

## **Executive Summary**

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

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

*On the currency front, Indian rupee against USD closed (14 Mar. 2014) at 61.18, down 0.18 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 and palm oil demand, and Malaysian palm oil exports.*

*We expect edible oil complex to trade sideways to weak tone owing to consolidation in the international oil complex, rising mustard seed supplies in Rajasthan and higher global oilseeds production estimates. However, lower palm oil imports by Indian buyers in the last two months and dry weather concern in South East Asian countries may limit downside risk in the prices.*

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

*CBOT soy oil (May) is expected to stay in the range of 41 cents/lb to 44 cents/lb. CPO at BMD (May) is likely to trade in the range of 2710-2830 ringgit per tons. Malaysian February palm oil exports pegged at 1.24 million tons, down 2.1% on m-o-m basis –SGS.*

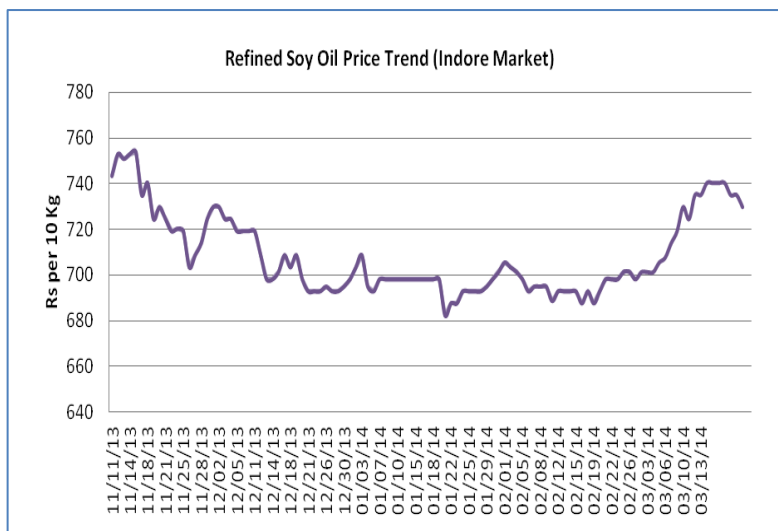
*On the international front, soybeans supplies from South American countries are likely to pick up pace in the coming months and uncertainty about Chinese soybean demand may favors the bears. However, soybean crop losses in Latam and geopolitical crisis in Ukraine may limit the excessive losses.*

*Lower than expected Malaysian palm oil inventories for February, and South East Asian countries are in lower palm oil yield phase may support the prices in the days ahead. While, higher global soybean crop estimates and adequate edible oils stocks in China may limit the excessive gains.*

## Soy oil Fundamental Analysis and Outlook:-

### Domestic Front

- Soybean oil featured steady to slightly weak tone tracking need-based demand at spot market and consolidation in the international oil & fats market.
- India imported 3.39 lakh tons during Nov-Feb, 2014, up 68.6 percent from last year same period. While, Indian buyers imported 10.9 lakh tons of crude soy degummed oil in 2012/13 oil year – SEA of India.
- Lower soybean arrivals in the domestic market, dry weather over Brazilian soybean growing belt 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.
- New base import price for crude soybean oil sets at USD 1002 per tons. Tariff value is the base price at which the customs duty is determined to prevent under-invoicing.
- 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. We expect soy oil may trade with a range bound movement.



### International Front

- Rosario grains exchange pegged Argentina's soybean production at 54.7 million tons for 2013/14 due to bad weather condition. Previous forecast was 55 million tons for 2013/14.
- China cancelled up to 600,000 tons of South American soybean cargoes for shipment between March and May, due to cases of bird flu and negative crush margins curb demand – (Reuters)
- According to Safras & Mercado, the soybean production would be 86.1 million tons, while the January forecast for the soybean output was 91.8 million tons.
- 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 55 percent of the soybean estimated acreage as of 04 March, 2014, advance 4 percent from last year same period.
- AgRural lowered Brazil's soybean projections to 87 million tons for 2014, down one million tons from the previous estimates.
- On the international front, soybeans supplies from South American countries are likely to pick up pace in the coming months and uncertainty about Chinese soybean demand may favor the bears. However, soybean crop losses in Latin America and geopolitical crisis in Ukraine may limit the excessive losses.

