

## **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 (21 Mar. 2014) at 60.92, up 0.42 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 40 cents/lb to 42.20 cents/lb. CPO at BMD (May) is likely to trade in the range of 2650-2785 ringgit per tons. Malaysian palm oil products exports for March 1-20 fell 12.3 percent to 767,785 tons from the 875,091 tonnes shipped during Feb. 1-20 - Cargo surveyor Intertek Testing Services.*

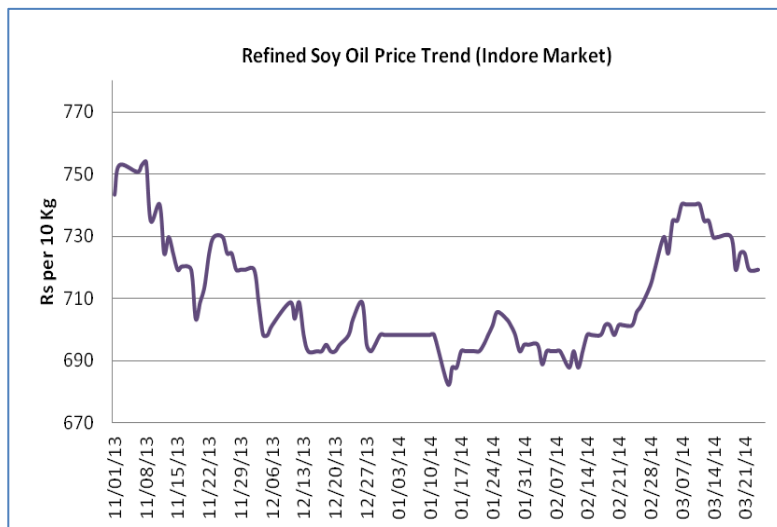
*On the international front, soybeans supplies from South American countries are likely to pick up pace in the coming months and uncertainty about Chinese soybean demand may favors the bears. However, soybean crop losses in Latam countries, soy crop tightness in US and geopolitical crisis in Ukraine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

*Upcoming soybean crop arrivals from Latam and adequate edible oils stocks in China support the bears. However, lower than expected Malaysian palm oil inventories for February, and South East Asian countries are in lower palm oil yield phase may limit the excessive losses.*

### **Soy oil Fundamental Analysis and Outlook:-**

#### **Domestic Front**

- Soybean oil featured steady to 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.
- 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.
- Lower soybean arrivals in the domestic market, dry weather over South East Asian oil palm growing belt likely to support the market sentiments in the near term. However, weak soybean meal export demand (Indian origin), recovery in the Indian rupee against US dollar 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. We expect soy oil may trade with a range bound to weak movement.



#### **International Front**

- Abiove cut its Brazil's soybean crop forecast to 86.1 million tons from 88.6 million tons in February due to lower due weather concern in Jan and February. Moreover, Abiove also cuts Brazilian exports forecast to 44 million tons of soybeans down 0.5 million tons.
- China canceled about 0.4 million tons of U.S. soybeans in the two weeks to March 6 and also canceled 0.5 million tons from South America countries, mainly from Brazil due to ample supplies at Chinese ports – Oil world.
- 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.
- 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.
- 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.
- 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 favors the bears. However, soybean crop losses in Latam, soy crop tightness in US and geopolitical crisis in Ukraine may limit the excessive losses.

