

## Outlook and Review

### Domestic Veg. Oil Market Summary

*Edible oil basket witnessed sideways to weak trend during the week owing to weak cues from global oil & fats market and higher edible oil imports.*

*Refined soybean oil was the worst performer in the edible oil complex and quoted Rs 707 per 10 Kg (weekly average), down 2.61 percent from last week average at Indore market. On the currency front, Indian rupee against USD closed (30 May. 2014) at 59.11, down 1.29 percent as compared to the previous week. Factors to watch in the coming weeks will be on the movement of Indian rupee against US dollar, Malaysian palm oil inventories, weather over US soybean growing belt, and Malaysian palm oil exports.*

*We expect edible oil complex to trade sideways to slightly weak tone due to lackluster buying against adequate imported oils in the cash market and weak cues from global market. However, in expectation of renewed demand at lower quotes and diminishing oilseed arrivals may limit the excessive losses.*

#### **Recommendation:**

*Market participant advised to go short in RSO below 677 levels for a target of 665 and 663 with a stop loss at 684.20 on closing basis and go short in CPO below 508 for a target of 500 and 498 with a stop loss at 512.80 on closing basis.*

### International Veg. Oil Market Summary

*CBOT soy oil (June) is expected to stay in the range of 37.80 cents/lb to 39.20 cents/lb. CPO at BMD (June) is likely to trade in the range of 2370-2465 ringgit per tons.*

*As per Intertek Testing Services, Malaysian palm oil products exports during May 1-25 rose 14.1 percent to 1,093,703 tons from 958,815 tons shipped during April 1-25.*

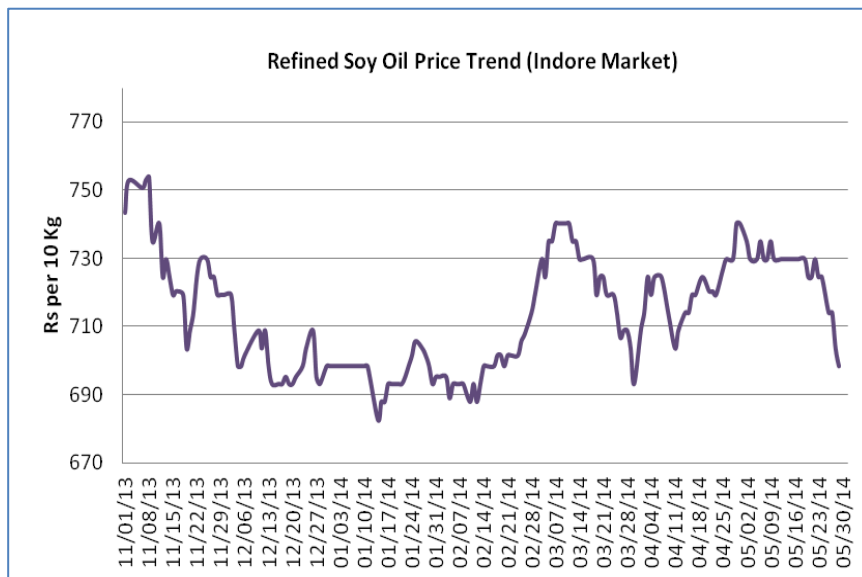
*Improved weather over US soybean growing belt, higher US soybean planting pace, and talks of US corn acreage shifting to soybean favors the bears. However, tight soybean supplies in US and harvesting delay in Argentina may limit the excessive losses in soy complex.*

*Strong Ringgits against US dollar, diminishing palm oil exports compared to the fortnight pace and rising palm oil supply in the South East countries may pressurize the palm oil prices in the coming days. However, in expectation of good demand from top palm oil buyers ahead of festivities in July and domestic demand for bio diesel may curb the losses.*

## Soy oil Fundamental Analysis and Outlook:-

### Domestic Front

- Soybean oil featured weak tone owing to correction in the international soybean oil market and higher imports during the last two months.
- Lackluster buying interest, weakness in the international oil & fats market and in expectation of higher global soybean production in 2014/15 crop year. However, thin soybean arrivals and lower crushing in the domestic market check the downside risk in the prices.
- On the import parity front, currently refineries get a parity of Rs 2.5-3 per kg on refining crude degummed soybean oil. We expect import parity in soybean oil continues and higher imports would be seen in the days ahead,
- As per SOPA, soybean acreage is likely to rise up to 4 percent in the 2014/15 crop year that begins in July due to higher return from soybean crop. Area will rise mainly in Maharashtra and the southern states. Indian farmers planted 122.20 lakh Ha of soybean in 2013/14.
- As per trade sources, India imported around 86,000 tons of crude soybean oil during 19-29 May 2014 majorly from Brazil. While, SEA of India reported that Indian buyer imported 6.41 lakh tons of crude soybean oil majorly from Argentina and Brazil during Nov-Apr 2014, up 114.3 percent from the same period of last year. We expect soy oil may trade with a steady note.



