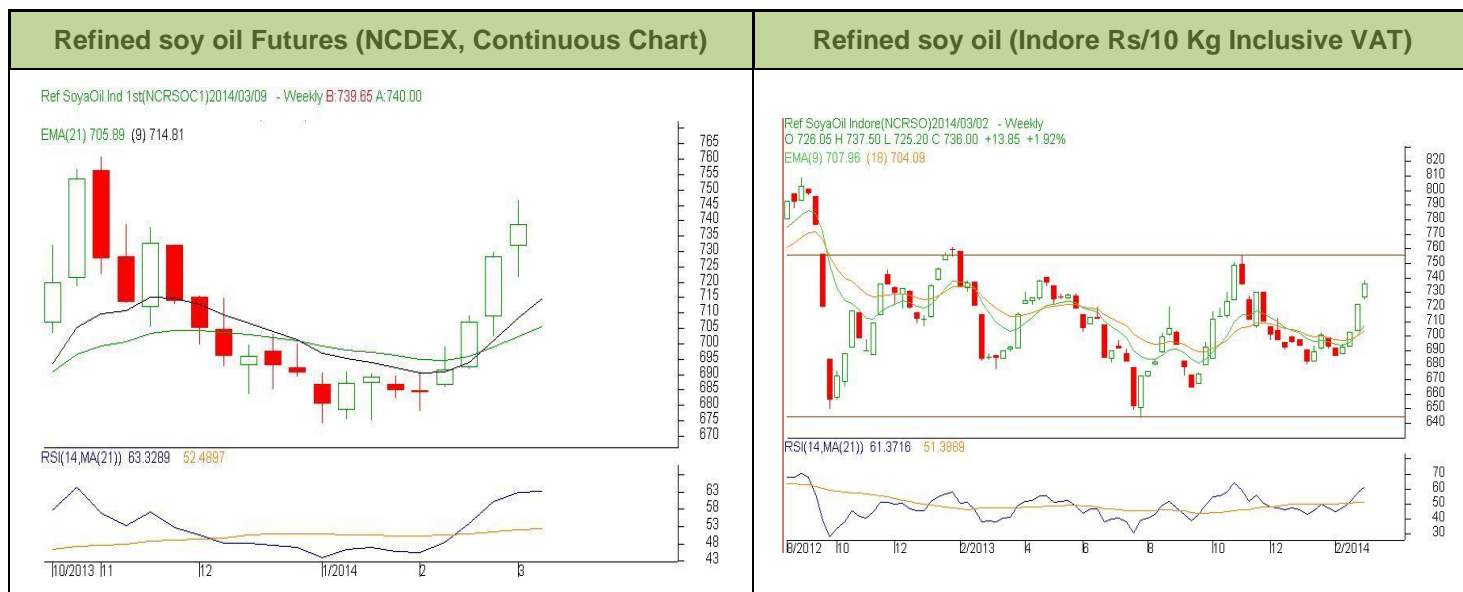
Landed Cost at the Indian Ports - Crude soy oil and Crude palm oil

Landed Cost Calculation as on 07/03/2014	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia
FOB USD per ton	943.36	947.55	964.24	940
Freight (USD/MT)	80	70	65	35
C & F	1023.4	1017.6	1029.2	975.0
Weight loss (0.25% of FOB)	2.36	2.37	2.41	2.35
Finance charges (0.4% on CNF)	4.09	4.07	4.12	3.90
Insurance (0.3% of C&F)	3	3	3	3
CIF (Indian Port - Kandla)	1033	1027	1039	984
Duty USD per ton	23.58	23.58	23.58	25.08
Cess (2% on duty) USD per ton	0.471624	0.471624	0.471624	0.501552
Exchange rate	60.98	60.98	60.98	60.98
Landed cost without customs duty in INR per ton	62985	62629	63349	60015
Customs duty %	2.58%	2.58%	2.58%	2.58%
Base import price	914	914	914	972
Fixed exchange rate by customs department	62.95	62.95	62.95	62.95
Duty component in INR per ton	1484.44	1484.44	1484.44	1578.63
Clearing charges INR per ton	483	483	483	483
Brokerage INR per ton	190	190	190	190
Total landed cost INR per ton	65143	64786	65507	62267
Domestic Market price INR/ton Soy Degum Kandla/CPO Kandla 5%	66200	66200	66200	60400
Total landed cost USD per ton	1068	1062	1074	1021
Domestic Market price USD/tons Soy Degum Kandla/CPO Kandla 5%	1086	1086	1086	990
Parity INR/MT (Domestic - Landed)	1057	1414	693	-1867
Parity USD/MT (Domestic - Landed)	17.34	23.18	11.37	-30.61
Source: Agriwatch				
Refining/ Processing Cost per MT	2600.00	2600.00	2600.00	3200.00
Freight to Inland location (Indore soy and Delhi Palm oil)	2500.00	2500.00	2500.00	2750.00
Cost of Imported oil after refining/Processing	70242.58	69886.44	70606.83	65466.63
Soy/Palm oil imported Price (Including tax)	73754.70	73380.76	74137.17	68739.96
Loose price of Soy/Palm in Indore and Delhi market	74025.00	74025.00	74025.00	71400.00
Parity after processing and Taxes (Rs per MT)	270.30	644.24	-112.17	2660.04
Parity after processing and Taxes (USD per MT)	4.43	10.56	-1.84	43.62
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 firm note in the days ahead. Investors are advised to buy refined soy oil (Apr. contract).

