

## **Executive Summary**

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

*Edible oil basket witnessed sideways to weak trend during the week owing to weak cues from international soy oil market and higher edible oil imports. However, weak rains over key oilseed producing regions limit the downside.*

*On the currency front, Indian rupee against USD closed (11 July 2014) at 59.92, down 0.33 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 exports, and weather over US soybean growing belt, and crude oil prices.*

*We expect edible oil complex to trade sideways to weak tone owing to weak cues from international oil & fats market and higher imported oils in the cash market. However, weak monsoon forecast over key oilseed producing regions and ongoing Muslim festivities may limit the excessive losses.*

### **Recommendation:**

*Weekly Call - Market participant are advised to go short in RSO below 670 levels for a target of 658 and 656 with a stop loss at 677.20 on closing basis and go short in CPO below 528 for a target of 520 and 518 with a stop loss at 532.80 on closing basis.*

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

*CBOT soy oil (August) is expected to stay in the range of 35.80 cents/lb to 38.00 cents/lb. CPO at BMD (August) is likely to trade in the range of 2290-2390 ringgit per tons.*

*Malaysian palm oil products exports for July 1-10 rose 14.1 percent to 445,968 tons from 390,729 tons for June 1-10 - cargo surveyor Intertek Testing Services. India & subcontinent imported 89,600 tons, up 37.7 percent from last month of same period.*

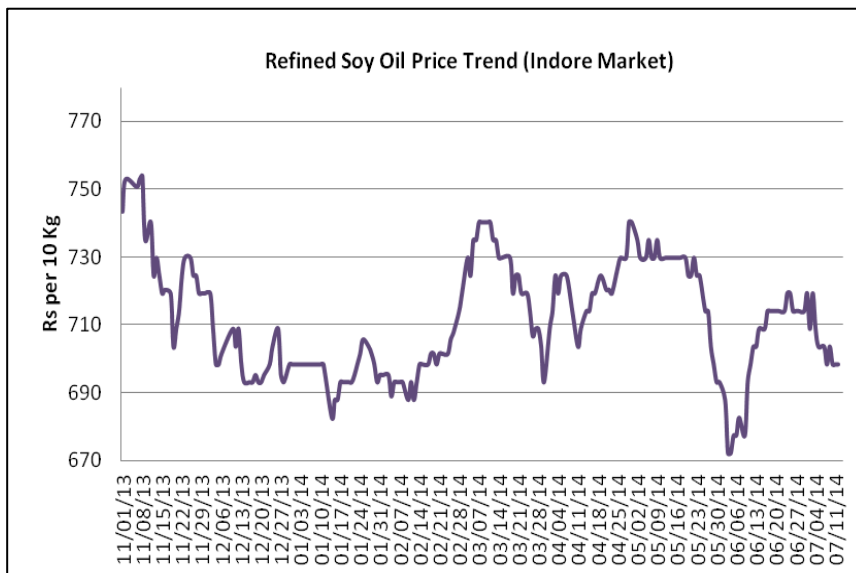
*On the international front, improved weather over US soybean growing belt, better than expected US soybean stocks position, and in expectation of record US soybean production forecast for 2014/15 favors the bears. However, soy supplies are tight in US, which may limit the excessive losses in soy complex.*

*Seasonal demand during Ramadan and weak pace of palm oil production in South East Asian countries may support the palm oil prices for short term. However, new soy oil supplies from South American countries and easing crude oil prices may dent the bulls rally.*

## Soy oil Fundamental Analysis and Outlook:-

### Domestic Front

- Soybean oil featured weak tone during the week under review due to sideways to weak trend in the overseas soybean oil market.
- As per Ministry of Agriculture, as on July 10, Kharif oilseeds has been sown 22.16 lakh hectares, down 88.15 lakh hectares from the corresponding period of last year. Soybean planting in the current season has progressed to 7.86 lakh hectares, compared with 83.50 lakh hectares in the same period a year earlier. Maharashtra soybean planting progress is reported at 2.58 lakh ha v/s 23.12 lakh ha and in Madhya Pradesh about 1.66 lakh ha of soybean has been sown v/s 49.29 lakh ha in the same period of last year.
- On the price performance front, CIF crude soybean oil quoted lower by 2.2 percent to USD 924.5 per tons (weekly average basis) from week ago. Currently crude soybean oil CIF July delivery is offered at USD 914/T and August delivery at USD 920/T as on 14 July 2014.
- As per IBIS data (compiled by Agriwatch), Indian buyers imported 0.648 lakh tons of crude soybean oil during 30-05 July majorly from Argentina and Brazil. However, crude degummed soybean oil imports reached to 1.26 lakh tons during 1-29 June 2014 majorly from Argentina (0.99 lakh tons), Paraguay (0.01 lakh tons) and Brazil (0.26 lakh tons).
- As per Agriwatch estimates, we seen soybean acreage similar to the last year and in view of EL Nino factor soybean production for 2014-15 is projected at 121 lakh tons and crushing seen at 109 lakh tons. Considering the above factors, soy oil output for 2014/15 oil year seen at 18.53 lakh tons, up 0.65 percent from the normal soybean oil production. We expect soy oil may trade with a steady to slightly weak tone.



