

Executive Summary

Domestic Veg. Oil Market Summary

Edible oil basket witnessed losses in the prices during the week in review tracking losses in the international palm oil market and recovery in INR against USD.

On the currency front, Indian rupee against USD closed at 61.46, up 0.65 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, crude oil prices, Malaysian palm oil production and export outlook, and weather over South American soybean growing belt.

We expect edible oil complex to trade sideways to weak tone due to higher global soybean estimates for 2014-15 and strong India rupee against USD. However, seasonal demand for oils and weak oilseed arrivals in the cash market may cap the excessive losses.

Recommendation:

Weekly Call - Market participant are advised to go short in RSO below 629 levels for a target of 619 and 617 with a stop loss at 635 on closing basis and go short in CPO below 447 for a target of 438 and 436 with a stop loss at 452.50 on closing basis.

International Veg. Oil Market Summary

Malaysian palm oil products exports for Jan. 1-20 fell 21.8 percent to 709,370 tons from 906,594 tons shipped during Dec. 1-20 - cargo surveyor Societe Generale de Surveillance. India imported 103,150 tons of palm oil products from Malaysia during 1-20 Jan v/s 186,362 tons same period last month.

On the international front, record US soybean production forecast for 2014/15, and good crop prospects for South American soybean and talks of cancellation of US soybean from China favors the bears. However, monsoon floods in South East Asian countries and renewed demand at lower quotes may curb the excessive losses in soy complex.

Oilseed supplies from the globe are plenty and biofuel demand remains on the dull side tracking bearishness in the crude oil, which may pressurize the palm prices in the medium term. However, near term production fundamental seems to be unfavorable due to monsoon floods over key palm growing regions, which could limit the excessive losses.

Soy oil Fundamental Analysis and Outlook:-

Domestic Front

- Soybean oil featured steady to weak tone during the week in review tracking need based buying from wholesalers.
- Production front – We have lowered India's soybean production forecast for 2014-15 to 105 lakh tons from last estimate of 111 lakh tons. Last year soybean production estimate was 110 lakh tons. On the other hand, we have also lower our estimates for soy oil output for 2014/15 oil year to 16.15 lakh tons with a crushing of 95 lakh tons of soybean.
- CIF soybean oil ready delivery featured losses and quoted at USD 850 per tons v/s USD 821 per tons (Feb. delivery) at Indian ports as on 23 January. Base import price for crude soybean oil sets at USD 894 per tons w.e.f from 15 January 2015.
- USDA cut India's soybean production estimates for 2014-15 on lower yields reflecting late planting and a short monsoon season. Moreover, historic revision also made by USDA for India's soybean production estimates. India's soybean production is estimated at 10.5 million tons during 2014-15 seasons, up one million tons from last year production. Soybean crushing is estimated at 8.5 million tons, up 2.4 percent from last year.
- As per IBIS data (data compiled by Agriwatch) Indian buyers imported 1.233 lakh tons during 29 Dec. 2014 – 18 Jan. 2015. India imported 11.62 million tonnes of edible oil during Sep-Oct 2013/14 compared to 10.68 million tonnes during the same period previous season -Solvent Extractors' Association (SEA).
- We expect soy oil may trade with a steady to slightly weak tone.



International Front

- Brazil soy crop is expected to reach a record 94.2 million tons for 2014/15, up 3 percent from previous forecast of 91.4 million tons – Celeres. Last season, Brazil harvested 86.3 million tonnes of soybeans. The new crop, which has begun early harvesting, will pick up speed in the coming months and peak in March and April.
- USDA's WASDE Monthly Report Highlights - USDA lowers its US soybean ending stocks estimates for 2014-15 to 410 million bushels, down 40 million bushels from last month estimates due to expectation of higher residual use in 2014-15. On the production front, together (Brazil and Argentina) soybean production estimate stay intact to 150.50 million tons for 2014-15, which is one percent higher from last month estimates and 6.96 percent higher from last year estimates. USDA raise its U.S. season-average farm price for soybeans is projected at \$9.45 to \$10.95 per bushel, up 20 cents at the midpoint based on prices reported to date. The soybean oil price is forecast at 31 to 35 cents per pound, down 1 cent at the midpoint. The soybean meal price projection is unchanged at \$340 to \$380 per short ton.
- As per Rosario grains exchange, Argentina's 2014/15 soybean output is expected at 54.5 million tons, down from its previous forecast of 55 million tons due to a reduction in projected planting area. Argentine farmers are expected to plant 20.64 million hectares. (3 percent higher y-o-y basis).
- On the international front, record US soybean production forecast for 2014/15, and good crop prospects for South American soybean and talks of cancellation of US soybean from China favors the bears. However, monsoon floods in South East Asian countries and renewed demand at lower quotes may curb the excessive losses in soy complex.

