

## **Executive Summary**

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

*Edible oil basket witnessed steady to slightly weak tone during the week owing to limited buying, losses in the international veg. oil market and crude oil prices. However, upcoming festivities in the last week of October limit the downside.*

*On the currency front, Indian rupee against USD closed (17 Oct. 2014) at 61.43, down 0.17 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 export demand, and weather over US & India's soybean growing belt.*

*We expect edible oil complex to trade sideways to slightly weak tone in expectation of new oilseeds arrivals may pressurize the market and bearish oil complex fundamentals. However, demand from wholesalers ahead of festivities may curb excessive losses.*

### **Recommendation:**

*Weekly Call - Market participant are advised to go short in RSO below 578 levels for a target of 570 and 567 with a stop loss at 582.80 on closing basis and go short in CPO below 447 for a target of 439 and 437 with a stop loss at 451.80 on closing basis.*

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

*Exports of Malaysian palm oil products for Oct. 1-15 fell 15.5 percent to 621,145 tonnes from 735,334 tonnes shipped during Sep. 1-15, cargo surveyor Societe Generale de Surveillance.*

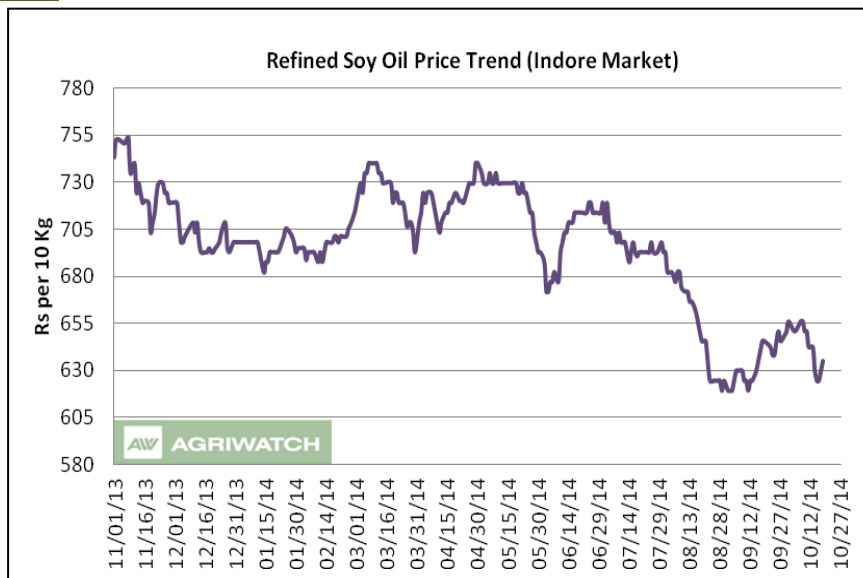
*On the international front, record US soybean production forecast for 2014/15, soybean harvesting pressure and in expectation of higher soybean sowing in South American countries favors the bears. However, renewed demand at lower quotes may curb the excessive losses in soy complex.*

*Demand for palm oil may pick up in the coming days due to export tax exemption by South East Asian countries, and warm weather in South East Asian countries hurts the crop prospects. However, new soy oil supplies from South American countries and in expectation of record soybean, production in US may curb the excessive gains.*

### Soy oil Fundamental Analysis and Outlook:-

#### Domestic Front

- Soybean oil featured losses during the week in review tracking losses in the international veg. oil market and easing demand ahead of new oilseed arrivals.
- India's vegetable oils imports during September 2014 are reported at 1,047,620 tons, up 21 percent on Y-o-Y basis consisting of 1,018,767 tons of edible oils and 28,853 tons on non-edible oils. During the current oil year, import of vegetable oils during Nov. '13 to Sept. '14 is reported at 10,572,994 tons, compared to 9,656,300 tons. up by 9.5%. Base import price crude soybean oil is sets at USD 852 per tons
- As per IBIS data (compiled by Agriwatch), Indian buyers imported around 0.79 lakh tons of crude soybean oil during 28 September-05 October majorly from Argentina and Brazil. However, crude degummed soybean oil imports reached to 15.7 lakh tons during Nov.-August 2014, up 89.15 percent from same period of the last year.
- Production front - USDA projected India's soybean production at 110 lakh tons and 16.1 lakh tons of soybean oil for 2014-15 MY. However, we have projected, India's soybean sowing area at 111 lakh hectares and average yield to soybean in India would be around 1005 kg/Hectare. Considering the above factors soybean production for 2014-15 is projected at 111 lakh tons, which are slightly higher than last year production estimates of 110 lakh tons. Soy oil output for 2014/15 oil year seen at 16.98 lakh tons. We expect soy oil may trade with a steady to slightly weak tone.