### International Front

- As per Rosario grains exchange, Argentina's soy harvest will likely reach 55.7 million tons slightly higher from an estimate last month of 55.6 million tons for 2013/14.
- Overall, US soybean crop is reported under good condition. Soybean emergence, as on Jul. 6, is reported at 98% which is slightly above 98% during the same period last year. Soybean blooming is reported at 24%, which is above 5 year average of 21% compared to the same period last year. Further, the crop is 57% and 15% in good to excellent condition respectively. The factors are bearish for the international soybean for short-term.
- As per Abiove, Brazil is expected to export 44 million tons of soybeans in 2014, up one million tons from previous estimate. While, last year soybean exports were 42.8 million tons. On the harvesting front, Argentinean had harvested 97.4 percent of the area planted with soybeans in 2013/14. While, soybean harvesting in Brazil is complete. As per trade ministry, Brazilian exports of soybeans eased in June to 6.9 million tons of soybeans in June v/s 7.6 million tons in May.
- On the international front, improved weather over US soybean growing belt, better than expected US soybean stocks position, and in expectation of record US soybean production forecast for 2014/15 favors the bears. However, soy supplies are tight in US, which may limit the losses in soy complex.

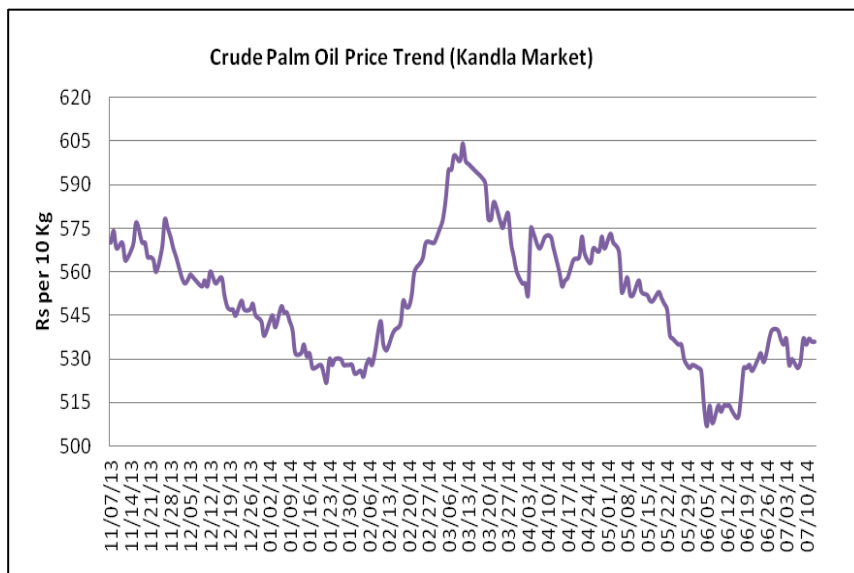
### Price Outlook:

We expect refined soy oil at Indore (with VAT) to stay in the range of 670-690 per 10 Kg in the near term.

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

### **Domestic Front**

- CPO Kandla 5% witnessed recovery due to El Nino concern and lower palm oil production in South East Asian countries during the week in review.
- As per IBIS data (compiled by Agriwatch), Indian buyers imported 1.50 lakh tons of crude palm oil and 0.28 lakh tons of RBD palmolein during 30-05 July majorly from Malaysia and Indonesia. Last month, India imported around 5.96 lakh tons of crude palm oil which consist of 3.47 lakh tons from Indonesia, 1.33 lakh tons from Malaysia, 0.16 lakh tons from others sources during 1-29 June 2014.



While, RBD palmolein imports June stood at 1.17 lakh tons comprises of 0.95 lakh tons from Indonesia and 0.22 lakh tons from Malaysia.

- Lower palm oil production in South East Asian countries, easing Malaysian palm oil ending stocks and slower oilseed planting pace in key India's oilseed producing regions may support the palm oil prices in the coming days. We expect crude palm oil imports likely to surge in the coming days compared to refined palm oil as refiners get higher margin in refining CPO than the refined palm oil products.
- On the price performance front, CNF crude palm oil quoted higher by 0.35 percent and 0.25 percent lower in case of RBD palmolein from week ago. Currently crude palm oil CNF July/August delivery is offered at USD 782.50/T and September delivery at USD 770/T. While, RBD palmolein July is quoted at USD 790/T v/s USD 780/T for August delivery. We expect palm oil likely to trade range bound in the days ahead.