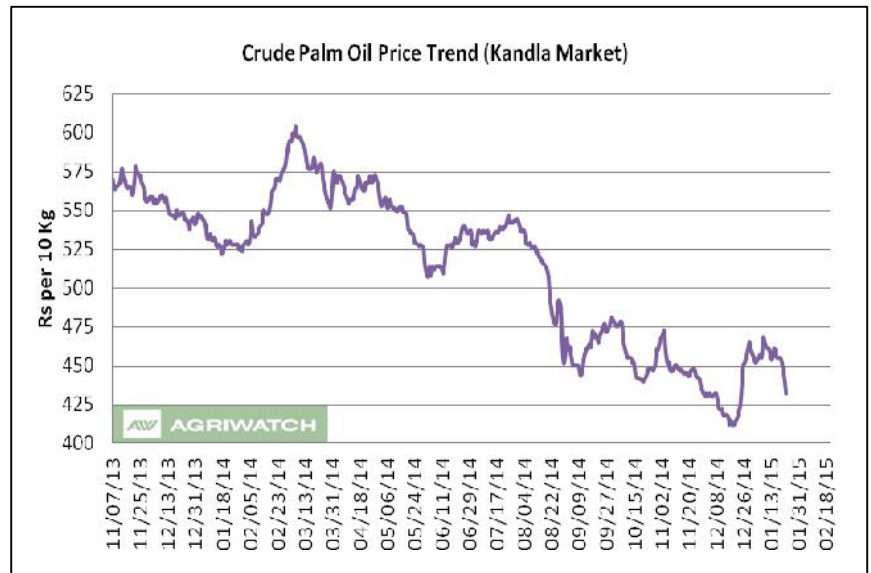
Price Outlook:

We expect refined soy oil at Indore (with VAT) to stay in the range of Rs 638-670 per 10 Kg in the near term.

Palm oil Fundamental Analysis and Outlook -:

Domestic Front

- Crude palm oil at Kandla witnessed sideways to weak trend in line with the international palm oil market and need based buying.
- Bearish cues from international soybean complex and losses in the crude mineral oils support the bears. However, floods in Malaysia hurts the palm oil supply prospects and market participants expect that palm oil production would be lower in Jan from seasonal average basis, which may limit excessive losses. In Malaysia, palm oil production was down 22.2 percent in Dec. on m-o-m and 18.07 percent lower from same period of the last year.
- As per IBIS data (compiled by Agriwatch), Indian buyers imported 5.033 lakh tons of crude palm oil and 0.550 lakh tons of RBD palmolein from majorly from Malaysia, Indonesia and Thailand 29 Dec. 2014 – 18 Jan. 2015. SEA revealed that India imports CPO 1.49 (1.24) lakh tons and 1.00 (3.72) lakh tons of RBD palmolein during Nov-Dec. 2014. Values in bracket depicts last year same period import figures.
- As per the latest government notification, Indian Government has revised the tariff value for crude palm oil to US \$705, RBD palm oil to US \$729, Crude and refined palmolein to 739, 742 (US dollar per metric tons) respectively. Tariff value is the base price at which the customs duty is determined to prevent under-invoicing.
- CNF CPO at Indian port is quoted at USD 647.50 per tons for January delivery. Moreover, RBD palmolein (Malaysian origin) CNF at Indian port is offered at USD 667.50 per tons for January delivery. High sea CPO prices quoted at Rs 432 per 10 Kg and delivery upto 15 Feb is offered at Rs 435 per 10 Kg on 23 Jan. 2014.
- We expect palm oil likely to trade range bound to slightly weak tone in the days ahead.