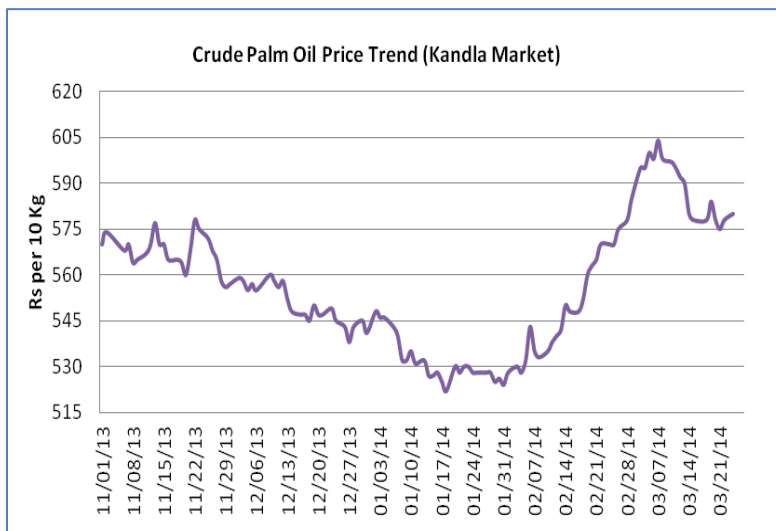
#### **Price Outlook:**

We expect refined soy oil at Indore (with VAT) to stay in the range of 705-725 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 average demand and correction in the international palm oil market.
- Lackluster demand at higher quotes, with an advent of summer season and rising mustard supplies may support the bears in the coming days. However, lower palm oil imports during the first two months of 2014 and dry weather concern in Malaysia may limit the excessive losses.
- 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.
- 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 to weak tone in the days ahead.



### International Front

- Malaysian palm oil products exports for March 1-20 fell 12.3 percent to 767,785 tons from the 875,091 tonnes shipped during Feb. 1-20 - Cargo surveyor Intertek Testing Services. As per Malaysian government, Malaysia has raised its crude palm oil export tax for April to 5.5 percent.
- 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.
- Upcoming soybean crop arrivals from Latam and adequate edible oils stocks in China support the bears. However, lower than expected Malaysian palm oil inventories for February, and South East Asian countries are in lower palm oil yield phase may limit the excessive losses.

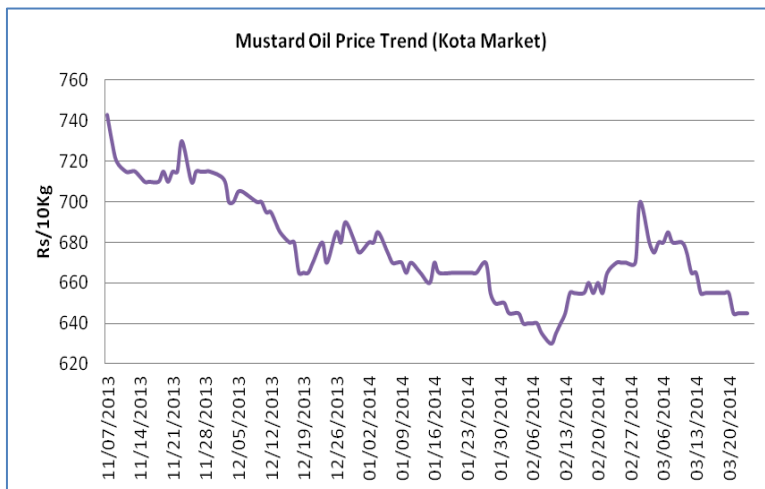
### Price Outlook:

We expect CPO Kandla 5% (with VAT) to stay in the range of 560-585 per 10 Kg in the near term.

## Rapeseed oil Fundamental Review and Analysis:-

### Domestic Front

- Mustard oil featured weak tone during the week at the Kota market in line with the competing soy oil prices and rising RM seed supplies from major producing regions.
- Higher mustard seed arrivals from Rajasthan and MP and with an advent of summer season domestic demand are likely to ease in the coming weeks. 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 due to unseasonal rains.
- 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.