### **International Front**

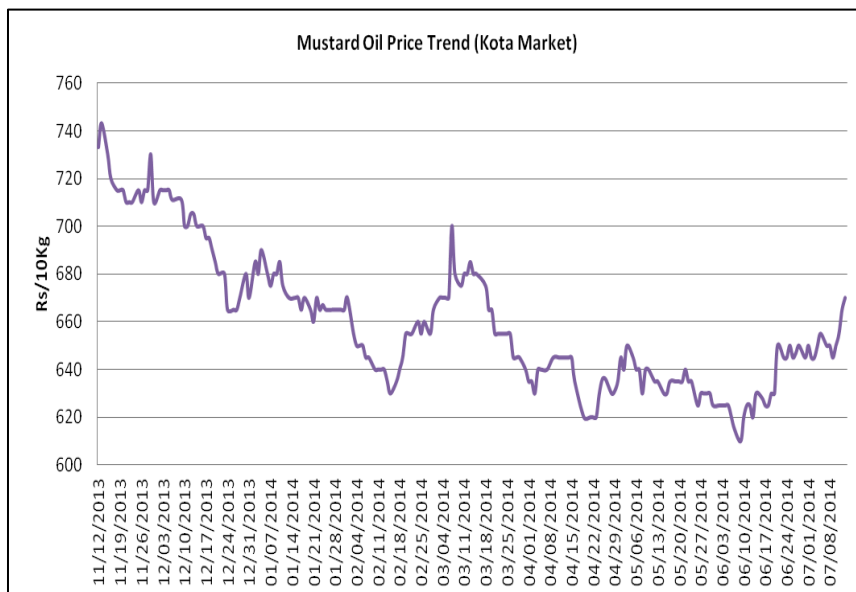
- Malaysian palm oil products exports for July 1-10 rose 14.1 percent to 445,968 tons from 390,729 tons for June 1-10 - cargo surveyor Intertek Testing Services. India & subcontinent imported 89,600 tons, up 37.7 percent from last month of same period. MPOB Report's Highlights - Malaysian palm oil inventories eased by 4.2 percent to 1.656 million tons in June compared to the last month due to lower palm oil production and better than expected palm oil & its derivatives exports. Malaysia's palm oil exports in June stood at 1.48 million tons, 5.7% higher from the previous month. On the production front, palm oil output fell by 5.45 percent to 1.596 million tons on m-o-m basis. Report was bullish for palm oil as market participants were expecting 1.75-1.80 MMT of palm oil inventories as of June.
- Fitch ratings expect a modest increase in the global crude palm oil price. Narrowing gap between the prices of soybean oil and crude palm oil prices, and higher US soybean production forecast for 2014-15 may caps excessive gains despite of the El Nino may affect output and geopolitical tension in Iraq.
- As per Dorab Mistry, palm oil prices may rise to 2,600 ringgit per tons if the current dry weather drags on beyond the next couple of weeks, and even hit 2,800 ringgit depending on the length and severity of El Nino. On the production front, Mistry sees Malaysia's palm oil output to between 19.7-19.9 million tons this year, higher from an earlier estimate of 19.5-19.7 million tons. While, Indonesia's palm oil production estimate sets at 30.5 million tons.
- Seasonal demand during Ramadan and weak pace of palm oil production in South East Asian countries may support the palm oil prices for short term. However, new soy oil supplies from South American countries and easing crude oil prices may dent the bulls rally.

**Price Outlook:** We expect CPO Kandla 5% (with VAT) to stay in the range of 520-540 per 10 Kg in the near term.

## Rapeseed oil Fundamental Review and Analysis:-

### Domestic Front

- Mustard oil featured steady to firm tone at major cash market in line with the other edible oils and easing mustard seed arrivals.
- Mustard oil likely to trade steady to firm tone in the coming days owing to slow stock offloading by farmers and good demand for mustard oil. Moreover, lower rains over key oilseed producing region add fuel to the bull's sentiment. On the supply side, we have revised mustard output estimates for 2014 to 77.4 lakh tons, up 5.4 lakh tons from the previous oil year. While, mustard oil output estimates pegged at 28.12 lakh tons for 2013-14 oil year - Agriwatch estimates. Last year mustard oil production was 2.66 million tons.
- We expect RM seed oil prices may trade range bound in the coming days in anticipation of good demand during Ramadan.