#### International Front

- As per Rosario grain exchange, Argentina's farmer may sow 20.6-20.9 million hectares of soybean in the 2014-15 seasons, up from 20.2 million hectares last year. Sowing prospects looks better owing to favorable weather over key soybean growing regions of Argentina.
- China, purchased 5.03 million tons of soybeans in September, down 16.6 percent lower from previous month in expectations of poor processing margins - General Administration of Customs of China
- As per Conab, Brazilian soybean may grow to 88.8-92.4 million tons in 2014-2015. Growth in output seen mainly due to expectation of increase in the area planted with the crop of about 3.5%. Brazil's farms produced 86.1 million metric tons of soybean in the 2013-2014 crop season.
- Informa has raised its soybean yield estimate to 48.5 bushels per acre from 46.5, and raised its production forecast to 4.017 billion bushels from 3.857 billion. The firm calculated harvested area for soybeans at 82.880 million acres. The projection compared to the U.S. Department of Agriculture's September forecasts for a soybean crop of 3.913 billion bushels with a yield of 46.6 bushels per acre.
- On the international front, record US soybean production forecast for 2014/15, soybean harvesting pressure and in expectation of higher soybean sowing in South American countries favors the bears. However, renewed demand at lower quotes may curb the excessive losses in soy complex.

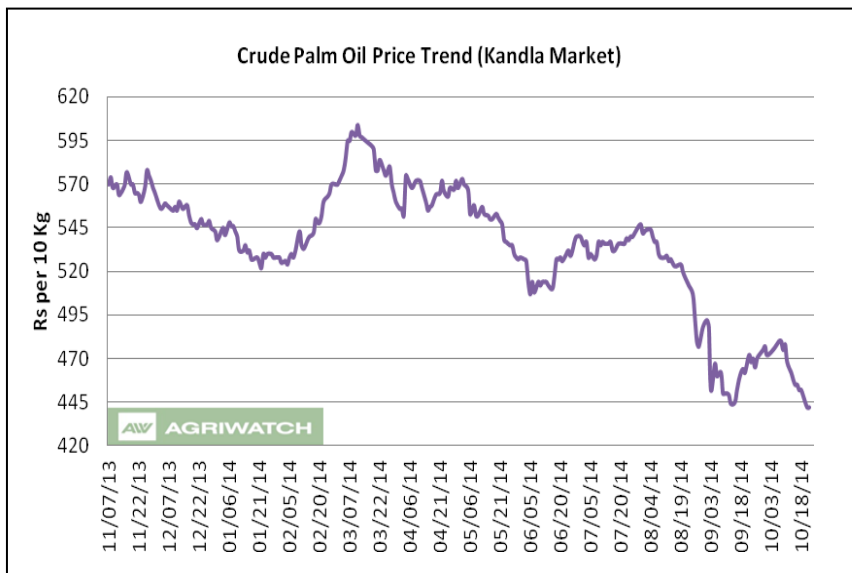
#### Price Outlook:

We expect refined soy oil at Indore (with VAT) to stay in the range of 620-645 per 10 Kg in the near term.

## Palm oil Fundamental Analysis and Outlook -:

### Domestic Front

- Crude palm oil at Kandla witnessed losses tracking bearish international palm oil market and losses at crude oil prices.
- As per IBIS data (compiled by Agriwatch), Indian buyers imported 3.23 lakh tons of crude palm oil and 0.71 lakh tons of RBD palmolein during 29 Sept.-12 Oct. majorly from Malaysia and Indonesia. Meanwhile, SEA of India revealed that during the current oil year (Nov-Oct) 2013-14, Indian buyers imported 49.38 lakh tons of CPO and 13.50 lakh tons of RBD palmolein till August.
- Indian government revised import tariff value of crude palm oil to USD 725 per tons, RBD palmolein to USD 758 per tons, RBD palm oil to USD 750 per tons, other palm oil to USD 738 per tons and other palmolein to USD 757 per tons.
- Current stock of edible oils as on 1st Oct., 2014 at various ports is estimated at 715,000 tons (CPO 350,000 tons, RBD Palmolein 85,000 tons, Degummed Soybean Oil 150,000 tons, Crude Sunflower Oil 120,000 tons and 10,000 tons of Rapeseed (Canola) Oil and about 1,000,000 tons in pipelines. Total stock, both at ports and in pipelines decreased to 1,715,000 tons from 1,820,000 tons in previous months. (SEA Of India)
- On the parity front, currently refiners get US \$50-55/tons margin in processing the imported CPO but on the imports of ready to use palmolein gets US \$15-20/tons parity. Parity in palm oil products during the last 1-2 weeks fell compared early October. Palm oil imports may soften from mid October due to new oilseeds supplies likely to pick up pace from mid October. We expect palm oil likely to trade range bound to slightly weak tone in the days ahead.