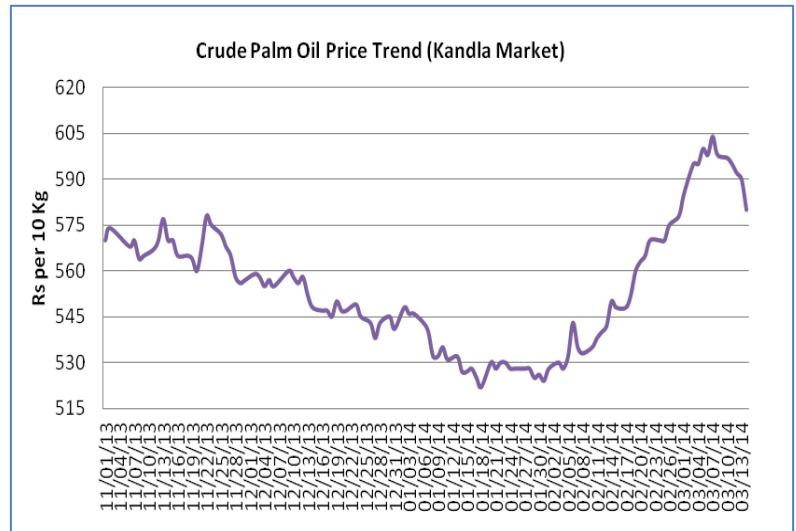
### Price Outlook:

We expect refined soy oil at Indore (with VAT) to stay in the range of 710-740 per 10 Kg in the near term.

## Palm oil Fundamental Analysis and Outlook -:

### Domestic Front

- CPO Kandla 5% witnessed weak tone during the week in review owing to need based buying and correction in the international palm oil market.
- As per SEA of India, Indian buyers imported 18.4 lakh tons of crude palm oil in the 2013-14 oil years (Nov-Oct) till Feb., which was 7.2 lakh tons lower against corresponding period of last year. Meanwhile, RBD palmolein imports were higher during 2013/14 oil years (Nov-Oct) till Feb., at 7.05 lakh tons up 45.9 percent compared to the last year same period.
- Lower palm oil imports during the first two months of 2014 and dry weather concern in Malaysia may support the bulls. However, lackluster demand at higher quotes, with an advent of summer season and rising mustard supplies may limit the excessive gains.
- Current stock of edible oils as on 1st March, 2014 at various ports is estimated at 475,000 tons (CPO 240,000 tons, RBD Palmolein 110,000 tons, Degummed Soybean Oil 50,000 tons, Crude Sunflower Oil 65,000 tons and Canola Rape Oil 10,000 tons) and about 770,000 tons in pipelines. Total stock, both at ports and in pipelines drastically reduced by 270,000 tons to 1,245,000 tons due to lesser import in last two months.
- As per the latest government notification, Indian Government has revised the tariff value for crude palm oil to US \$ 966, RBD palm oil to US \$1023, Crude and refined palmolein to 1030, 1033 (US dollar per metric tons) respectively. 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 in the days ahead.



### International Front

- As per Malaysian government, Malaysia has raised its crude palm oil export tax for April to 5.5 percent. last month 5% in March
- 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 5-6 lakh 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 February, and South East Asian countries are in lower palm oil yield phase may support the prices in the days ahead. While, higher global soybean crop estimates and adequate edible oils stocks in China may limit the excessive gains.

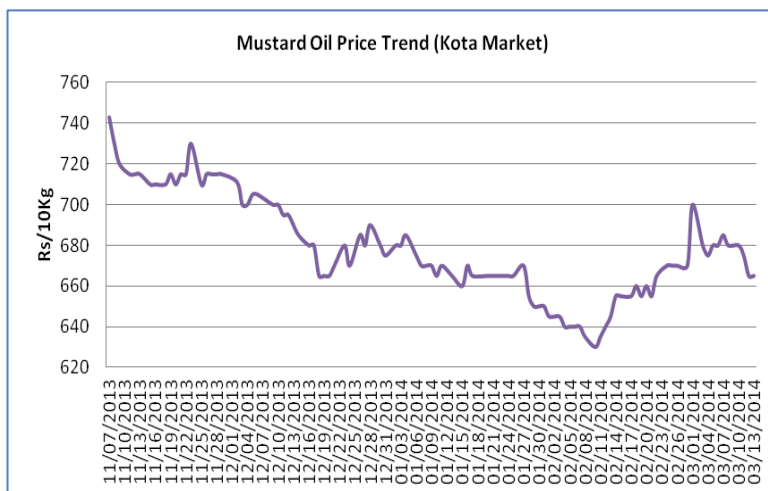
### Price Outlook:

We expect CPO Kandla 5% (with VAT) to stay in the range of 572-592 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 in line with the competing soy oil prices and rising RM seed supplies.
- Rising mustard seed supplies and with an advent of summer season domestic demand is likely to ease in the coming weeks, which may support the bears. However, good demand for RM seed from oil millers may cap excessive losses in the medium term. Market participants are expecting 0.15-0.28 million tons of crop loss in mustard.
- 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.

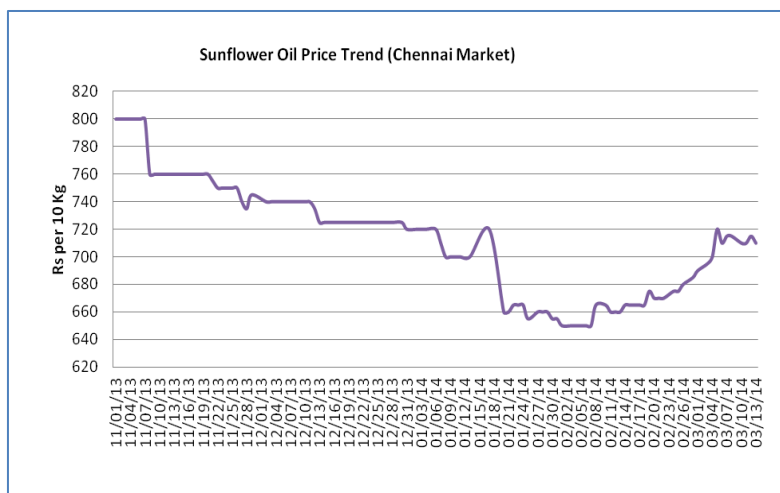


**Price Outlook:** Rapeseed oil (without VAT) prices in Kota may stay in the range of Rs 650-675 per 10 Kg.

## Sunflower oil Fundamental Review and Analysis:-

### Domestic Front

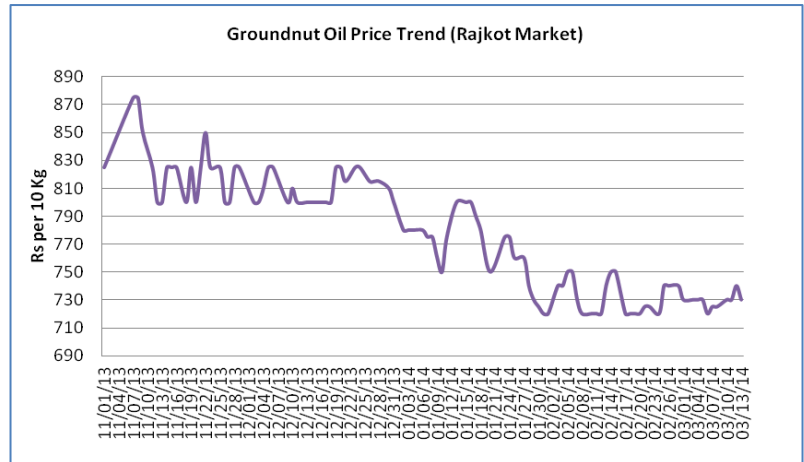
- Sunflower oil featured steady tone at its benchmark market Chennai during the week tracking consolidation in the domestic edible oil basket. Moreover, higher imports during last three months curb the bulls.
- SEA of India reports that crude sunflower oil imports by India during Nov-Feb of 2013-14-oil year (Nov-Oct) were 4.20 lakh tons. However, imports were higher on y-o-y basis by 0.89 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. However, market may consolidate owing as summer season approaching which may ease domestic demand.
- 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 685-720 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.