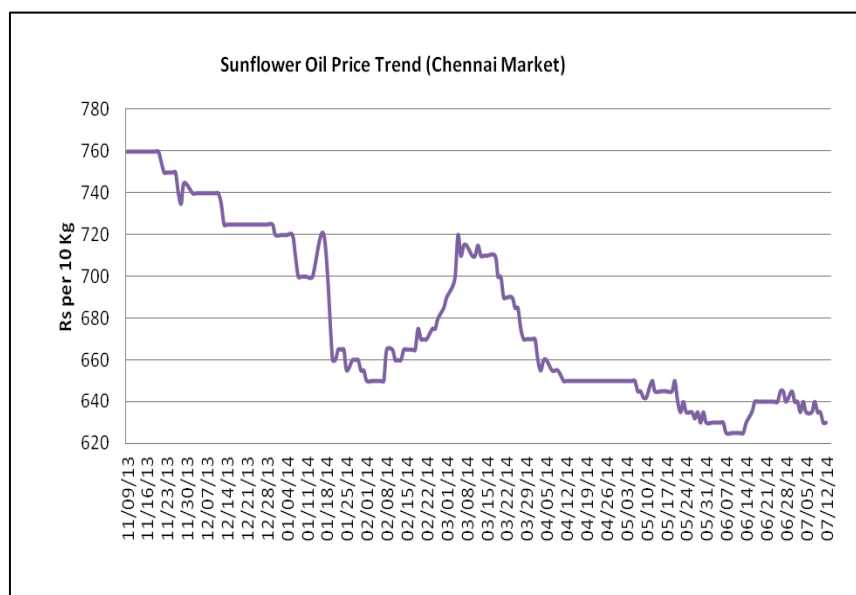


**Price Outlook:** Rapeseed oil (without VAT) prices in Kota may stay in the range of Rs 650-680 per 10 Kg.

## Sunflower oil Fundamental Review and Analysis:-

### Domestic Front

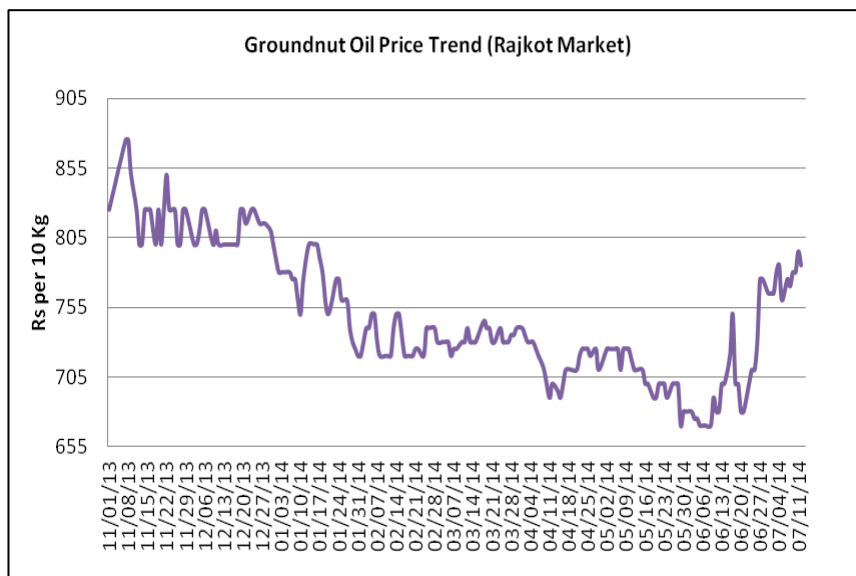
- Sunflower oil featured steady to weak tone at its benchmark market Chennai during the week owing to correction in the international sunflower oil market.
- As per IBIS data (compiled by Agriwatch), Indian buyers imported 0.648 lakh tons of crude sunflower oil during 30-05 July majorly from Ukraine. Last month, India imported 2.05 lakh tons of crude sunflower oil during 1-29 June 2014 majorly from Ukraine.
- On the planting front, Indian farmers has been sown 0.46 lakh hectares as on 10 July 2014 which was 0.47 lag compared to the last year same period. We expect sunflower oil prices may trade range bound to slightly firm tone in the coming days.



**Price Outlook:** Sunflower oil (with VAT) prices in Chennai may stay in the range of Rs 620-640 per 10 Kg.

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

- Groundnut oil prices surged at its benchmark market (Rajkot) during the week.
- As per Government of India, planting of groundnut in the current season has progressed to 11.66 lakh hectares as of 10 July, compared with 22.85 lakh hectares in the same period a year earlier. Gujarat groundnut planting progress is reported at 5.04 lakh ha v/s 14.09 lakh ha same period of the last year due to lower rains.
- As per trade sources, lower rains over key groundnut seed growing regions, lower availability of groundnut seed for crushing and good demand from stockists may spur the G/N oil prices in the coming days. On the price front, G/N oil recover from Rs 670 per 10 Kg, lowest level in the current oil year at Rajkot market and prices are likely to trade in the range of 768-810 level.
- Groundnut oil prices are likely to trade with a steady to slightly firm tone in the coming days owing to deficits rainfall over key groundnut growing areas and need based demand from wholesalers.