### International Front

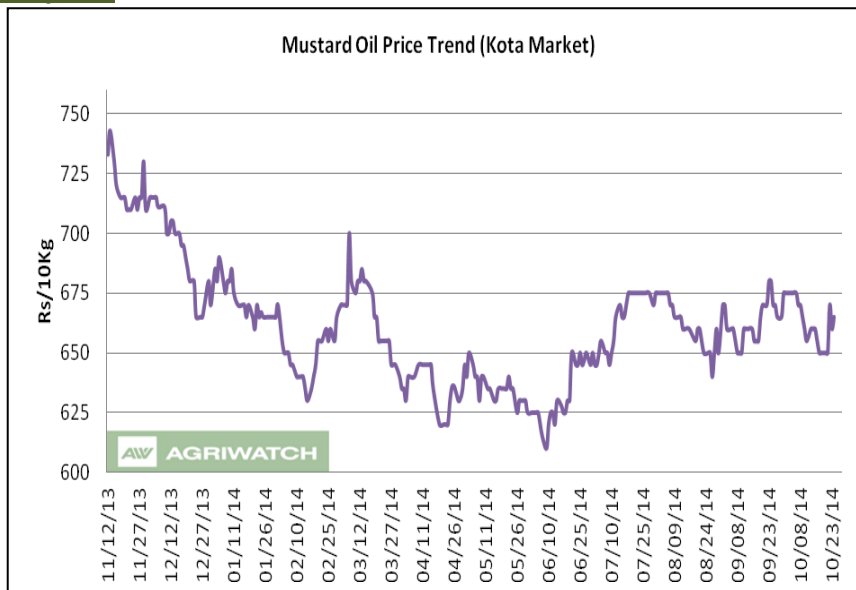
- Weekly review - CPO at BMD October ended lower on w-o-w basis due to bearish crude oil and weak export demand from major importer. Exports of Malaysian palm oil products for Oct. 1-15 fell 15.5 percent to 621,145 tonnes from 735,334 tonnes shipped during Sep. 1-15, cargo surveyor Societe Generale de Surveillance. Indian buyers imported 116,500 tons of palm oil products during the first fifteen days of October.-48.5 percent on m-o-m basis.
- As per IPOA, Indonesia is likely to keep its export tax on crude palm oil at zero for November to give the market a boost and curb inventories. Meanwhile, Malaysia exempted the export taxes on crude palm oil from September until the end of December.
- MPOB Report's Highlights - Malaysian palm oil inventories rose 1.8 percent to 2.08 million tons in September compared to the last month. Lower palm oil production and good exports figures ease the rising pace of inventories. On the production front, palm oil output fell by 6.6 percent to 1.89 million tons on m-o-m basis. Report was bearish for palm oil as market participants were expecting 2.02-2.05 MMT of palm oil inventories as of September.
- Demand for palm oil may pick up in the coming days due to export tax exemption by South East Asian countries, and warm weather in South East Asian countries hurts the crop prospects. However, new soy oil supplies from South American countries and in expectation of record soybean, production in US may curb the excessive gains.

**Price Outlook:** We expect CPO Kandla 5 percent (with VAT) to stay in the range of 435-455 per 10 Kg in the near term.

**Rapeseed oil Fundamental Review and Analysis:-**

**Domestic Front**

- Mustard oil featured steady tone at major cash market tracking dull demand and new oilseed pressure.
- Initial stage of Rabi oilseed sowing noticed over northern India. Ministry of Agriculture pegged 112 lakh tons of Rabi oilseed production target for 2014-15 season. While, last year Rabi oilseeds output was 105 lakh tons.
- Weakness in the international palm oil market, easing demand for edible oils from stockists in expectation of new oilseed supplies and higher mustard sowing expectation for 2014-15. However, losses were capped on diminishing mustard arrivals in the cash market, slow mustard seed selling by farmers and upcoming festivities in October. On the supply side, we have left intact our mustard output estimates for 2014 to 77.4 lakh tons, up 5.4 lakh tons from the previous oil year. Mustard oil output estimate pegged at 28.12 lakh tons for 2013-14 oil year - Agriwatch estimates. Last year mustard oil production was 2.66 million tons.
- On the international front, Strategie Grains has raised its estimate of European Union's rapeseed crop to 23.8 million tons from 23.2 million tons last month. We expect RM seed oil prices may trade range bound in the coming days.