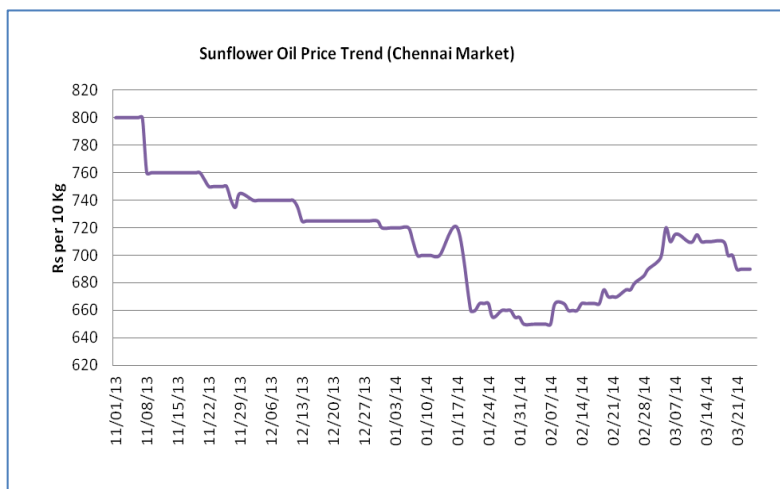


**Price Outlook:** Rapeseed oil (without VAT) prices in Kota may stay in the range of Rs 625-660 per 10 Kg.

## Sunflower oil Fundamental Review and Analysis:-

### Domestic Front

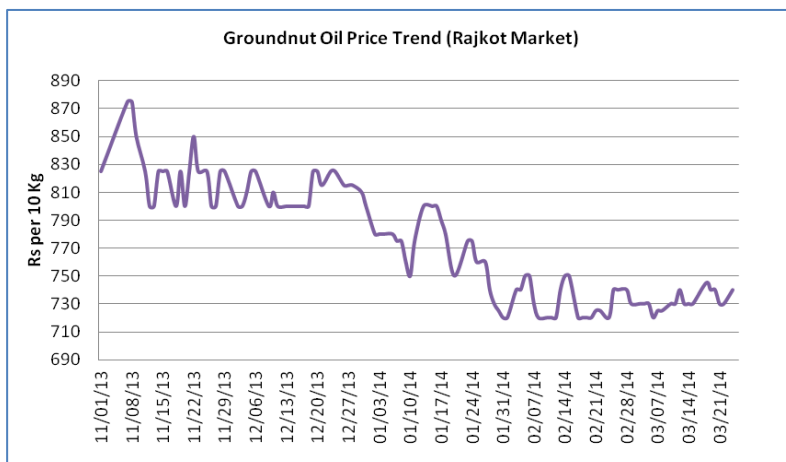
- Sunflower oil featured steady to slightly weak tone at its benchmark market Chennai during the week tracking bearish cues from the international sun oil market and weak demand for edible oils in the domestic edible oil market. Moreover, higher imports during last three months curb the bulls.
- SEA 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. Market may consolidate in the near term owing to summer season approaching which may ease domestic demand. However, geopolitical concern in Ukraine may limit the excessive losses in the coming days.
- 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 660-700 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.
- We expect groundnut oil prices may trade sideways in the days ahead.

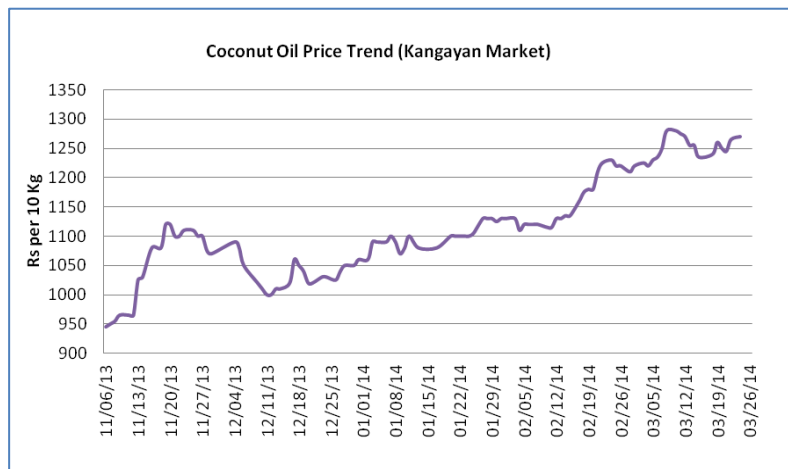


### Price Outlook

Groundnut oil (without VAT) in Rajkot market is likely to trade in the price band of Rs 720-755 per 10 Kg.

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

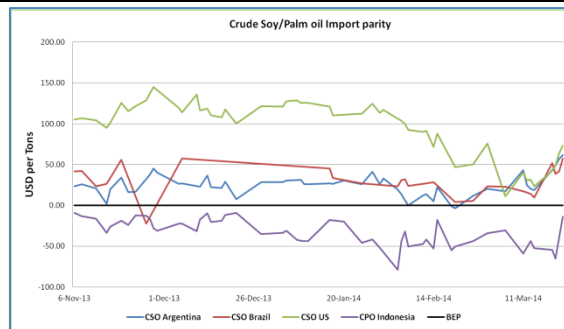
- Coconut oil featured steady to firm tone at its benchmark market Kanganayan during the week due to gains in the international oil & fats market and lean season for copra in Southern India. However, limited buying interest at higher quotes limit the upside risk in the prices.
- Gains in the palm oil products during the last couple of weeks, lower copra arrivals in the major producing regions of Kerala 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 medium term. However, for short term prices may trade steady to slightly firm tone.
- 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 1215-1300 per 10 Kg.