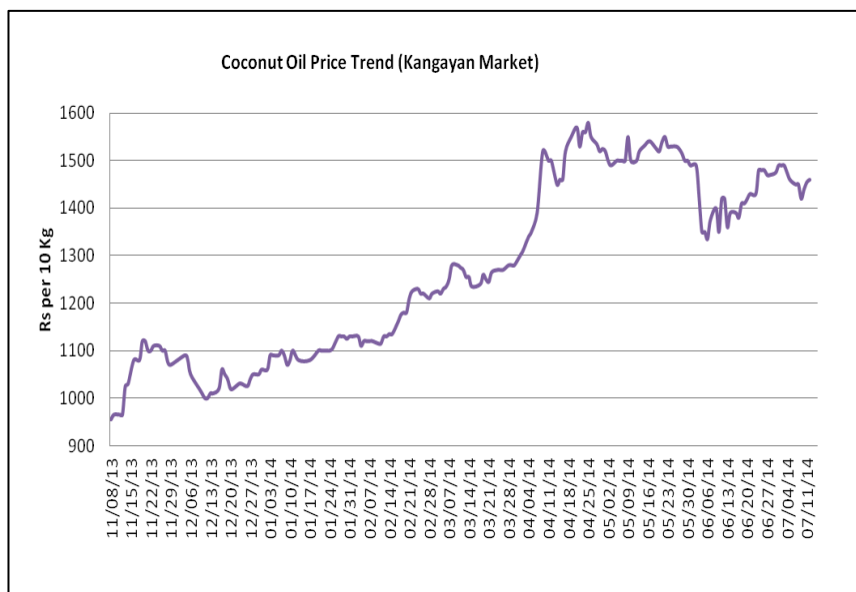


### Price Outlook

Groundnut oil (without VAT) in Rajkot market is likely to trade in the price band of Rs 768-810 per 10 Kg.

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

- Coconut oil featured sideways to firm trend at its benchmark market Kanganayan during the week due to better buying.
- Prices may trade range bound in the coming days due to new supplies but the dry weather hurt the production prospects.
- Cochin Oil Merchants Association reported dry weather in the production centers of Tirupur, Pollachi, Kanganayem led to a shortfall of at least 40 per cent of copra during the season. We expect prices may trade range bound due to new copra arrivals from Tamil Nadu and Kerala.
- We expect coconut oil likely to trade slightly higher in the days ahead.



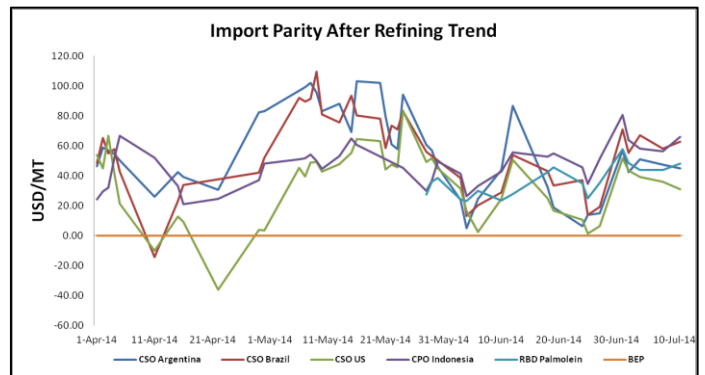
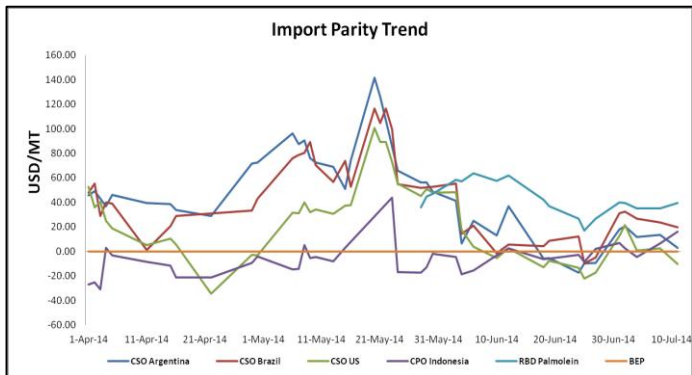
Price Outlook: Coconut oil (without VAT) prices in Erode may stay in the range of Rs 1460-1535 per 10 Kg.