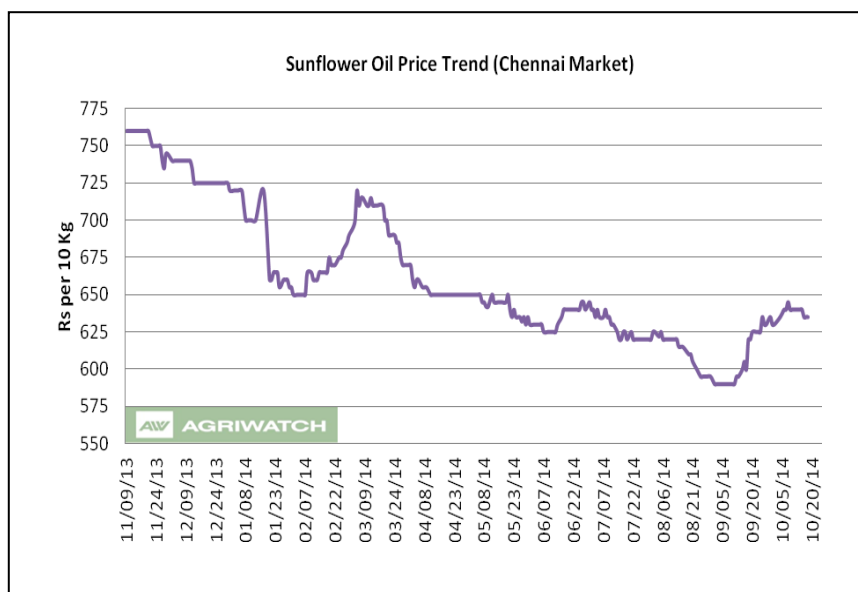


**Price Outlook:** Rapeseed oil (without VAT) prices in Kota may stay in the range of Rs 650-670 per 10 Kg.

**Sunflower oil Fundamental Review and Analysis:-**

**Domestic Front**

- Sunflower oil featured steady to slightly weak tone at its benchmark market Chennai during the week owing to losses in the edible oil complex.
- As per IBIS data (compiled by Agriwatch), Indian buyers imported 1.03 lakh tons of crude sunflower oil during 29 September-12 October majorly from Ukraine. As per SEA of India, Indian buyers imported 12.75 lakh tons of crude sunflower oil during Nov- August 2013-14 oil year majorly from Ukraine, up 57.96 percent from the corresponding period of the last year.
- On the domestic front, sunflower oil CIF prices (Ukraine origin) quoted



around USD 880 per tons with a discount of USD 10/tons for October delivery compared to far month delivery basis. While, sunflower oil CIF prices is offered at premium of USD 38 per tons compared to the CIF Argentina's origin soy oil price for Oct delivery on 15 Oct 2014. As per Oil World, global sunflower seed production is estimated at 40.6 million tons v/s with 42.6 million tons in 2013-14. Combining sunflower seed production in former Soviet Union countries is seen at 20.5 million tons v/s 22.4 million tons last year. Moreover, Ukraine's sun seed outut is forecast at 10 million tons, down one million tons and the Russian sun seed output may slip to 9.2 million tons, down 0.8 million tons as compared to the last year.

- On the planting front, Indian farmers have been sown 2.05 lakh hectares as on 1 Oct. 2014, which was 0.37 lakh ha. lag compared to the last year same period. State wise details - in Karnataka sunflower has been sown in 1.54 (2.00) lakh hectares, and in Maharashtra sowing reached to 0.27 (0.24) lakh hectares. Values in bracket were last year same period figures.
- We expect sunflower oil prices may trade range bound to slightly firm tone in the coming days.

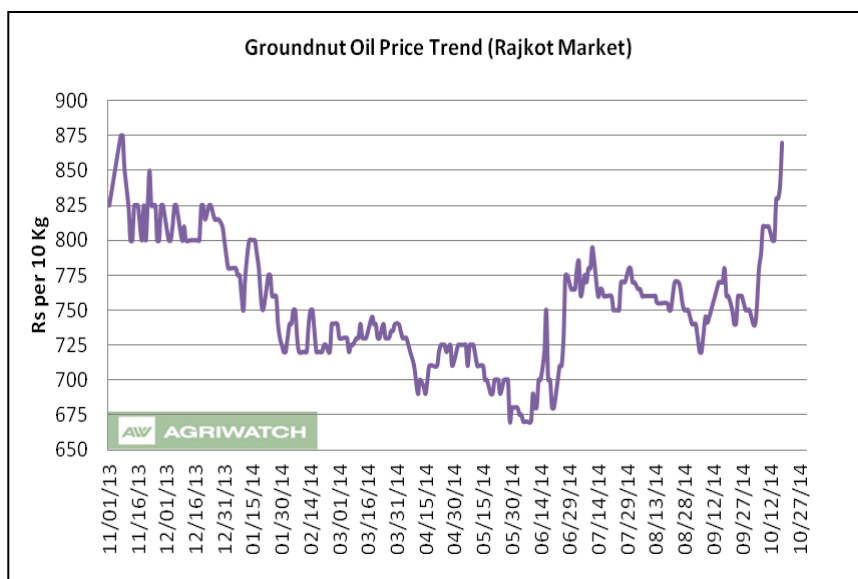
**Price Outlook:** Sunflower oil (with VAT) prices in Chennai may stay in the range of Rs 625-650 per 10 Kg.

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

- Groundnut oil prices rose at its benchmark market (Rajkot) during the week tracking better buying against lower supplies.
- According to latest estimates released by Solvent Extractors Association of India, Gujarat's kharif groundnut output for 2014-15 forecast at 14.35 lakh tons due to erratic rainfall and lower acreage under groundnut. Area under groundnut cultivation declined to 12.25 lakh hectares in the current kharif season v/s 16.60-lakh hectares sowing carried out in the previous season.
- Lower availability of raw material for crushing, better buying from stockists and seasonal festive demand for groundnut may lift the prices further. New crop arrivals witnessed in the some markets with an inferior quality. However, arrivals are likely to pick up pace after Diwali.
- As per Ministry of agriculture, area coverage as on 01 October 2014 during Kharif 2014 is lower by 13.7 percent to 37.21 lakh ha compared to corresponding period of Kharif 2013. State wise details - in Gujarat groundnut has been sown in 12.25 (16.60) lakh hectares, in AP sowing reached to 7.51 (8.96) lakh hectares, in Karnataka sowing reached to 4.69 (4.94) lakh hectares and in Rajasthan sowing reached to 4.12(4.18) lakh hectares. Values in bracket were last year same period figures. Four states above together account 75 percent of the total normal Kharif groundnut acreage.
- Groundnut oil prices are likely to trade with a steady to slightly firm tone in the coming days owing to need based demand from wholesalers and upcoming festivities.