### International Front

- Soybean planting in US is now at 59 percent, up 3 percent from the 5-year average as of 25 May 2014. While, last week farmer planted 33 percent of the estimated area. In Iowa soybean planting is about 80 percent and in Mississippi 83 percent of the estimated soybean acreage. Strong soybean planting progress witnessed in Kansas, Missouri, North, and South Dakota too.
- As per Oil world, Argentina's soybean harvesting is likely to delay due to higher rains and threatening the quality of the standing crop. About 6.2 million hectares (15.3 million acres) of soybeans still hadn't been harvested as of May 22. While, last year at the same period around 2.6 million hectares of soybeans were uncollected.
- As per Brazilian Mines and Energy Minister, Brazil will increase biodiesel requirement in diesel blend to 6 percent in July and to 7 percent in November from the current rate of 5 percent to support the domestically produced biodiesel from soybean oil and animal fats. According to Industry data, with a 7 percent biodiesel blend requirement, biodiesel consumption in Brazil could rise to 4.2 billion liters a year from the current 3 billion liters.
- Improved weather over US soybean growing belt, higher US soybean planting pace, and talks of US corn acreage shifting to soybean favors the bears. However, tight soybean supplies in US and harvesting delay in Argentina may limit the excessive losses in soy complex.

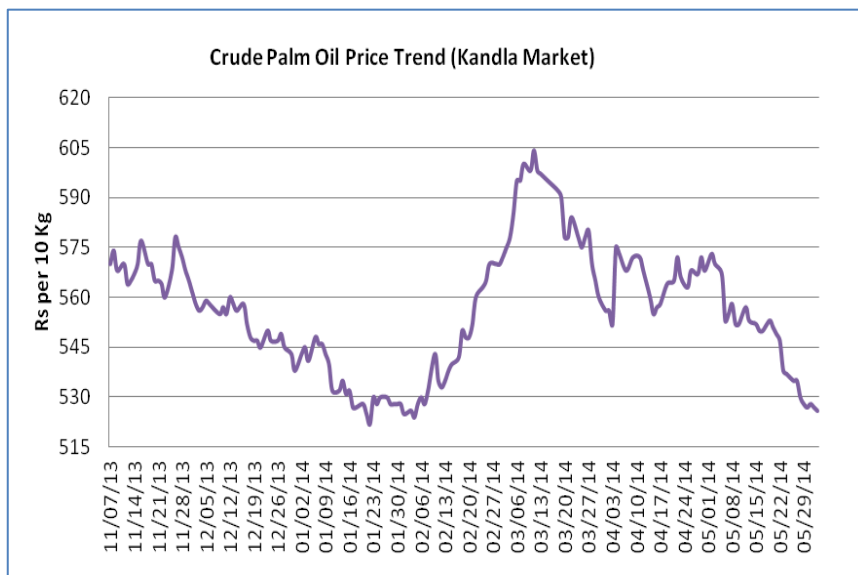
### Price Outlook:

We expect refined soy oil at Indore (with VAT) to stay in the range of 672-688 per 10 Kg in the near term.

## Palm oil Fundamental Analysis and Outlook :-

### Domestic Front

- CPO Kandla 5% witnessed weak momentum in the prices during the week.
- As per sources, Indian buyers imported 1.85 lakh tons of crude palm oil and 0.55 lakh tons of RBD palmolein during 19-29 May 2014. While, Solvent Extractors' Association of India reported that India imported palm oil including (CPO, RBD palmolein and crude palm kernel oil) stood at 36.7 million tons, down 14.8 percent from the same period of the last year.
- Weakness in the International palm oil markets tracking fading Malaysian palm oil export demand, and rising palm oil production in South East Asian countries likely to support the bears in the coming days. However, renewed demand at lower quotes may curb the excessive losses.
- On the import parity front, currently refiners get higher margins in refining crude palm oil and get Rs 2.6-2.9/ Kg. While, RBD palmolein get lower margins compared to the CPO. We expect higher palm oil imports seen in the coming days due to lower oilseed crushing and upcoming festivities in July. We expect palm oil likely to trade range bound in the days ahead.