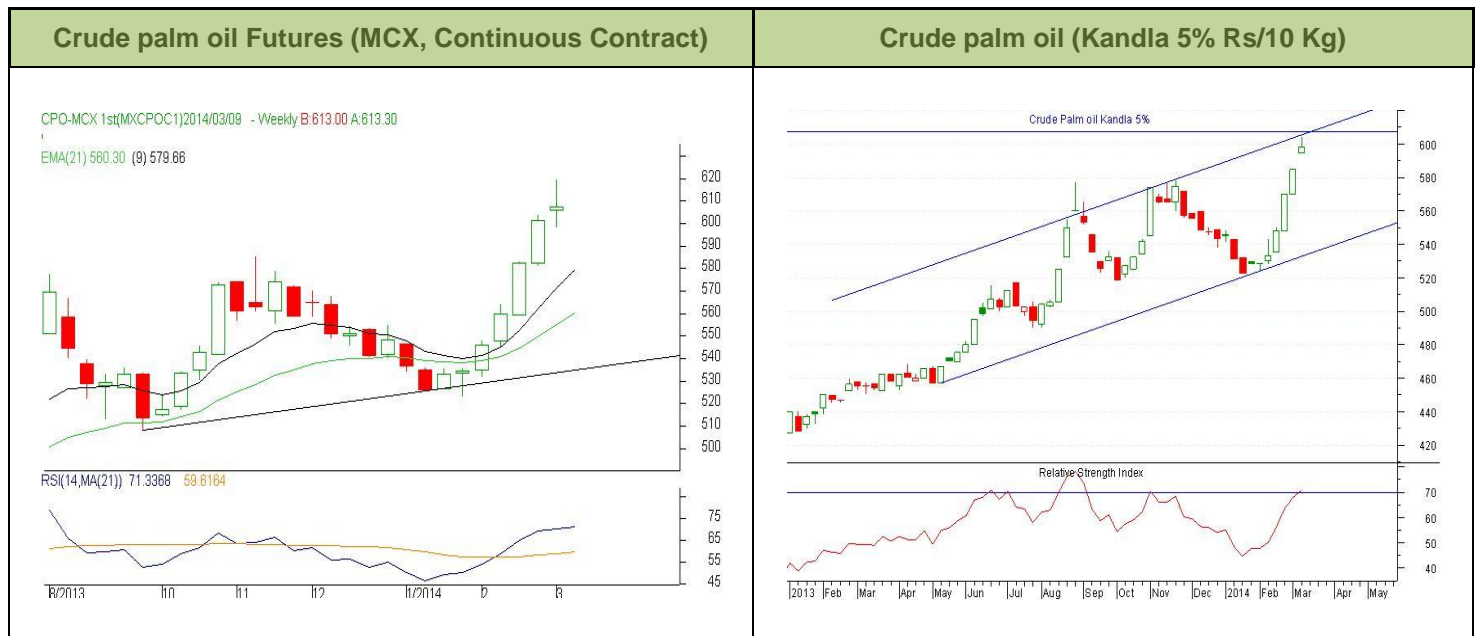
- ❖ Weekly chart of refined soy oil at NCDEX depicts firmness. We expect prices may trade with a steady to firm note in the near term.
- ❖ Any close below 729 in weekly chart shall change the sentiments and might take the prices to a bearish phase.
- ❖ Expected price band for next week is 735-748 level 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 735 levels for a target of 745 and 748 with a stop loss at 729 on closing basis.