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

<b>Landed Cost Calculation as on 11/07/2014</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	853	844	876	800	800
Freight (USD/MT)	80	72	70	35	35.0
C & F	933.0	916.0	946.0	835.0	835.0
Weight loss (0.25% of FOB)	2.13	2.11	2.19	2.00	2.00
Finance charges (0.4% on CNF)	3.73	3.66	3.78	3.34	3.34
Insurance (0.3% of C&F)	3	3	3	3	3
CIF (Indian Port - Kandla)	942	925	955	843	843
CVD	0	0	0	0	0
Duty USD per ton	24.77	24.77	24.77	22.03	91.70
CVD value USD per ton	0	0	0	0	0
Cess (2% on duty) USD per ton	0.49536	0.49536	0.49536	0.440664	1.83396
Exchange rate	60.18	60.18	60.18	60.18	60.18
Landed cost without customs duty in INR per ton	56669	55638	57461	50722	50722
Customs duty %	2.58%	2.58%	2.58%	2.58%	10.20%
Base import price	960	960	960	854	899
Fixed exchange rate by customs department	60.45	60.45	60.45	60.45	60.45
Duty component in INR per ton	1497.23	1497.23	1497.23	1331.91	5543.14
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	58840	57808	59631	52727	56939
Domestic Market price INR/ton Soy Degum Kandla/CPO Kandla 5%	59000	59000	59000	53700	59300
Total landed cost USD per ton	978	961	991	876	946
Domestic Market price USD/tons Soy Degum Kandla/ CPO Kandla 5%	980	980	980	892	985
<b>Parity INR/MT (Domestic - Landed)</b>	<b>160</b>	<b>1192</b>	<b>-631</b>	<b>973</b>	<b>2361</b>
<b>Parity USD/MT (Domestic - Landed)</b>	<b>2.67</b>	<b>19.81</b>	<b>-10.48</b>	<b>16.16</b>	<b>39.24</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	63939.54	62907.96	64730.81	58727.32	59738.56
Soy/Palm oil imported Price (Including tax)	67136.51	66053.36	67967.35	61663.68	62725.48
Loose price of Soy/Palm in Indore and Delhi market	69825.00	69825.00	69825.00	65625.00	65625.00
<b>Parity after processing and Taxes (Rs per MT)</b>	<b>2688.49</b>	<b>3771.64</b>	<b>1857.65</b>	<b>3961.32</b>	<b>2899.52</b>
<b>Parity after processing and Taxes (USD per MT)</b>	<b>44.67</b>	<b>62.67</b>	<b>30.87</b>	<b>65.82</b>	<b>48.18</b>
Source: Agriwatch					

### Import Parity Trend



### Import parity before refining in US dollar per tons (Monthly Average)

	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
<b>June, 2014</b>	7.46	10.42	-0.69	-6.19	44.78
<b>July, 2014</b>	13.22	26.73	5.32	5.49	37.66

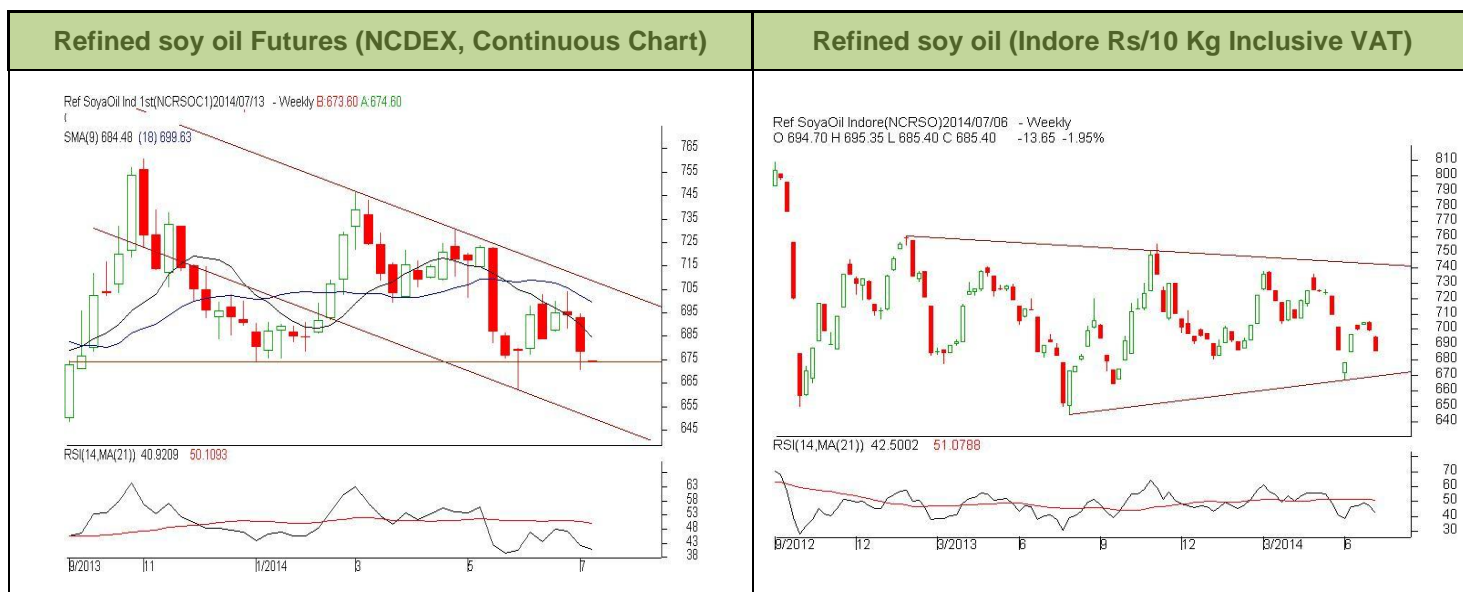
### Import Parity After Refining in US dollar per tons (Monthly Average)