### International Front

- According to the trade ministry, Indonesia sets its export tax for crude palm oil at 12 percent in June, unchanged from May. As per cargo surveyor Intertek Testing Services, Malaysian palm oil products exports during May 1-25 rose 14.1 percent to 1,093,703 tons from 958,815 tons shipped during April 1-25. India & subcontinent imported 273,514 tons of palm oil products from Malaysia during May 1-25 v/s 195,340 tons in April 1-25.
- As per Sime Darby, average palm oil prices at 2,500 ringgit (\$780) tons this year. While, the price could go as high as 2,700 ringgit per tons if the El Nino weather phenomenon returns to curb yields from trees.
- Malaysian palm oil exports are projected to 17.2 million tons, down 1 million tons from last year due to dry weather concern and higher share of old oil palm trees which led to insufficient replanting - Oil World.
- As per Oil World, global palm oil imports during April-to-June 2014 seen at 10.5 million tons down 0.9 million tons from previous quarter (Jan.-March) in expectation of good buying from major importers ahead of Muslim festivities in late June.
- Strong Ringgits against US dollar, diminishing palm oil exports compared to the fortnight pace and rising palm oil supply in the South East countries may pressurize the palm oil prices in the coming days. However, in expectation of good demand from top palm oil buyers ahead of festivities in July and domestic demand for bio diesel may curb the losses.

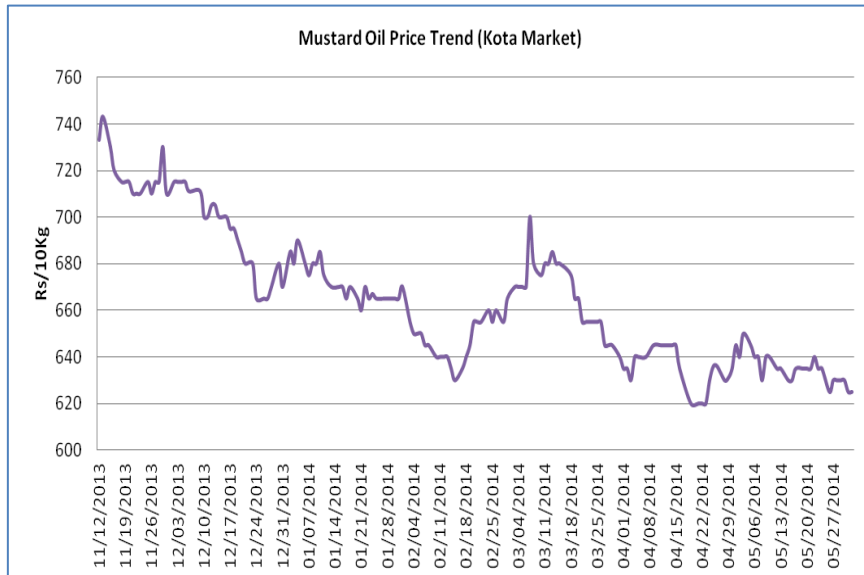
### Price Outlook:

We expect CPO Kandla 5% (with VAT) to stay in the range of 505-522 per 10 Kg in the near term.

## Rapeseed oil Fundamental Review and Analysis:-

### Domestic Front

- Mustard oil featured steady to weak tone at major cash market tracking bearish cues from the international palm oil market and limited buying.
- As per sources, weakness in the edible oil complex, negative RM seed crush margin and lackluster buying against adequate stocks weigh on the market sentiments. Around 35-38 percent of mustard seed had arrived in the cash market of the total estimated production in 2014.
- On the supply side, mustard seed production seen at 75.6 lakh tons, up 3.6 lakh tons from the previous oil year - Agriwatch estimates.
- We expect RM seed oil prices may trade range bound in the coming days.