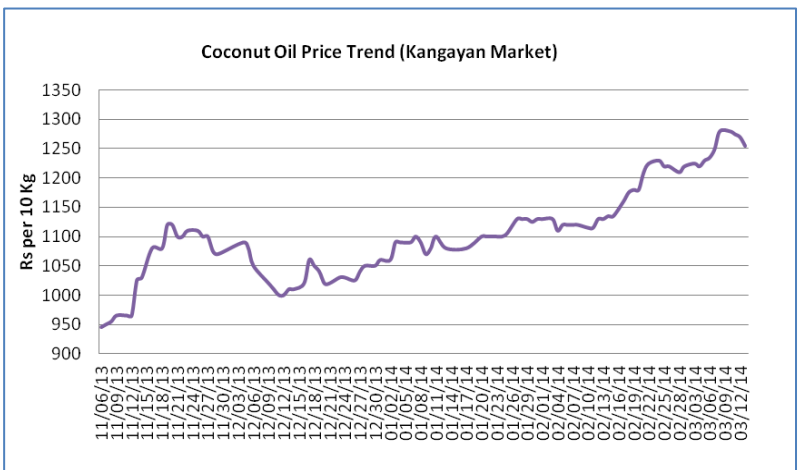


### Price Outlook

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

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

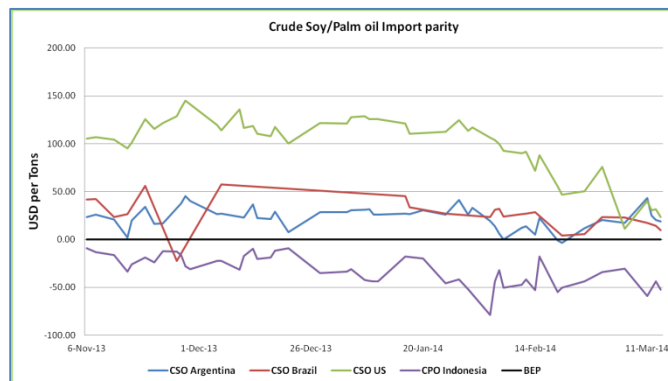
- Coconut oil featured steady to firm tone at its benchmark market Kangayan during the week due to gains in the international oil & fats market and lean season for copra in Southern India. However, limited buying interest at higher quotes limit the upside risk in the prices.
- Lower arrivals of copra, 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 1210-1300 per 10 Kg.

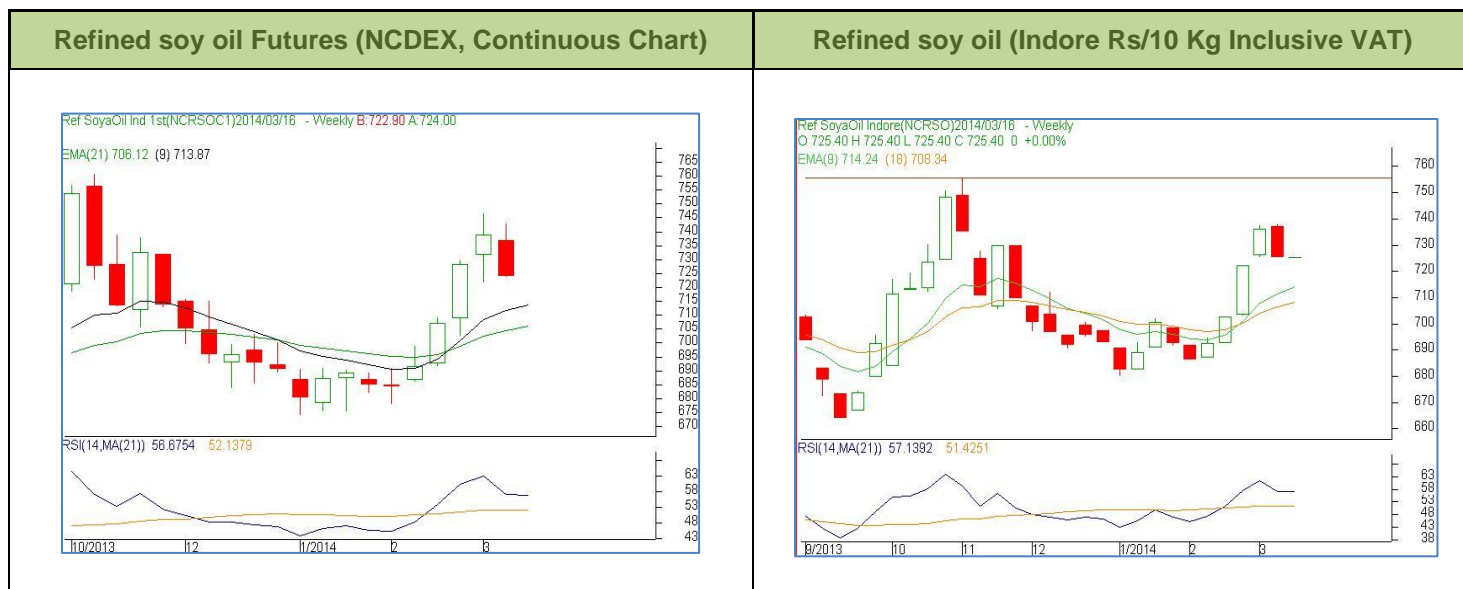
***Landed Cost at the Indian Ports - Crude soy oil and Crude palm oil***