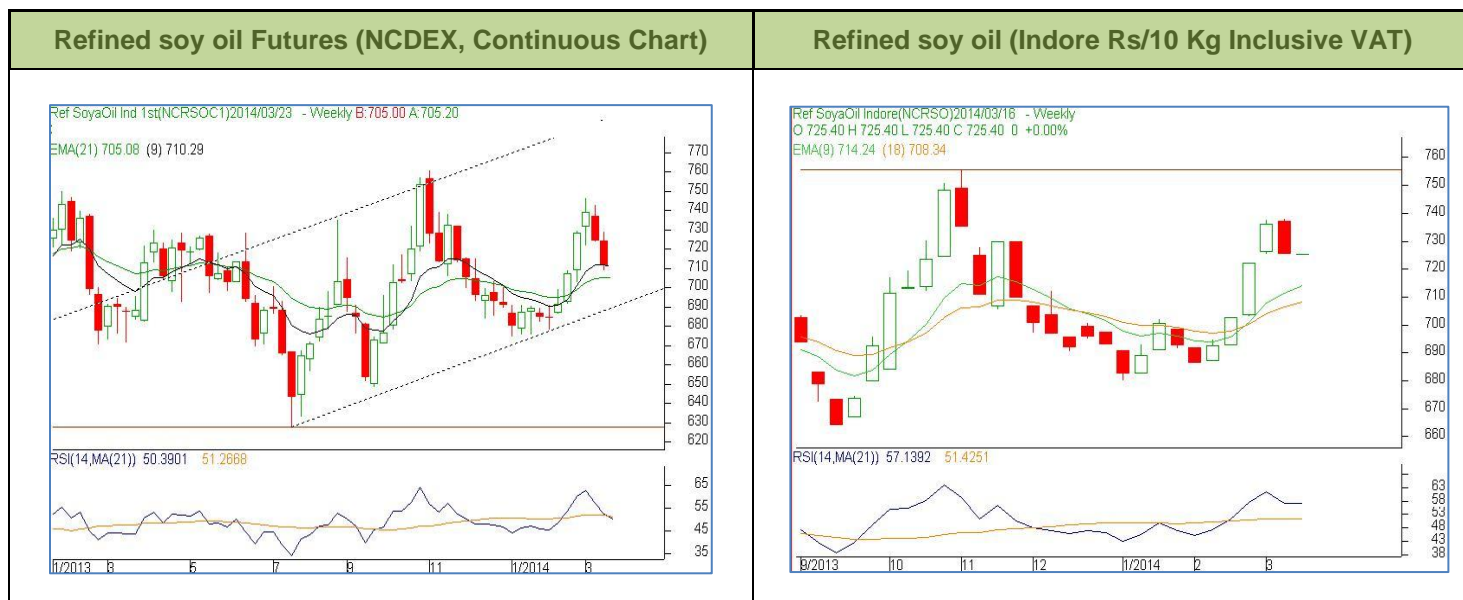
**Landed Cost at the Indian Ports - Crude soy oil and Crude palm oil**

Landed Cost Calculation as on 22/03/2014	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia
FOB USD per ton	890	904	893	915
Freight (USD/MT)	80	70	65	35
C & F	970.0	974.0	958.0	950.0
Weight loss (0.25% of FOB)	2.23	2.26	2.23	2.29
Finance charges (0.4% on CNF)	3.88	3.90	3.83	3.80
Insurance (0.3% of C&F)	3	3	3	3
CIF (Indian Port - Kandla)	979	983	967	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	60.9	60.9	60.9	60.9
Landed cost without customs duty in INR per ton	59622	59869	58887	58399
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	61757	62004	61022	60627
Domestic Market price INR/ton Soy Degum Kandla/CPO Kandla 5%	65500	65500	65500	59800
Total landed cost USD per ton	1014	1018	1002	996
Domestic Market price USD/tons Soy Degum Kandla/CPO Kandla 5%	1076	1076	1076	982
<b>Parity INR/MT (Domestic - Landed)</b>	<b>3743</b>	<b>3496</b>	<b>4478</b>	<b>-827</b>
<b>Parity USD/MT (Domestic - Landed)</b>	<b>61.46</b>	<b>57.40</b>	<b>73.54</b>	<b>-13.58</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	66857.05	67104.48	66121.59	66627.10
Soy/Palm oil imported Price (Including tax)	70199.90	70459.71	69427.67	69958.46
Loose price of Soy/Palm in Indore and Delhi market	71925.00	71925.00	71925.00	70350.00
Parity after processing and Taxes (Rs per MT)	<b>1725.10</b>	<b>1465.29</b>	<b>2497.33</b>	<b>391.54</b>
Parity after processing and Taxes (USD per MT)	<b>28.33</b>	<b>24.06</b>	<b>41.01</b>	<b>6.43</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).**