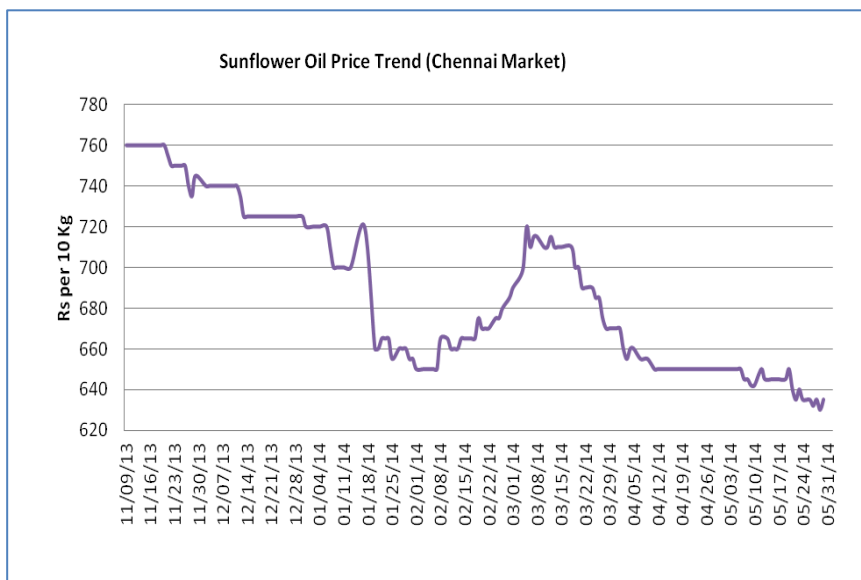


**Price Outlook:** Rapeseed oil (without VAT) prices in Kota may stay in the range of Rs 613-633 per 10 Kg.

## Sunflower oil Fundamental Review and Analysis:-

### Domestic Front

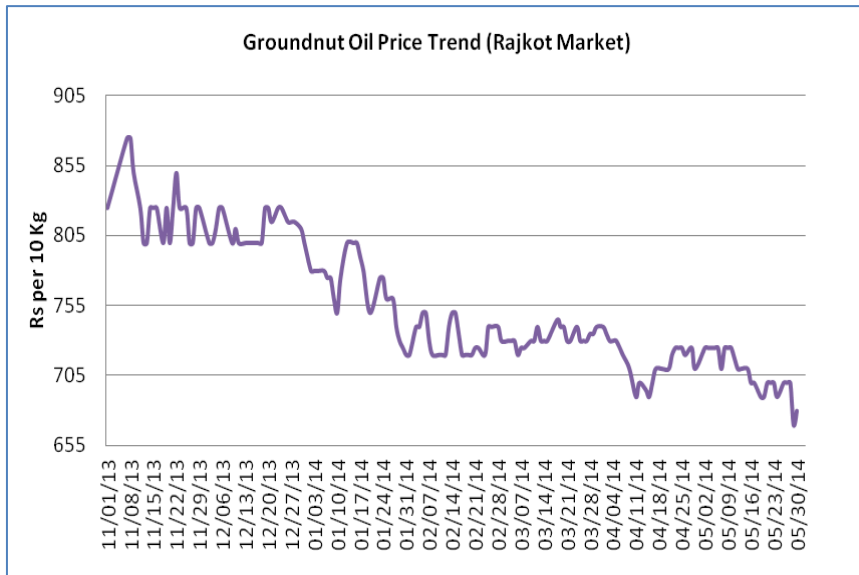
- Sunflower oil featured steady tone at its benchmark market Chennai during the week owing to sideways trend in the international sunflower oil market and need based demand for sunflower oil against adequate stocks.
- Sunflower oil CIF at Kandla port is offered at USD 940 per tons Ukraine origin. However, prices stay range bound from the past 2 months and likely to stay range bound in the coming days. Ukraine sunflower planting is 96% complete
- As per sources, India imported 69,000 tons of crude sunflower oil during 19-29 May, 2014 majorly from Ukraine on an average rate of Rs 582 per 10 Kg. On the import front, Indian buyers purchase 688,846 tons of crude sunflower oil majorly from Ukraine during Nov-Apr, 2014. While, India imported 510,118 tons of crude sunflower oil from same period of the last year – SEA of India. Russian sunflower seed planting progress report, Sunflower seed planting stood at 6.2 Mln ha (88 percent of the intended 7.1 Mln ha), up 0.2 Mln. ha compared to the same period of last year - IKAR.
- We expect sunflower oil prices may trade range bound in the coming days.



**Price Outlook:** Sunflower oil (with VAT) prices in Chennai may stay in the range of Rs 615-640 per 10 Kg.

### Groundnut oil Fundamental Review and Analysis:- Domestic Front

- Groundnut oil prices trade weak tone at its benchmark market (Rajkot) during the week.
- IOPEPC estimate groundnut production in Gujarat at 18,7347 tons which was planted in 93,200 ha. The total study area of the council including others stood at 96331 ha and the production along with Gujarat is estimated at 193258 tons. Groundnut oil production for 2013-14 marketing year is projected at six lakh tons which is significantly higher than last year production estimate of 3.28 lakh tons.
- Groundnut oil prices are likely to trade with a steady to weak tone in the coming days owing to adequate stock against limited buying in the cash market. However, lower quotes may trigger demand from retail, which could cap the excessive losses.

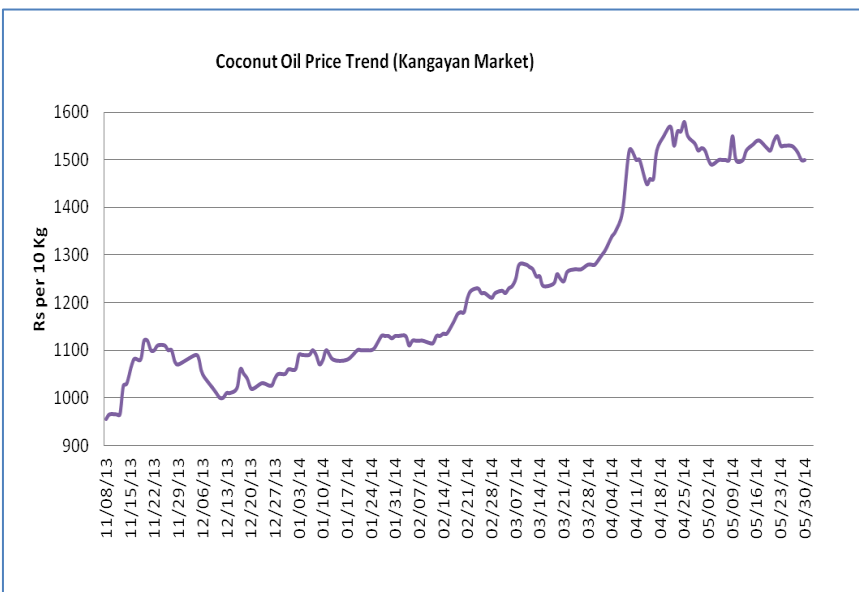


### Price Outlook

Groundnut oil (without VAT) in Rajkot market is likely to trade in the price band of Rs 660-680 per 10 Kg.