### Price Outlook

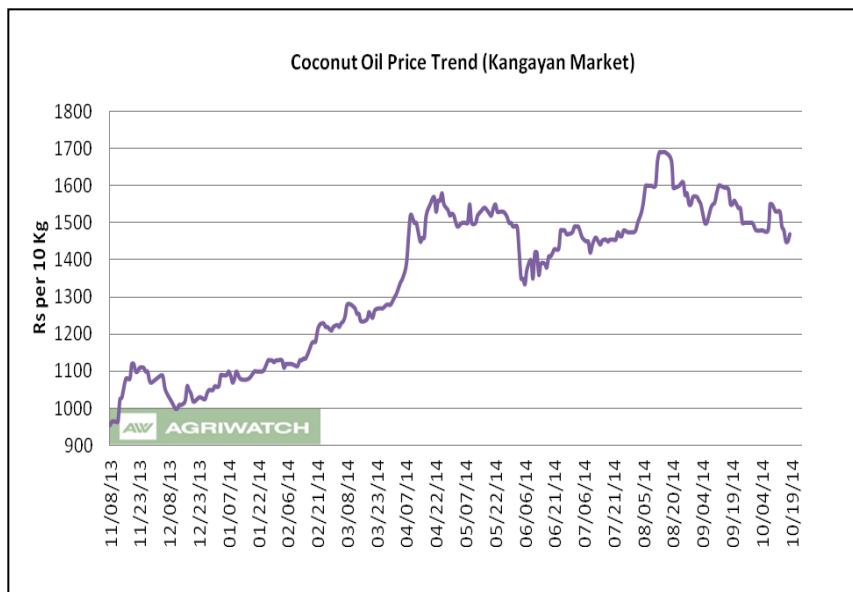
Groundnut oil (without VAT) in Rajkot market is likely to trade in the price band of Rs 825-875 per 10 Kg.





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

- Coconut oil featured losses at its benchmark market Kangayan during the week.
- Coconut oil at Kangayan market ended at Rs 1478 per 10 Kg, down 3.39 percent on w-o-w average basis. Losses in the palm oil prices and lackluster buying may weigh on the coconut oil price in the near term. Moreover, copra season supplies likely to curb excessive gains in the near term.
- As per COMA, solvent extractors have started importing copra meal from South East Asian countries to meet the local demand. Overall fundamentals are strong but higher global oilseeds production estimates for 2014 may curb the upside risk in the coconut oil. We expect prices may trade range bound in the coming days.

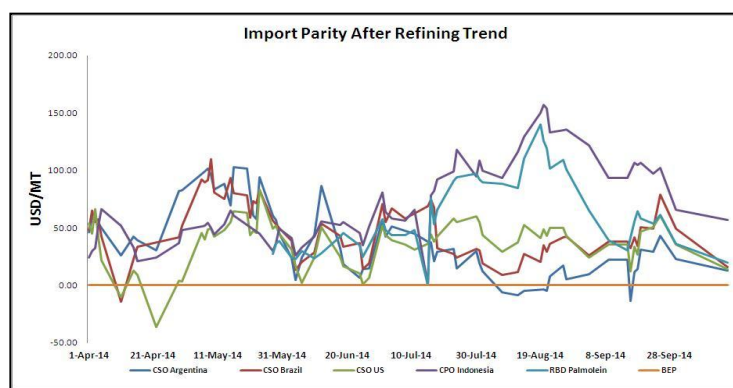
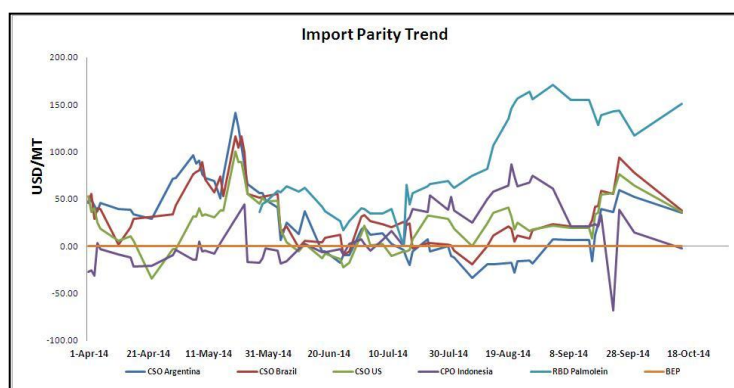