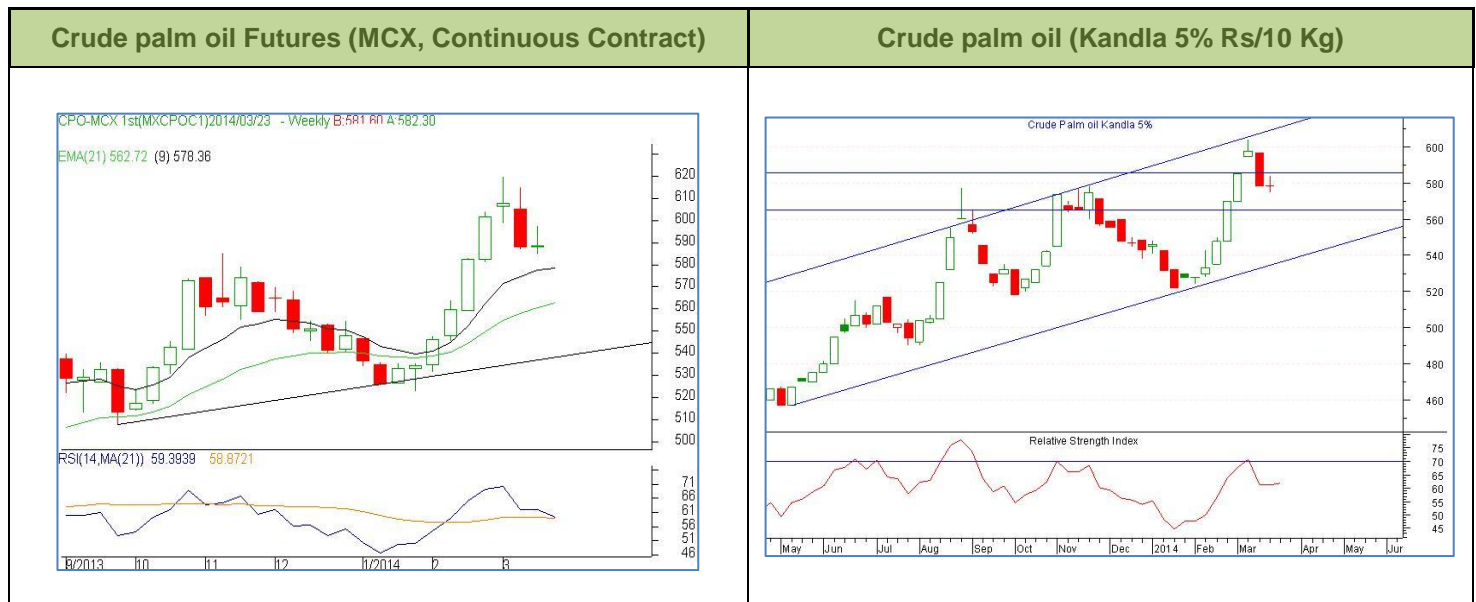
- ❖ Weekly chart of refined soy oil at NCDEX depicts weakness. We expect prices may trade with a steady to weak note in the near term.
- ❖ Any close above 718 in weekly chart shall change the sentiments and might take the prices to a bullish phase.
- ❖ Expected price band for next week is 700-712 level 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 short in RSO below 712 levels for a target of 702 and 700 with a stop loss at 718 on closing basis.

**RSO NCDEX**

Support and Resistance				
S2	S1	PCP	R1	R2
692.00	697.00	711.60	722.00	728.00

**Spot Market outlook:** Refined soy oil Indore is likely to stay in the range of Rs 705-725 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 598.40 in weekly chart shall change the sentiments and might bring the prices to a bullish phase.
- ❖ Expected price band for next week is 590-574 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 590 for a target of 576 and 574 with a stop loss at 598.40 on closing basis.