International Front

- Weekly review & Outlook – Malaysian palm oil featured losses on w-o-w basis in line with competing soy oil markets and weak demand for palm oil from key buyers during the first 20 days of January.
- Malaysian palm oil products exports for Jan. 1-20 fell 21.8 percent to 709,370 tons from 906,594 tons shipped during Dec. 1-20 - cargo surveyor Societe Generale de Surveillance. India imported 103,150 tons of palm oil products from Malaysia during 1-20 Jan v/s 186,362 tons same period last month.
- Palm oil futures may trade between 1,820 ringgit (\$504) and 2,750 ringgit in 2015, against earlier estimates of 2,300-2,500 ringgit due to weak global demand prospects. On the production front, Malaysia is expected to produce 20.09 million tons of palm oil in 2015, lower than his earlier prediction of 20.5 million tonnes in October. Last year, Malaysia produced 19.67 million tons of crude palm oil.
- Indonesia set its crude palm oil export tax for January at zero, unchanged from the previous month - Trade Ministry. Palm oil prices below threshold level of export duty imposition causing the export duty for CPO to remain at zero percent.
- Malaysia's palm oil stocks at the end of December fell 11.6 percent to 2,013,326 tonnes against a revised 2,276,177 tonnes at the end of November - Malaysian Palm Oil Board. Oilseed supplies from the globe are plenty and biofuel demand remains on the dull side tracking bearishness in the crude oil, which may pressurize the palm prices in the medium term. However, near term production fundamental seems to be unfavorable due to monsoon floods over key palm growing regions, which could limit the excessive losses.

Price Outlook: We expect CPO Kandla 5 percent (with VAT) to stay in the range of Rs 422-445 per 10 Kg in the near term.

Rapeseed oil Fundamental Review and Analysis:-

Domestic Front

- Mustard oil featured correction at major cash market owing to beneficial rains over key RM seed producing regions of Rajasthan. However, weak production prospects in 2014-15, and diminishing mustard seed arrivals limit the excessive losses.
- On the supply side, we are expecting mustard oil production in 2014-15 at 25.46 lakh tons with a crushing of 67 lakh tons of mustard seed. Lower production mainly attributed to lower sowing and high temperature in the initial stage. However, beneficial rains over key RM seed producing region support the yield prospects. Mustard oil output estimate pegged at 28.12 lakh tons for 2013-14 oil year - Agriwatch estimates. USDA projected mustard seed production for 2014-15 at 75 lakh tons up two lakh tons from last year.
- New mustard seed crop likely to arrive in the second half of February. Market participants expect mustard seed output seen at 67-68.50 lakh tons for 2014-15 oil year. Last year, Indian farmers planted 71.30 lakh hectares of mustard all over India and output was estimated at 78 lakh tons.
- On the planting front, Indian farmers have been sown 64.99 lakh hectares of mustard seed (2014-15 crop year) as on 14 Jan. 2015, which was 70.43 lakh ha. compared to the last year same period. State wise details - in Rajasthan has been sown in 26.40 (30.50) lakh hectares, in MP sowing reached at 6.63 (8.14) lakh hectares and in UP sowing reached to 11.42 (10.37) lakh hectares. Values in bracket were last year same period figures. Three states above together account 70 percent of the total normal Rabi mustard acreage.
- We expect RM seed oil prices may trade range bound to slightly weak tone in the coming days.

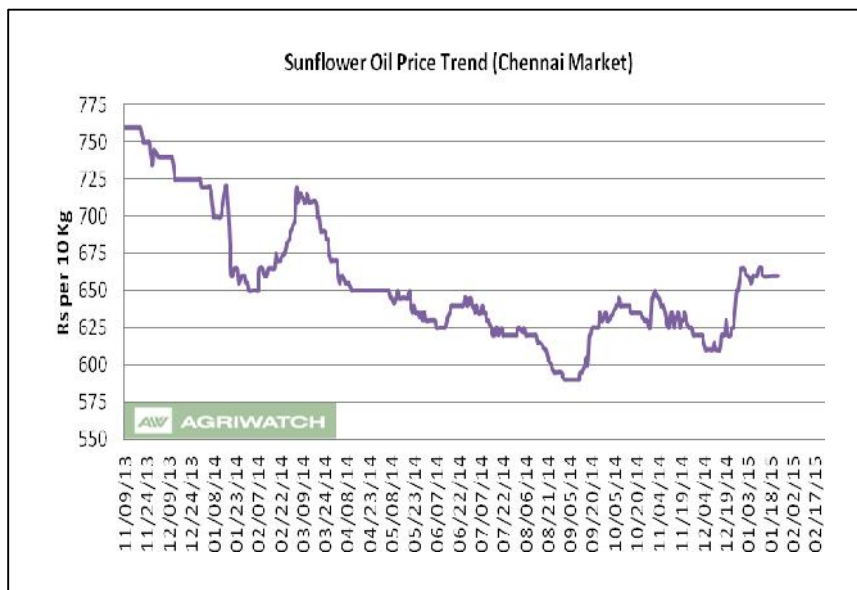


Price Outlook: Rapeseed oil (without VAT) prices in Kota may stay in the range of Rs 680-715 per 10 Kg.