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

- Coconut oil featured steady to weak tone at its benchmark market Kangayan during the week due to new supplies and lackluster buying.
- Coconut oil at Kangayan market quoted at Rs 1500-1520 per 10 Kg during the week in review. Profit booking and reduced off take by stockists witnessed at higher quotes and new copra arrivals from major producing regions weigh on the market during the week under review.
- Prices are likely to trade with a high volatility in the coming days. Higher copra arrivals are likely to hit the cash market of Southern India, which may weigh on the coconut oil prices in the coming day.



Price Outlook: Coconut oil (without VAT) prices in Erode may stay in the range of Rs 1478-1500 per 10 Kg.

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

<b>Landed Cost Calculation as on 30/05/2014</b>	<b>CSO Argentina</b>	<b>CSO Brazil</b>	<b>CSO US</b>	<b>CPO Indonesia</b>	<b>RBD Palmolein</b>
FOB USD per ton	863	867	874	815	805
Freight (USD/MT)	80	72	70	35	35.0
C & F	943.0	939.0	944.0	850.0	840.0
Weight loss (0.25% of FOB)	2.16	2.17	2.19	2.04	2.01
Finance charges (0.4% on CNF)	3.77	3.76	3.78	3.40	3.36
Insurance (0.3% of C&F)	3	3	3	3	3
CIF (Indian Port - Kandla)	952	948	953	858	848
CVD	0	0	0	0	0
Duty USD per ton	24.41	24.41	24.41	23.35	96.80
CVD value USD per ton	0	0	0	0	0
Cess (2% on duty) USD per ton	0.488136	0.488136	0.488136	0.46698	1.93596
Exchange rate	59.03	59.03	59.03	59.03	59.03
Landed cost without customs duty in INR per ton	56182	55945	56243	50647	50051
Customs duty %	2.58%	2.58%	2.58%	2.58%	10.20%
Base import price	946	946	946	905	949
Fixed exchange rate by customs department	60.10	60.10	60.10	60.10	60.10
Duty component in INR per ton	1466.85	1466.85	1466.85	1403.27	5817.56
Clearing charges INR per ton	483	483	483	483	483
Brokerage INR per ton	190	190	190	190	190
Total landed cost INR per ton	58322	58085	58383	52723	56542
Domestic Market price INR/ton Soy Degum Kandla/CPO Kandla 5%	61200	61200	61200	52600	59300
Total landed cost USD per ton	988	984	989	893	958
Domestic Market price USD/tons Soy Degum Kandla/CPO Kandla 5%	1037	1037	1037	891	1005
<b>Parity INR/MT (Domestic - Landed)</b>	<b>2878</b>	<b>3115</b>	<b>2817</b>	<b>-123</b>	<b>2758</b>
<b>Parity USD/MT (Domestic - Landed)</b>	<b>48.75</b>	<b>52.77</b>	<b>47.72</b>	<b>-2.09</b>	<b>46.73</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	2800.00
Cost of Imported oil after refining/Processing	63422.15	63184.97	63483.22	58723.28	59341.65
Soy/Palm oil imported Price (Including tax)	66593.26	66344.22	66657.38	61659.44	62308.74
Loose price of Soy/Palm in Indore and Delhi market	69300.00	69300.00	69300.00	64575.00	64575.00
Parity after processing and Taxes (Rs per MT)	<b>2706.74</b>	<b>2955.78</b>	<b>2642.62</b>	<b>2915.56</b>	<b>2266.26</b>
Parity after processing and Taxes (USD per MT)	<b>45.85</b>	<b>50.07</b>	<b>44.77</b>	<b>49.39</b>	<b>38.39</b>
Source: Agriwatch					