**Price Outlook:** Coconut oil (without VAT) prices in Erode may stay in the range of Rs 1425-1500 per 10 Kg.

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

Landed Cost Calculation as on 16/10/2014	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
FOB USD per ton	751	756	760	655	682
Freight (USD/MT)	80	72	70	35	35.0
C & F	831.0	828.0	830.0	690.0	717.0
Weight loss (0.25% of FOB)	1.88	1.89	1.90	1.64	1.71
Finance charges (0.4% on CNF)	3.32	3.31	3.32	2.76	2.87
Insurance (0.3% of C&F)	2	2	2	2	2
CIF (Indian Port - Kandla)	839	836	838	696	724
CVD	0	0	0	0	0
Duty USD per ton	22.96	22.96	22.96	19.17	78.95
CVD value USD per ton	0	0	0	0	0
Cess (2% on duty) USD per ton	0.45924	0.45924	0.45924	0.383388	1.57896
Exchange rate	61.47	61.47	61.47	61.47	61.47
Landed cost without customs duty in INR per ton	51555	51370	51494	42812	44487
Customs duty %	2.58%	2.58%	2.58%	2.58%	10.20%
Base import price	890	890	890	743	774
Fixed exchange rate by customs department	61.75	61.75	61.75	61.75	61.75
Duty component in INR per ton	1417.90	1417.90	1417.90	1183.71	4875.04
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	53645	53461	53585	44669	50035
Domestic Market price INR/ton Soy Degum Kandla/CPO Kandla 5%	55800	55800	55800	44500	59300

Total landed cost USD per ton	873	870	872	727	814
Domestic Market price USD/tons Soy Degum Kandla/ CPO Kandla 5%	908	908	908	724	965
<b>Parity INR/MT (Domestic - Landed)</b>	<b>2155</b>	<b>2339</b>	<b>2215</b>	<b>-169</b>	<b>9265</b>
<b>Parity USD/MT (Domestic - Landed)</b>	<b>35.05</b>	<b>38.06</b>	<b>36.03</b>	<b>-2.74</b>	<b>150.72</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	58745.45	58560.52	58684.94	50668.57	52835.35
Soy/Palm oil imported Price (Including tax)	61682.73	61488.55	61619.18	53202.00	55477.12
Loose price of Soy/Palm in Indore and Delhi market	62475.00	62475.00	62475.00	56700.00	56700.00
<b>Parity after processing and Taxes (Rs per MT)</b>	<b>792.27</b>	<b>986.45</b>	<b>855.82</b>	<b>3498.00</b>	<b>1222.88</b>
<b>Parity after processing and Taxes (USD per MT)</b>	<b>12.89</b>	<b>16.05</b>	<b>13.92</b>	<b>56.91</b>	<b>19.89</b>
Source: Agriwatch					



### Import Parity Trend

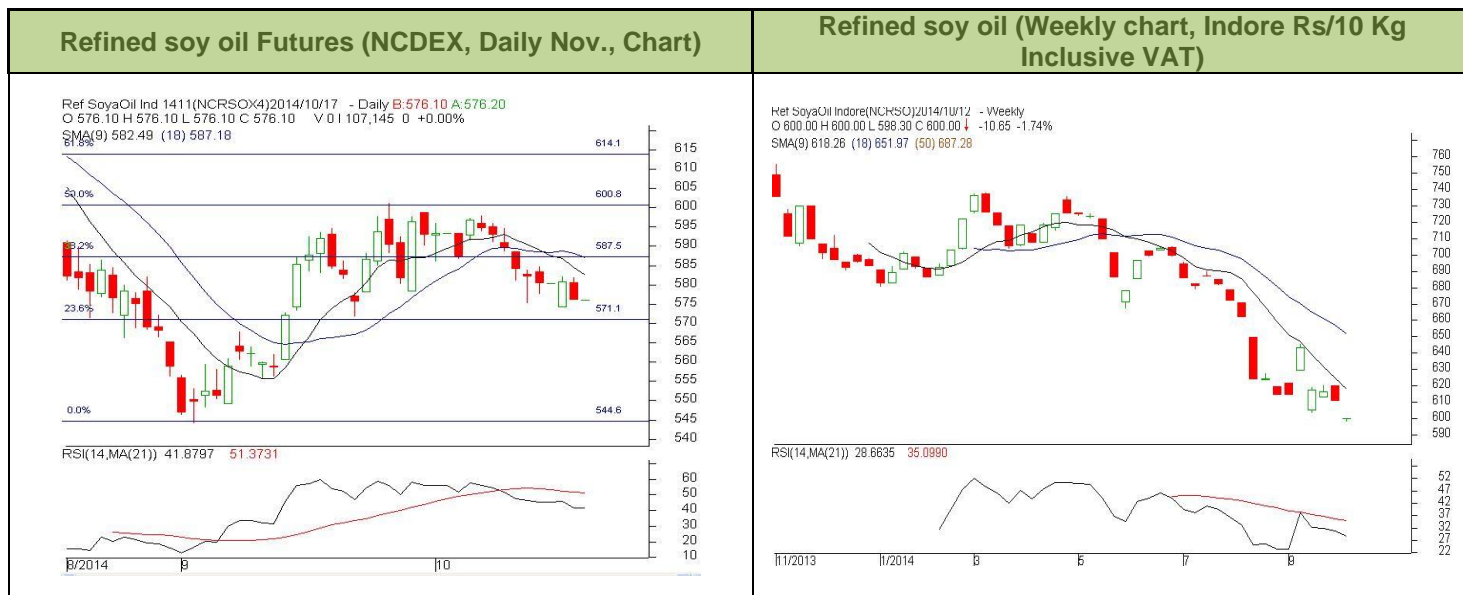
### Import Parity After Refining in US dollar per tons (Monthly Average)

	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
<b>August, 2014</b>	1.65	27.11	43.85	130.26	106.94
<b>Sept., 2014</b>	19.14	43.92	36.18	99.03	51.59

### 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. Parity in veg. oil may favor higher imports in the coming days. However, new with an advent of new oilseed crop arrivals may limit curb the import pace.