<b>Landed Cost Calculation as on 14/03/2014</b>	<b>CSO Argentina</b>	<b>CSO Brazil</b>	<b>CSO US</b>	<b>CPO Indonesia</b>
FOB USD per ton	927	946	937	915
Freight (USD/MT)	80	70	65	35
C & F	1007.0	1016.0	1002.0	950.0
Weight loss (0.25% of FOB)	2.32	2.37	2.34	2.29
Finance charges (0.4% on CNF)	4.03	4.06	4.01	3.80
Insurance (0.3% of C&F)	3	3	3	3
CIF (Indian Port - Kandla)	1016	1025	1011	959
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	61.51	61.51	61.51	61.51
Landed cost without customs duty in INR per ton	62517	63077	62209	58984
Customs duty %	2.58%	2.58%	2.58%	2.58%
Base import price	914	914	914	972
Fixed exchange rate by customs department	62.00	62.00	62.00	62.00
Duty component in INR per ton	1462.03	1462.03	1462.03	1554.81
Clearing charges INR per ton	483	483	483	483
Brokerage INR per ton	190	190	190	190
Total landed cost INR per ton	64652	65212	64344	61212
Domestic Market price INR/ton Soy Degum Kandla/CPO Kandla 5%	65800	65800	65800	58000
Total landed cost USD per ton	1051	1060	1046	995
Domestic Market price USD/tons Soy Degum Kandla/ CPO Kandla 5%	1070	1070	1070	943
<b>Parity INR/MT (Domestic - Landed)</b>	<b>1148</b>	<b>588</b>	<b>1456</b>	<b>-3212</b>
<b>Parity USD/MT (Domestic - Landed)</b>	<b>18.67</b>	<b>9.56</b>	<b>23.68</b>	<b>-52.22</b>
Source: Agriwatch				
Refining/ Processing Cost per MT	2600.00	2600.00	2600.00	3200.00
Freight to Inland location (Indore for soy and Delhi for Palm oil)	2500.00	2500.00	2500.00	2800.00
Cost of Imported oil after refining/Processing	69751.74	70312.12	69443.57	67212.06
Soy/Palm oil imported Price (Including tax)	73239.32	73827.73	72915.75	70572.66
Loose price of Soy/Palm in Indore and Delhi market	72975.00	72975.00	72975.00	71190.00
Parity after processing and Taxes (Rs per MT)	<b>-264.32</b>	<b>-852.73</b>	<b>59.25</b>	<b>617.34</b>
Parity after processing and Taxes (USD per MT)	<b>-4.30</b>	<b>-13.86</b>	<b>0.96</b>	<b>10.04</b>
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 weak note in the days ahead. Investors are advised to sell refined soy oil (Apr. contract) on rise.**