**CPO MCX**

Support and Resistance				
S2	S1	PCP	R1	R2
564.00	570.00	590.30	600.00	605.00

**Spot Market outlook:** Crude palm oil is likely to stay in the range of Rs 560-585 per 10 Kg.



Veg. Oil Prices at Key Spot Markets

Commodity	Centre	Prices(Per 10 Kg)		Change
		21-Mar-14	14-Mar-14	
Refined Soybean Oil	Kota(Loose)	675	680	-5
	Rajkot (Loose)	655	675	-20
	Jaipur (Loose)	680	695	-15
	Hyderabad+ VAT	NA	NA	-
	Delhi (Loose)	720	730	-10
	Kakinada	NA	NA	-
	Mumbai +VAT	677	690	-13
	Indore	690	695	-5
	Soy Degum Mumbai+VAT	655	658	-3
	SoyDegum Kandla/Mundra+VAT	655	658	-3
	Haldiya Port (Loose)	NA	NA	-
	Akola (Loose)	706	716	-10
	Amrawati (Loose)	706	716	-10
	Jalna	701	721	-20
	Nagpur	711	726	-15
Palm Oil	Chennai.RBD.Palmolein.(Loose)	640	650	-10
	Hyd. RBD Palmolein VAT	630	625	5
	Delhi RBD Palmolein (Loose)	675	678	-3
	Kandla CPO (5%FFA)	575	580	-5
	Kakinada.RBD.Palmolein(Loose)	626	631	-5
	Mumbai RBD Pamolein+ VAT	648	645	3
	Kandla RBD Palmolein +VAT	630	640	-10
Refined Sunflower Oil	Mumbai + VAT	710	710	Unch
	Kandla/Mundra	645	660	-15
	Erode (Exp. Oil)+VAT	730	735	-5
	Hyderabad Exp +VAT	681	701	-20
	Chennai (Loose)	690	710	-20
	Bellary (Exp. Oil)+VAT	651	666	-15
	Latur (Exp. Oil)+VAT	661	666	-5
	Chellakere (Exp. Oil)+VAT	650	660	-10
Groundnut Oil	Rajkot (Loose)	730	730	Unch
	Chennai (Loose)	720	760	-40
	Delhi (Loose)	740	740	Unch
	Hyderabad Exp +VAT	815	820	-5
	Mumbai + VAT	770	770	Unch
	Gondal+VAT	740	740	Unch
	Jamnagar +VAT	745	735	10
	Narsarropeth+VAT	760	780	-20
	Prodattour+VAT	701	716	-15

<b>Rapeseed Oil</b>	Mumbai (Exp. Oil) +VAT	685	680	5
	Alwar (Expeller Oil)(Loose)	661	691	-30
	Kota (Expeller Oil) (Loose)	645	655	-10
	Jaipur (Expeller Oil) (Loose)	667	674	-7
	Delhi (Exp. Oil) (Loose)	715	740	-25
	SriGangaNagar(ExpOil-Loose)	662	680	-18
	Hapur+VAT	715	710	5
	Kolkata	NA	NA	-
	Agra (Kacchi Ghani Oil) +VAT	720	730	-10
<b>Refined Cottonseed Oil</b>	Mumbai +VAT	680	680	Unch
	Rajkot (Loose)	645	652	-7
	Delhi (Loose)	645	645	Unch
	Hyderabad (Loose)	620	615	5
<b>Coconut Oil</b>	Kangayan (Crude)	1245	1255	-10
	Cochin	1200	1200	Unch
	Trissur	1240	1225	15
<b>Sesame Oil</b>	Delhi	950	960	-10
	Mumbai	1060	1080	-20
<b>Kardi</b>	Mumbai	950	950	Unch
<b>Rice Bran Oil (40%)</b>	Delhi	485	NA	-
<b>Rice Bran Oil (4%)</b>	Punjab	520	510	10
<b>Malaysia Palmolein USD/MT</b>	FOB (January Shipment)	910	910	Unch
	CNF (January Shipment) India	940	933	7
<b>Indonesia CPO USD/MT</b>	FOB (February-March Shipment)	NA	915	-
	CNF (January Shipment) India	950	938	12
<b>Argentina FOB (\$/MT)</b>		<b>20-Mar-14</b>	<b>13-Mar-14</b>	<b>Change</b>
Crude Soybean Oil Ship		890	929	-39
Refined Soy Oil (Bulk) Ship		921	961	-40
Sunflower Oil Ship		NA	NA	-
Cottonseed Oil Ship		870	909	-39
Refined Linseed Oil (Bulk) Ship		NA	NA	-

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