### Technical Analysis (Refined soy oil)



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

- ❖ Weekly chart of refined soy oil at NCDEX depicts losses. We expect prices may trade with a steady to weak note in the near term.
- ❖ Any close above 582.80 in weekly chart shall change the sentiments and might take the prices to a bullish phase.
- ❖ Expected price band for next week is 578-567 level in near to medium term. RSI is 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 578 levels for a target of 570 and 567 with a stop loss at 582.80 on closing basis.

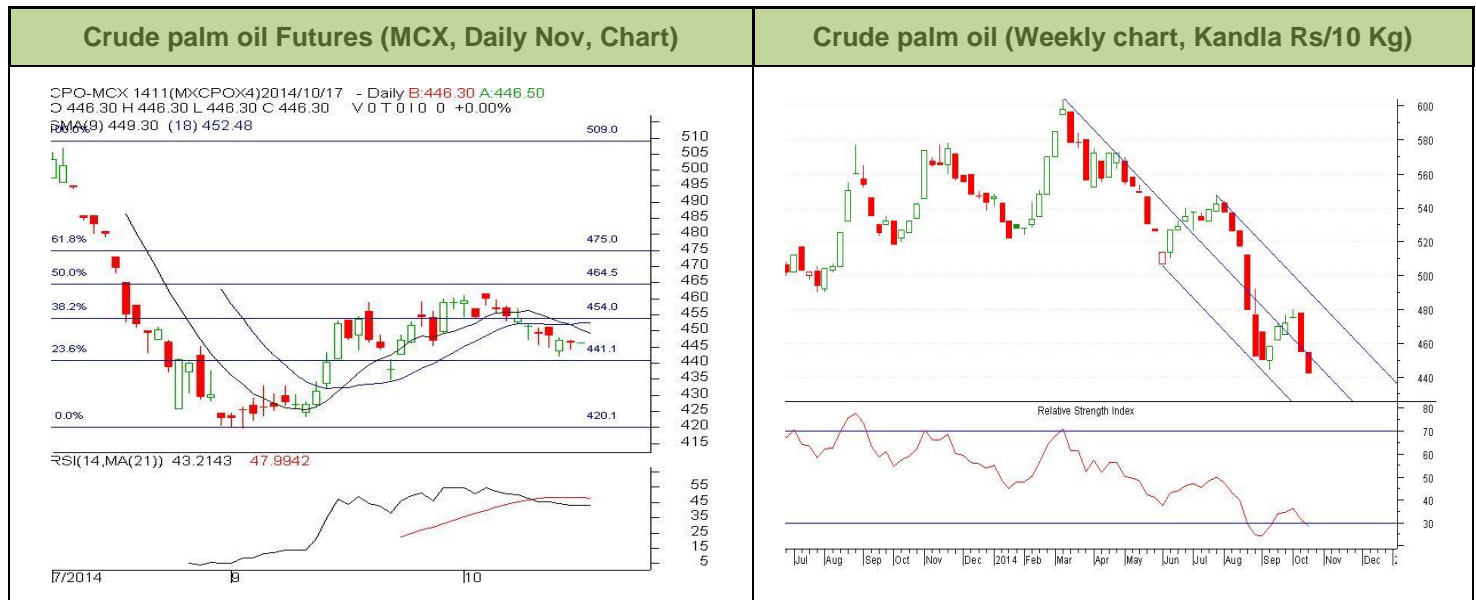
#### RSO NCDEX (November)

Support and Resistance				
S2	S1	PCP	R1	R2
561.00	566.00	576.95	585.00	589.00

**Spot Market outlook:** Refined soy oil Indore is likely to stay in the range of Rs 620-645 per 10 Kg.



### Technical Analysis (Crude Palm oil)



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

- ❖ Candlestick weekly chart of crude palm oil at MCX depicts consolidation in the prices. We expect prices may trade with a steady to weak note in the near term.
- ❖ Any close above 451.80 in weekly chart shall change the sentiments and might bring the prices to a bullish tone.
- ❖ Expected price band for next week is 447-437 level. RSI is in oversold region zone suggesting range bound movement in the coming week.

**Strategy:** Market participants are advised to go short in CPO below 447 for a target of 439 and 437 with a stop loss at 451.80 on closing basis.