RSO NCDEX

Support and Resistance				
S2	S1	PCP	R1	R2
715.00	721.00	739.00	751.50	756.00

Spot Market outlook: Refined soy oil Indore is likely to stay in the range of Rs 725-752 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 - Mar. 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 599.30 in weekly chart shall change the sentiments and might bring the prices to a bearish phase.
- ❖ Expected price band for next week is 605-617 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 605 for a target of 614.50 and 617.00 with a stop loss at 599.30 on closing basis.

CPO MCX

Support and Resistance				
S2	S1	PCP	R1	R2
592.00	597.00	607.00	622.00	626.00

Spot Market outlook: Crude palm oil is likely to stay in the range of Rs 583-610 per 10 Kg.

Veg. Oil Prices at Key Spot Markets

Commodity	Centre	Prices(Per 10 Kg)		Change
		7-Mar-14	28-Feb-14	
Refined Soybean Oil	Kota(Loose)	705	685	20
	Rajkot (Loose)	700	670	30
	Jaipur (Loose)	NA	NA	-
	Hyderabad+ VAT	NA	NA	-
	New Delhi (Loose)	730	725	5
	Kakinada	NA	NA	-
	Mumbai +VAT	705	680	25
	Indore	705	680	25
	Soy Degum Mumbai+VAT	670	645	25
	SoyDegum Kandla/Mundra+VAT	670	645	25
	Haldiya Port (Loose)	NA	NA	-
	Akola (Loose)	731	706	25
	Amrawati (Loose)	731	706	25
	Jalna	731	716	15
	Nagpur	736	716	20
Palm Oil	Chennai.RBD.Palmolein.(Loose)	655	640	15
	Hyd. RBD Palmolein VAT	615	615	Unch
	New Delhi RBD Palmolein (Loose)	680	670	10
	Kandla CPO (5%FFA)	604	578	26
	Kakinada.RBD.Palmolein(Loose)	641	626	15
	Mumbai RBD Pamolein+ VAT	655	630	25
	Kandla RBD Palmolein +VAT	660	625	35
Sunflower Oil	Mumbai + VAT	720	705	15
	Kandla/Mundra	670	640	30
	Erode (Exp. Oil)+VAT	735	715	20
	Hyderabad Exp +VAT	716	701	15
	Chennai (Loose)	715	685	30
	Bellary (Exp. Oil)+VAT	669	641	28
	Latur (Exp. Oil)+VAT	NA	661	-
	Chellakere (Exp. Oil)+VAT	665	650	15
Groundnut Oil	Rajkot (Loose)	725	740	-15
	Chennai (Loose)	760	760	Unch
	New Delhi (Loose)	740	730	10
	Hyderabad Exp +VAT	825	836	-11
	Mumbai + VAT	765	760	5
	Gondal+VAT	725	740	-15

	Jamnagar +VAT	725	730	-5
	Narsarropeth+VAT	780	800	-20
	Prodattour+VAT	751	741	10
Rapeseed Oil	Mumbai (Exp. Oil) +VAT	680	690	-10
	Alwar (Expeller Oil)(Loose)	701	686	15
	Kota (Expeller Oil) (Loose)	685	670	15
	Jaipur (Expeller Oil) (Loose)	696	702	-6
	New Delhi (Exp. Oil) (Loose)	718	710	8
	Sri-GangaNagar(ExpOil-Loose)	695	680	15
	Hapur+VAT	740	730	10
	Kolkata	NA	NA	-
	Agra (Kacchi Ghani Oil) + VAT	755	745	10
Refined Cottonseed Oil	Mumbai +VAT	675	642	33
	Rajkot (Loose)	670	655	15
	New Delhi (Loose)	645	645	Unch
	Hyderabad (Loose)	610	600	10
Coconut Oil	Kangayan (Crude)	1240	1210	30
	Cochin	1200	1140	60
	Trissur	1250	1195	55
Sesame Oil	New Delhi	1020	1020	Unch
	Mumbai	1080	1100	-20
Kardi	Mumbai	950	950	Unch
Rice Bran Oil (40%)	New Delhi	NA	495	-
Rice Bran Oil (4%)	Punjab	510	500	10
Malaysia Palmolein USD/MT	FOB (March Shipment)	930	890	40
	CNF (March Shipment) India	945	915	30
Indonesia CPO USD/MT	FOB (March Shipment)	940	900	40
	CNF (March Shipment) India	968	930	38
Argentina FOB (\$/MT)		6-Mar-14	27-Feb-14	Change
Crude Soybean Oil Ship		948	891	57
Refined Soy Oil (Bulk) Ship		981	922	59
Sunflower Oil Ship		NA	NA	-
Cottonseed Oil Ship		928	871	57
Refined Linseed Oil (Bulk) Ship		NA	NA	-



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