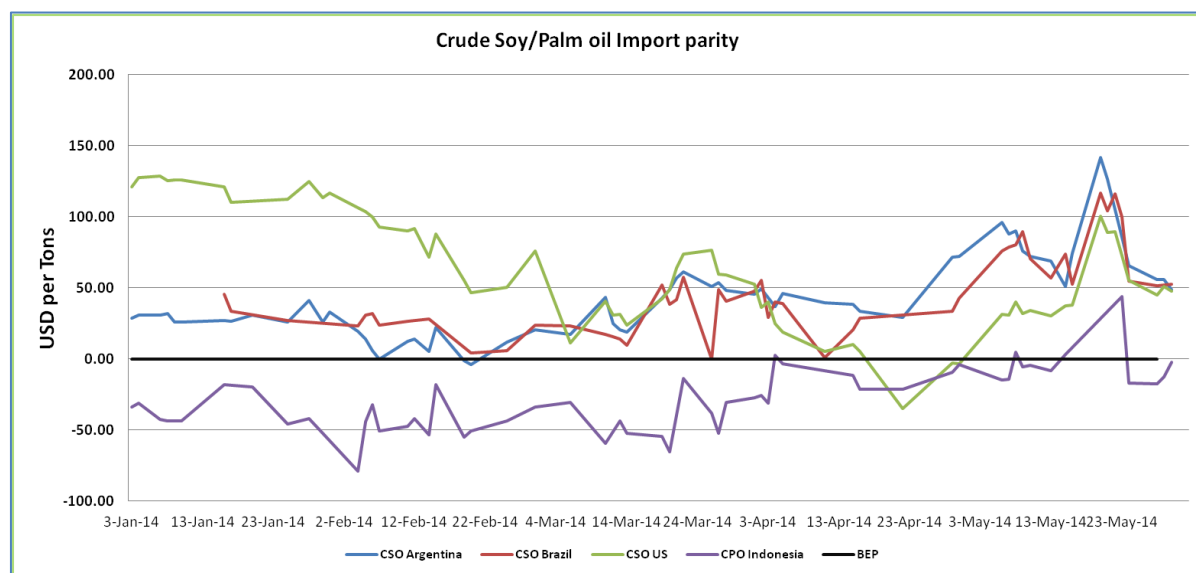
Import Parity Before Refining in US dollar per tons

	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
24-May-14	65.77	55.04	55.51	-16.74	-
28-May-14	56.11	51.73	45.08	-17.45	36.03
29-May-14	56.07	-	51.00	-12.77	44.57
30-May-14	48.75	52.77	47.72	-2.09	46.73

Import Parity After Refining in US dollar per tons

	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
24-May-14	94.18	82.91	83.41	45.22	-
28-May-14	60.70	56.10	49.12	29.67	27.16
29-May-14	57.09	-	51.77	36.56	36.09
30-May-14	45.85	50.07	44.77	49.39	38.39

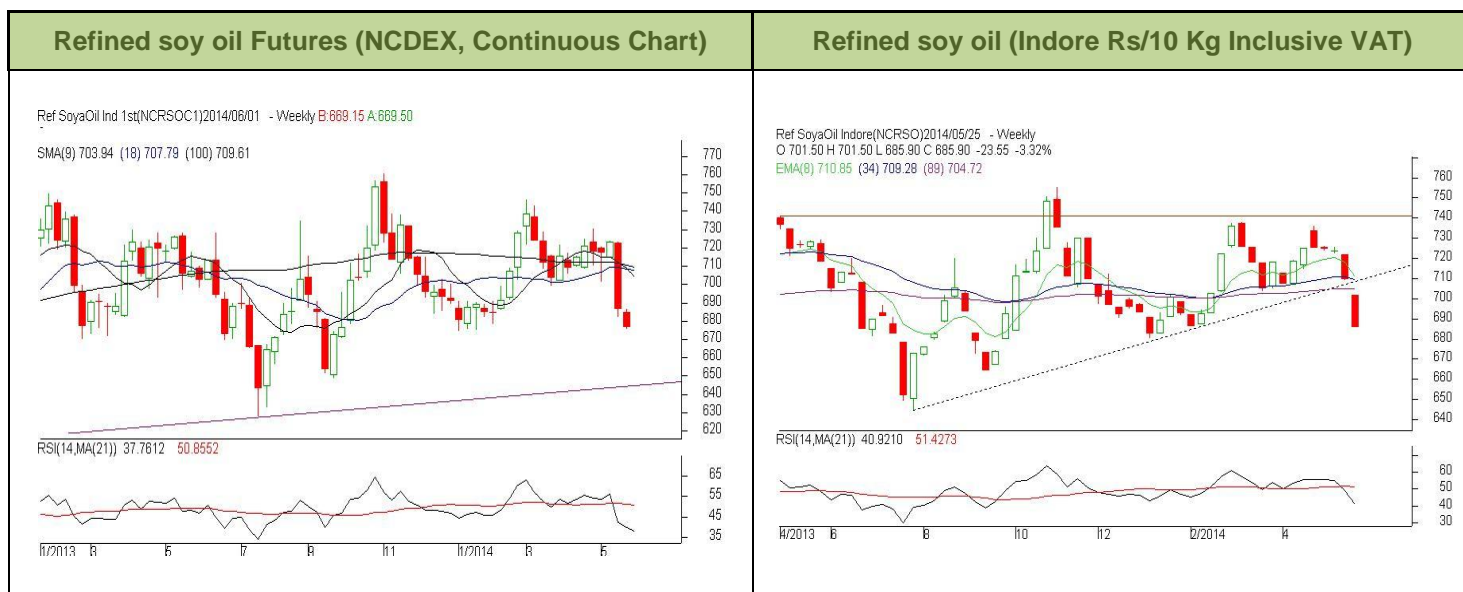
Crude soy oil and Crude palm oil Import Parity