#### CPO MCX (November)

Support and Resistance				
S2	S1	PCP	R1	R2
436.00	441.00	446.30	462.00	468.00

**Spot Market outlook:** Crude palm oil is likely to stay in the range of Rs 435-455 per 10 Kg.

Veg. Oil Prices at Key Spot Markets

Commodity	Centre	Prices(Per 10 Kg)		Change
		17-Oct-14	10-Oct-14	
Refined Soybean Oil	Kota	605	620	-15
	Rajkot	577	600	-23
	Delhi	650	660	-10
	Mumbai	610	620	-10
	Indore	600	620	-20
	Kandla/Mundra	590	605	-15
	Kolkata	585	590	-5
	Indore (Soy Solvent Crude)	560	575	-15
	Mumbai (Soy Degum)	558	577	-19
	Kandla/Mundra (Soy Degum)	555	575	-20
	Akola	637	673	-36
	Amrawati	636	672	-36
	Jalna	650	679	-29
	Nagpur	640	675	-35
	Alwar	615	625	-10
	Solapur	648	687	-39
	Bundi	600	620	-20
	Dhule	645	681	-36
Palm Oil	Rajkot	488	505	-17
	Hyderabad	508	513	-5
	Delhi	550	560	-10
	Kandla (Crude Palm Oil)	442	458	-16
	Kandla (RBD Palm oil)	470	500	-30
	Mumbai RBD Pamolein	505	515	-10
	Kandla RBD Pamolein	490	505	-15
	Mangalore RBD Pamolein	510	520	-10
	Chennai RBD Pamolein	510	520	-10
	Kakinada RBD Pamolein	490	510	-20
	KPT (krishna patnam)	485	502	-17
	Haldia	495	505	-10
	PFAD (Kandla)	400	425	-25
	Refined Palm Stearin (Kandla)	400	425	-25

Refined Sunflower Oil	Mumbai	635	640	-5
	Mumbai(Expeller Oil)	560	580	-20
	Kandla/Mundra (Crude)	560	575	-15
	Erode (Expeller Oil)	665	670	-5
	Hyderabad (Ref)	646	646	Unch
	Chennai	635	640	-5
	Latur (Expeller Oil)	635	642	-7
	Chellakere (Expeller Oil)	570	585	-15
Groundnut Oil	Rajkot	840	810	30
	Chennai	780	800	-20
	Delhi	750	760	-10
	Hyderabad *	850	850	Unch
	Mumbai	860	840	20
	Gondal	820	800	20
	Jamnagar	850	800	50
Rapeseed Oil/Mustard Oil	Mumbai (Expeller Oil)	685	690	-5
	Sri-GangaNagar(Exp Oil)	685	680	5
	Alwar (Expeller Oil)	725	725	Unch
	Kota (Expeller Oil)	660	655	5
	Jaipur (Expeller Oil)	688	691	-3
	New Delhi (Expeller Oil)	722	710	12
	Hapur (Expeller Oil)	725	725	Unch
	Sri-Ganga Nagar (Kacchi Ghani Oil)	710	715	-5
	Kota (Kacchi Ghani Oil)	725	740	-15
	Jaipur (Kacchi Ghani Oil)	727	725	2
	Agra (Kacchi Ghani Oil)	747	750	-3
	Bharatpur (Kacchi Ghani Oil)	742	745	-3
	Neewai (Kacchi Ghani Oil)	710	702	8
	Hapur (Kacchi Ghani Oil)	750	755	-5
Refined Cottonseed Oil	Mumbai	630	635	-5
	Rajkot	630	633	-3
	New Delhi	612	580	32
	Hyderabad	610	600	10
Coconut Oil	Kangayan (Crude)	1450	1540	-90
	Cochin	1490	1510	-20

	Trissur	1465	1510	<b>-45</b>
<b>Sesame Oil</b>	New Delhi	850	850	<b>Unch</b>
	Mumbai	860	860	<b>Unch</b>
<b>Kardi</b>	Mumbai	875	875	<b>Unch</b>
<b>Rice Bran Oil (40%)</b>	New Delhi	455	460	<b>-5</b>
<b>Rice Bran Oil (4%)</b>	Punjab	540	550	<b>-10</b>
<b>Rice Bran Oil (4%)</b>	Uttar Pradesh	540	550	<b>-10</b>
<b>Malaysia Palmolein USD/MT</b>	FOB	673	695	<b>-22</b>
	CNF India	700	730	<b>-30</b>
<b>Indonesia CPO USD/MT</b>	FOB	650	675	<b>-25</b>
	CNF India	680	710	<b>-30</b>
<b>Ukraine Origin CSFO USD/MT Kandla</b>	CIF	865	890	<b>-25</b>
<b>Rapeseed Oil Rotterdam Euro/MT</b>	FOB (Sept-Oct delivery)	650	655	<b>-5</b>
<b>Argentina FOB (\$/MT)</b>		<b>16-Oct-14</b>	<b>9-Oct-14</b>	<b>Change</b>
Crude Soybean Oil Ship		764	784	<b>-20</b>
Refined Soy Oil (Bulk) Ship		790	811	<b>-21</b>
Sunflower Oil Ship		NA	NA	-
Cottonseed Oil Ship		744	764	<b>-20</b>
Refined Linseed Oil (Bulk) Ship		NA	NA	-
<i>* indicates including VAT</i>				

\*\*\*\*\*

#### Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.php>

© 2014 Indian Agribusiness Systems Pvt Ltd.