Sunflower oil Fundamental Review and Analysis:-

Domestic Front

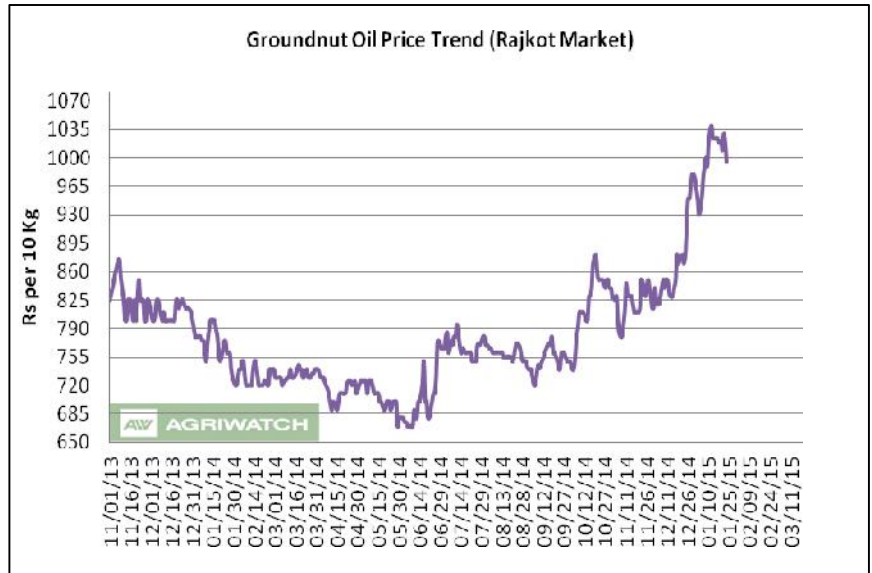
- Sunflower oil featured sideways trend during the week in review due to need-based demand. However, lower EU's sun seed production estimates for 2014/15 keep the sentiments slightly firm.
- As per IBIS (data compiled by Agriwatch), Indian buyer imported 1.469 lakh tons of crude sunflower oil majorly from Ukraine and Argentina during 29 Dec. 2014 – 18 Jan. 2015. As per SEA of India, Indian buyers imported 15.09 lakh tons of crude sunflower oil during 2013-14 oil year majorly from Ukraine, up 55.08 percent from the corresponding period of the last year.
- On the domestic front, sunflower oil CIF prices (Ukraine origin) quoted around USD 865 per tons for Jan delivery, as on 23 Jan 2014 v/s USD 845 per tons AMJ delivery. Last month average CIF sunflower oil at Kandla was USD 876 per tons. Lower production estimates from European Union countries keep the market premium compared to soy and rapeseed oil. Prices are likely to stay in the range of USD 850-875 per tons in the near term.
- On the planting front, Indian farmers have been sown 2.63 lakh hectares of Rabi sunseed as on 14 Jan. 2015, which was 32.7 percent lag compared to the last year same period. State wise details - in Karnataka sunflower has been sown in 1.83 (2.48) lakh hectares, and in Maharashtra sowing reached to 0.16 (0.35) lakh hectares. Values in bracket were last year same period figures.
- On the production front, as per USDA, global sunflower seed production is estimated at 39,951 thousand tons for 2014-15 v/s 42,906 thousand tons last year. In 2014-15, Ukraine's and Russian sun seed production is estimated 10,000 and 9,000 thousand tons respectively. However, last year combined (Ukraine and Russia) sunflower production was 22,154 thousand tons.
- 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 643-665 per 10 Kg.

Groundnut oil Fundamental Review and Analysis:- Domestic Front

- Groundnut oil prices trade firm tone at its benchmark market (Rajkot) during the week tracking better demand against shortage of raw material for crushing and lower crop estimates.
- As per Ministry of agriculture, area coverage as on 14 Jan. 2015 during Rabi 2014-15 is lower by 1.39 lakh ha to 4.64 lakh ha compared to corresponding period of rabi 2013-14. State wise details – in Telangana sowing reached to 1.28 (1.66) lakh hectares, in Karnataka sowing reached to 0.58 (1.26) lakh hectares and in Tamil Nadu sowing reached to 1.06 (1.23) lakh hectares. Values in bracket were last year same period figures.
- Better export demand for groundnut seed, and lower groundnut crushing due to lower arrivals may favor the bulls in the near term. Moreover, higher table consumption in winters and export demand for groundnut seed likely to keep the sentiment firm.
- COOIT estimates – India's groundnut production is estimated at 3.57 million tons during 2014-15 Kharif season, down 24.28 percent from last year production. Moreover, marketable surplus for crushing is estimated at 0.3 million tons, retained for sowing and export is estimated 0.5 million tons each. Moreover, direct consumption is estimated at 1.2 million tons.
- Groundnut oil prices are likely to trade with a steady tone in the coming days owing to need based demand from wholesalers at higher quotes.