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 – Refined soybean oil witnessed losses during the week in review and likely to trade with a weak tone in the coming days.**

- ❖ 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 684.20 in weekly chart shall change the sentiments and might take the prices to a bullish phase.
- ❖ Expected price band for next week is 663-677 level in near to medium term. RSI is near to oversold region and no evidence of divergence with the ref. soy oil prices noticed.

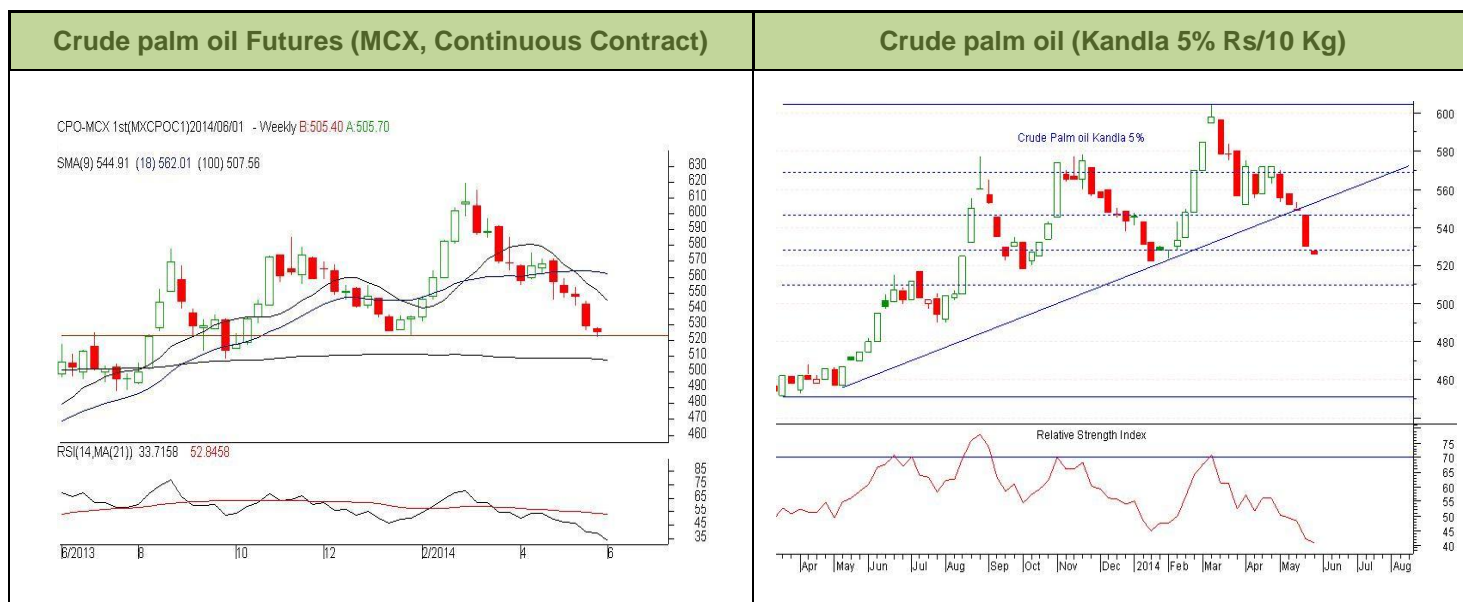
**Strategy:** Market participant advised to go short in RSO below 677 levels for a target of 665 and 663 with a stop loss at 684.20 on closing basis.

### RSO NCDEX June)

Support and Resistance				
S2	S1	PCP	R1	R2
654.00	659.00	676.60	688.00	695.00

**Spot Market outlook:** Refined soy oil Indore is likely to stay in the range of Rs 672-688 per 10 Kg.



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


**Outlook** -Prices are showing downtrend during the week, for the coming period, also we are expecting weak tone. For the coming week we advise traders to sell crude palm oil.

- ❖ 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 512.80 in weekly chart shall change the sentiments and might bring the prices to a bullish tone.
- ❖ Expected price band for next week is 498-508 level. RSI is moving towards oversold zone suggesting likely range bound to weak tone in the coming week.

**Strategy:** Market participants are advised to go short in CPO below 508 for a target of 500 and 498 with a stop loss at 512.80 on closing basis.