	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
<b>June, 2014</b>	26.94	30.06	18.39	43.80	31.04
<b>July, 2014</b>	48.55	62.73	40.25	64.94	48.29

### Outlook:-

Import parity for crude soy oil from Argentina and palm oil after refining is hovering in positive territory due to cheaper availability of imported oils. We expect cdso/palm oil import parity to be in the positive side. Lower rains expectation over key oilseeds producing regions and positive import parity may favor higher edible oils imports 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 slightly 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 slightly weak note in the near term.
- ❖ Any close above 677.20 in weekly chart shall change the sentiments and might take the prices to a bullish phase.
- ❖ Expected price band for next week is 656-670 level in near to medium term. RSI is near to neutral region and no evidence of divergence with the ref. soy oil prices noticed.

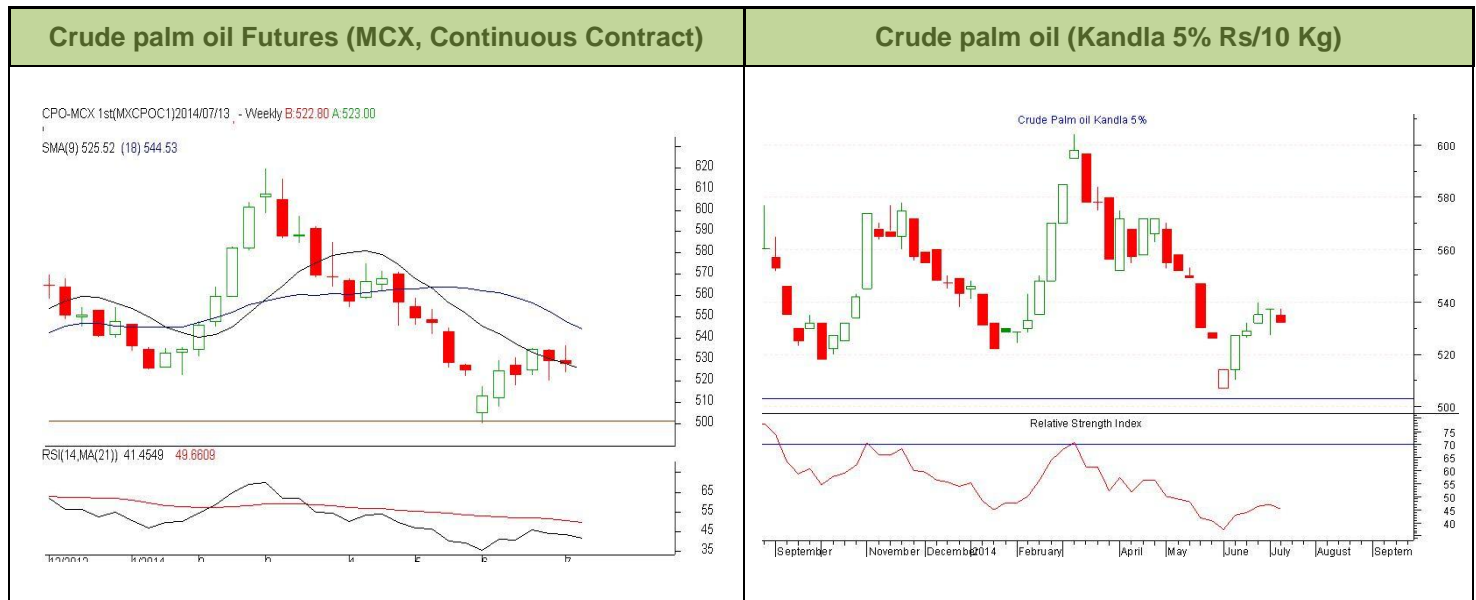
**Strategy:** Market participant are advised to go short in RSO below 670 levels for a target of 658 and 656 with a stop loss at 677.20 on closing basis.

#### RSO NCDEX (August)

Support and Resistance				
S2	S1	PCP	R1	R2
650.00	654.00	670.20	682.00	688.00

**Spot Market outlook:** Refined soy oil Indore is likely to stay in the range of Rs 670-690 per 10 Kg.



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


**Outlook** -Prices are showing sideways to weak trend during the week. We expect CPO July contract may trade sideways to weak note.

- ❖ Candlestick weekly chart of crude palm oil at MCX depicts losses in the prices. We expect prices may trade with a steady note in the near term.
- ❖ Any close above 532.80 in weekly chart shall change the sentiments and might bring the prices to a bullish tone.
- ❖ Expected price band for next week is 518-528 level. RSI is moving towards neutral zone suggesting range bound movement in the coming week.

**Strategy:** Market participants are advised to go short in CPO below 528 for a target of 520 and 518 with a stop loss at 532.80 on closing basis.