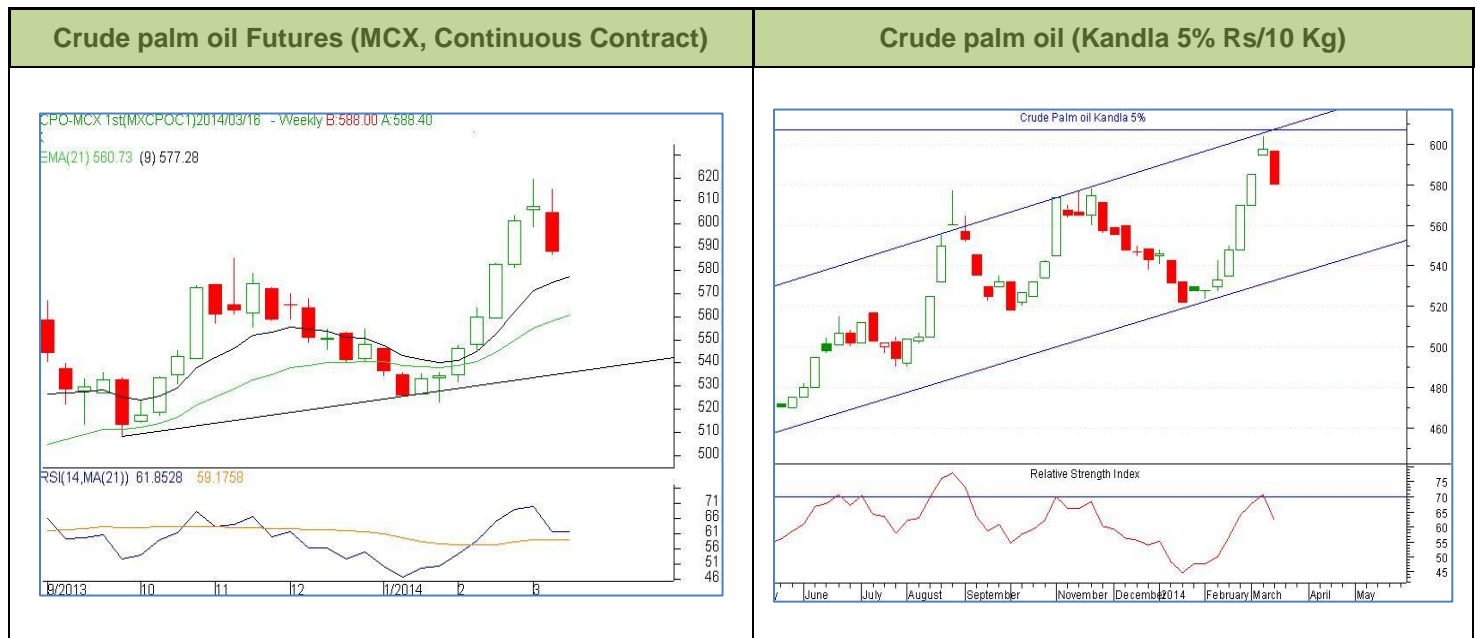
- ❖ Weekly chart of refined soy oil at NCDEX depicts weakness. We expect prices may trade with a steady to weak note in the near term.
- ❖ Any close above 727.50 in weekly chart shall change the sentiments and might take the prices to a bullish phase.
- ❖ Expected price band for next week is 724-715 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 below 724 levels for a target of 718 and 715 with a stop loss at 727.60 on closing basis.

**RSO NCDEX**

Support and Resistance				
S2	S1	PCP	R1	R2
695.00	700.00	716.00	728.00	732.50

**Spot Market outlook:** Refined soy oil Indore is likely to stay in the range of Rs 710-740 per 10 Kg.

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


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

- ❖ Candlestick weekly chart of crude palm oil at MCX depicts losses in the prices. We expect prices may trade with a steady to weak note in the near term.
- ❖ Any close above 589 in weekly chart shall change the sentiments and might bring the prices to a bullish phase.
- ❖ Expected price band for next week is 596.50-578 level. RSI is moving towards neutral zone suggesting likely range bound in the coming week.

**Strategy:** Market participants are advised to go short in CPO below 596.50 for a target of 582 and 578 with a stop loss at 589.00 on closing basis.