**CPO MCX (June)**

Support and Resistance				
S2	S1	PCP	R1	R2
490.00	495.00	507.10	517.00	522.00

**Spot Market outlook:** Crude palm oil is likely to stay in the range of Rs 505-522 per 10 Kg.

Veg. Oil Prices at Key Spot Markets

Commodity	Centre	Prices(Per 10 Kg)		Change
		30-May-14	23-May-14	
Refined Soybean Oil	Kota(Loose)	650	660	-10
	Rajkot (Loose)	625	650	-25
	Jaipur (Loose)	NR	NA	-
	Hyderabad+ VAT	NR	NA	-
	Delhi (Loose)	700	700	Unch
	Kakinada	NR	NA	-
	Mumbai +VAT	665	672	-7
	Indore	660	690	-30
	Soy Degum Mumbai+VAT	612	625	-13
	SoyDegum Kandla/Mundra+VAT	612	625	-13
	Haldiya Port (Loose)	NR	NA	-
	Akola (Loose)	678	691	-13
	Amrawati (Loose)	677	687	-10
	Jalna	NR	NR	-
	Nagpur	682	NR	-
Palm Oil	Chennai.RBD.Palmolein.(Loose)	570	580	-10
	Hyd. RBD Palmolein VAT	570	605	-35
	Delhi RBD Palmolein (Loose)	615	625	-10
	Kandla CPO (5%FFA)	526	535	-9
	Kakinada.RBD.Palmolein(Loose)	557	572	-15
	Mumbai RBD Pamolein+ VAT	574	590	-16
	Kandla RBD Palmolein +VAT	560	572	-12
Refined Sunflower Oil	Mumbai + VAT	680	680	Unch
	Kandla/Mundra	585	585	Unch
	Erode (Exp. Oil)+VAT	655	660	-5
	Hyderabad Exp +VAT	646	NR	-
	Chennai (Loose)	635	640	-5
	Bellary (Exp. Oil)+VAT	NR	NR	-
	Latur (Exp. Oil)+VAT	NR	NR	-
	Chellakere (Exp. Oil)+VAT	590	590	Unch
Groundnut Oil	Rajkot (Loose)	680	700	-20
	Chennai (Loose)	740	740	Unch
	Delhi (Loose)	730	720	10
	Hyderabad Exp +VAT	NR	NR	-

	Mumbai + VAT	740	750	<b>-10</b>
	Gondal+VAT	NR	NR	-
	Jamnagar +VAT	680	700	<b>-20</b>
	Narsarropeth+VAT	NR	NR	-
	Prodattour+VAT	NR	NR	-
<b>Rapeseed Oil</b>	Mumbai (Exp. Oil) +VAT	642	655	<b>-13</b>
	Alwar (Expeller Oil)(Loose)	NR	NR	-
	Kota (Expeller Oil) (Loose)	625	630	<b>-5</b>
	Jaipur (Expeller Oil) (Loose)	643	653	<b>-10</b>
	Delhi (Exp. Oil) (Loose)	670	665	<b>5</b>
	SriGangaNagar(ExpOil-Loose)	630	640	<b>-10</b>
	Hapur+VAT	700	700	<b>Unch</b>
	Kolkata	NA	NA	-
	Agra (Kacchi Ghani Oil) +VAT	687	695	<b>-8</b>
<b>Refined Cottonseed Oil</b>	Mumbai +VAT	650	655	<b>-5</b>
	Rajkot (Loose)	595	635	<b>-40</b>
	Delhi (Loose)	622	630	<b>-8</b>
	Hyderabad (Loose)	600	600	<b>Unch</b>
<b>Coconut Oil</b>	Kangayan (Crude)	1500	1530	<b>-30</b>
	Cochin	1570	1560	<b>10</b>
	Trissur	1515	1570	<b>-55</b>
<b>Sesame Oil</b>	Delhi	910	915	<b>-5</b>
	Mumbai	920	930	<b>-10</b>
<b>Kardi</b>	Mumbai	930	930	<b>Unch</b>
<b>Rice Bran Oil (40%)</b>	Delhi	NR	525	-
<b>Rice Bran Oil (4%)</b>	Punjab	550	550	<b>Unch</b>
<b>Malaysia Palmolein USD/MT</b>	FOB	805	825	<b>-20</b>
	CNF India	845	865	<b>-20</b>
<b>Indonesia CPO USD/MT</b>	FOB	815	845	<b>-30</b>
	CNF India	855	875	<b>-20</b>
<b>Argentina FOB (\$/MT)</b>		<b>29-May-14</b>	<b>22-May-14</b>	<b>Change</b>
Crude Soybean Oil Ship		856	879	<b>-23</b>
Refined Soy Oil (Bulk) Ship		886	909	<b>-23</b>
Sunflower Oil Ship		NA	NA	-
Cottonseed Oil Ship		836	859	<b>-23</b>



Refined Linseed Oil (Bulk) Ship	NA	NA	-
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