**CPO MCX (July)**

Support and Resistance				
S2	S1	PCP	R1	R2
509.00	513.00	528.00	539.00	542.00

**Spot Market outlook:** Crude palm oil is likely to stay in the range of Rs 520-540 per 10 Kg.

Veg. Oil Prices at Key Spot Markets

Commodity	Centre	Prices(Per 10 Kg)		Change
		11-Jul-14	4-Jul-14	
Refined Soybean Oil	Kota	655	655	Unch
	Rajkot	625	635	-10
	Delhi	690	700	-10
	Mumbai	640	650	-10
	Indore	665	675	-10
	Kandla/Mundra	630	645	-15
	Kolkata	630	637	-7
	Indore (Soy Solvent Crude)	620	638	-18
	Mumbai (Soy Degum)	595	605	-10
	Kandla/Mundra (Soy Degum)	590	602	-12
	Akola	687	704	-17
	Amrawati	685	703	-18
	Jalna	696	714	-18
	Nagpur	689	706	-17
	Alwar	690	690	Unch
	Solapur	706	715	-9
	Bundi	665	660	5
	Dhule	694	712	-18
Palm Oil	Rajkot	560	564	-4
	Hyderabad	580	575	5
	Delhi	625	625	Unch
	Kandla (Crude Palm Oil)	537	529	8
	Kandla (RBD Palm oil)	555	555	Unch
	Mumbai RBD Pamolein	572	570	2
	Kandla RBD Pamolein	570	560	10
	Mangalore RBD Pamolein	575	575	Unch
	Chennai RBD Pamolein	575	575	Unch
	Kakinada RBD Pamolein	557	558	-1
	KPT (krishna patnam)	557	555	2
	Haldia	555	555	Unch
Refined Sunflower Oil	Mumbai	645	652	-7
	Mumbai(Expeller Oil)	580	590	-10
	Kandla/Mundra (Crude)	590	595	-5
	Erode (Expeller Oil)	655	670	-15
	Hyderabad (Ref.)	685	655	30

	Chennai	630	640	-10
	Bellary (Expeller Oil)	603	605	-2
	Latur (Expeller Oil)	611	605	6
	Chellakere (Expeller Oil)	590	600	-10
Groundnut Oil	Rajkot	795	785	10
	Chennai	730	740	-10
	Delhi	740	740	Unch
	Hyderabad *	780	770	10
	Mumbai	795	790	5
	Gondal	795	770	25
	Jamnagar	790	772	18
	Narsarropeth	740	770	-30
	Prodattour	735	730	5
Rapeseed Oil/Mustard Oil	Mumbai (Expeller Oil)	678	668	10
	Sri-GangaNagar(Exp Oil)	675	655	20
	Alwar (Expeller Oil)	700	690	10
	Kota (Expeller Oil)	670	650	20
	Jaipur (Expeller Oil)	685	675	10
	New Delhi (Expeller Oil)	711	695	16
	Hapur (Expeller Oil)	710	695	15
	Sri-Ganga Nagar (Kacchi Ghani Oil)	695	675	20
	Kota (Kacchi Ghani Oil)	685	675	10
	Jaipur (Kacchi Ghani Oil)	711	702	9
	Agra (Kacchi Ghani Oil)	735	720	15
	Bharatpur (Kacchi Ghani Oil)	730	715	15
	Neewai (Kacchi Ghani Oil)	690	684	6
	Hapur (Kacchi Ghani Oil)	725	715	10
Refined Cottonseed Oil	Mumbai	660	668	-8
	Rajkot	655	622	33
	New Delhi	645	645	Unch
	Hyderabad	635	656	-21
Coconut Oil	Kangayan (Crude)	1455	1475	-20
	Cochin	1490	1490	Unch
	Trissur	1490	1480	10
Sesame Oil	New Delhi	915	900	15

	Mumbai	930	910	20
Kardi	Mumbai	920	920	Unch
Rice Bran Oil (40%)	New Delhi	490	495	-5
Rice Bran Oil (4%)	Punjab	555	555	Unch
Rice Bran Oil (4%)	Uttar Pradesh	555	555	Unch
Malaysia Palmolein USD/MT	FOB	800	810	-10
	CNF India	835	843	-8
Indonesia CPO USD/MT	FOB	800	813	-13
	CNF India	845	845	Unch
Ukraine Origin CSFO USD/MT Kandla	CIF	915	935	-20
<b>Argentina FOB (\$/MT)</b>		<b>10-Jul-14</b>	<b>3-Jul-14</b>	<b>Change</b>
Crude Soybean Oil Ship		851	867	-16
Refined Soy Oil (Bulk) Ship		880	897	-17
Sunflower Oil Ship		NA	NA	-
Cottonseed Oil Ship		831	847	-16
Refined Linseed Oil (Bulk) Ship		NA	NA	-
* indicates including VAT				

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