**CPO MCX**

Support and Resistance				
S2	S1	PCP	R1	R2
570.00	575.00	588.50	602.00	608.00

**Spot Market outlook:** Crude palm oil is likely to stay in the range of Rs 572-592 per 10 Kg.



**Veg. Oil Prices at Key Spot Markets**

Commodity	Centre	Prices(Per 10 Kg)		Change
		14-Mar-14	7-Mar-14	
Refined Soybean Oil	Kota(Loose)	680	705	-25
	Rajkot (Loose)	675	700	-25
	Jaipur (Loose)	695	NA	-
	Hyderabad+ VAT	NA	NA	-
	Delhi (Loose)	730	730	Unch
	Kakinada	NA	NA	-
	Mumbai +VAT	690	705	-15
	Indore	695	705	-10
	Soy Degum Mumbai+VAT	658	670	-12
	SoyDegum Kandla/Mundra+VAT	658	670	-12
	Haldiya Port (Loose)	NA	NA	-
	Akola (Loose)	716	731	-15
	Amrawati (Loose)	716	731	-15
	Jalna	721	731	-10
	Nagpur	726	736	-10
Palm Oil	Chennai.RBD.Palmolein.(Loose)	650	655	-5
	Hyd. RBD Palmolein VAT	625	615	10
	Delhi RBD Palmolein (Loose)	678	680	-2
	Kandla CPO (5%FFA)	580	604	-24
	Kakinada.RBD.Palmolein(Loose)	631	641	-10
	Mumbai RBD Pamolein+ VAT	645	655	-10
	Kandla RBD Palmolein +VAT	640	660	-20
Refined Sunflower Oil	Mumbai + VAT	710	720	-10
	Kandla/Mundra	660	670	-10
	Erode (Exp. Oil)+VAT	735	735	Unch
	Hyderabad Exp +VAT	701	716	-15
	Chennai (Loose)	710	715	-5
	Bellary (Exp. Oil)+VAT	666	669	-3
	Latur (Exp. Oil)+VAT	666	NA	-
	Chellakere (Exp. Oil)+VAT	660	665	-5
Groundnut Oil	Rajkot (Loose)	730	725	5
	Chennai (Loose)	760	760	Unch
	Delhi (Loose)	740	740	Unch
	Hyderabad Exp +VAT	820	825	-5
	Mumbai + VAT	770	765	5
	Gondal+VAT	740	725	15
	Jamnagar +VAT	735	725	10
	Narsarropeth+VAT	780	780	Unch
	Prodattour+VAT	716	751	-35

<b>Rapeseed Oil</b>	Mumbai (Exp. Oil) +VAT	680	680	Unch
	Alwar (Expeller Oil)(Loose)	691	701	-10
	Kota (Expeller Oil) (Loose)	655	685	-30
	Jaipur (Expeller Oil) (Loose)	674	696	-22
	Delhi (Exp. Oil) (Loose)	740	718	22
	SriGangaNagar(ExpOil-Loose)	680	695	-15
	Hapur+VAT	710	720	-10
	Kolkata	NA	NA	-
	Agra (Kacchi Ghani Oil) +VAT	730	755	-25
<b>Refined Cottonseed Oil</b>	Mumbai +VAT	680	675	5
	Rajkot (Loose)	652	670	-18
	Delhi (Loose)	645	645	Unch
	Hyderabad (Loose)	615	610	5
<b>Coconut Oil</b>	Kangayan (Crude)	1255	1250	5
	Cochin	1200	1200	Unch
	Trissur	1225	1250	-25
<b>Sesame Oil</b>	Delhi	960	1020	-60
	Mumbai	1080	1080	Unch
<b>Kardi</b>	Mumbai	950	950	Unch
<b>Rice Bran Oil (40%)</b>	Delhi	NA	485	-
<b>Rice Bran Oil (4%)</b>	Punjab	510	510	Unch
<b>Malaysia Palmolein USD/MT</b>	FOB	910	930	-20
	CNF India	933	945	-12
<b>Indonesia CPO USD/MT</b>	FOB	915	940	-25
	CNF India	938	968	-30
<b>Argentina FOB (\$/MT)</b>		<b>13-Mar-14</b>	<b>6-Mar-14</b>	<b>Change</b>
Crude Soybean Oil Ship		929	948	-19
Refined Soy Oil (Bulk) Ship		961	981	-20
Sunflower Oil Ship		NA	NA	-
Cottonseed Oil Ship		909	928	-19
Refined Linseed Oil (Bulk) Ship		NA	NA	-

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