Price Outlook

Groundnut oil (without VAT) in Rajkot market is likely to trade in the price band of Rs 980-1020 per 10 Kg.

Coconut Oil Fundamental Review and Analysis:- Domestic Front

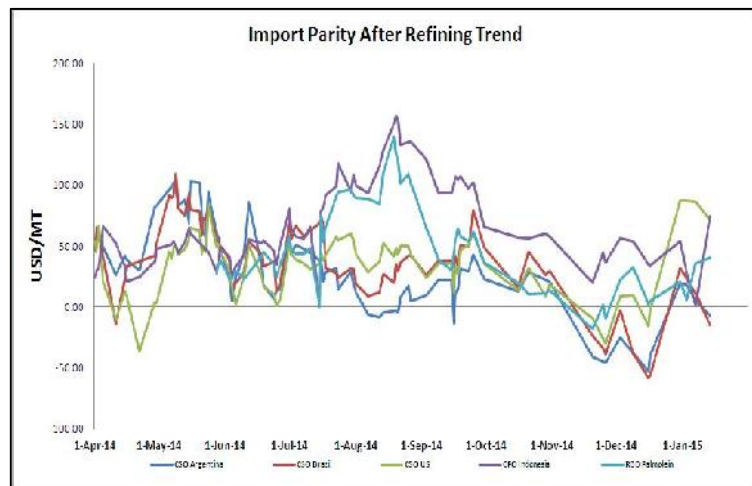
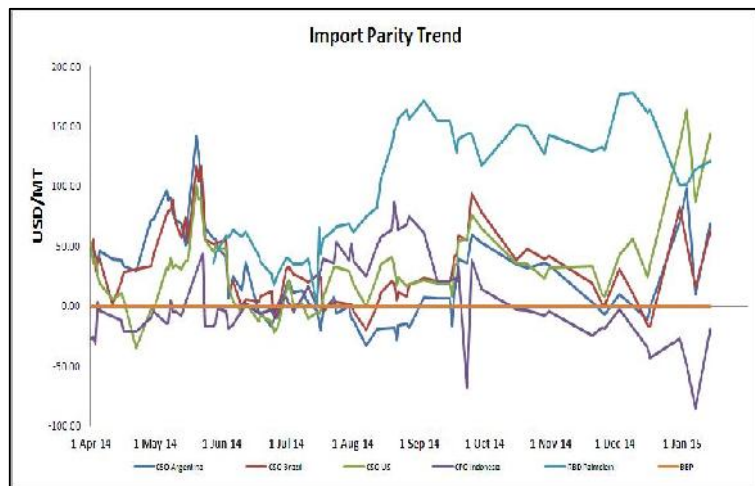
- Coconut oil featured steady tone at its benchmark market Kangeyam during the week owing to better buying at lower quotes and recovery in the competing edible oils.
- Commencement of new copra season, need based demand at higher quotes and correction in the palm kernel and sunflower oil prices may support the bears in the coming weeks. Currently coconut oil is offered at Rs 1370 per 10 Kg and Rs 1390 per 10 Kg at Cochin & Trissur respectively.
- New copra season in Kerala in the coming weeks and need-based demand may caps the upside risk in the coconut oil, prices in the near-medium term.



- Policy development - The government has increased the MSP for fair average quality of milling copra to Rs 5,550/Qtl. for 2015 season, up Rs 300/Qtl over the previous year's MSP. Moreover, The MSP for Ball Copra for 2015 season has also been hiked by Rs.330 to Rs.5, 830 rupees per quintal.
- Adequate stocks, weak trend in the crude oil prices, and demand shift to the cheaper edible oils like sunflower and palm oil may pressure the coconut oil prices in the near term.

Price Outlook: Coconut oil (without VAT) prices in Erode may stay in the range of Rs 1320-1425 per 10 Kg.

Import Parity Trend

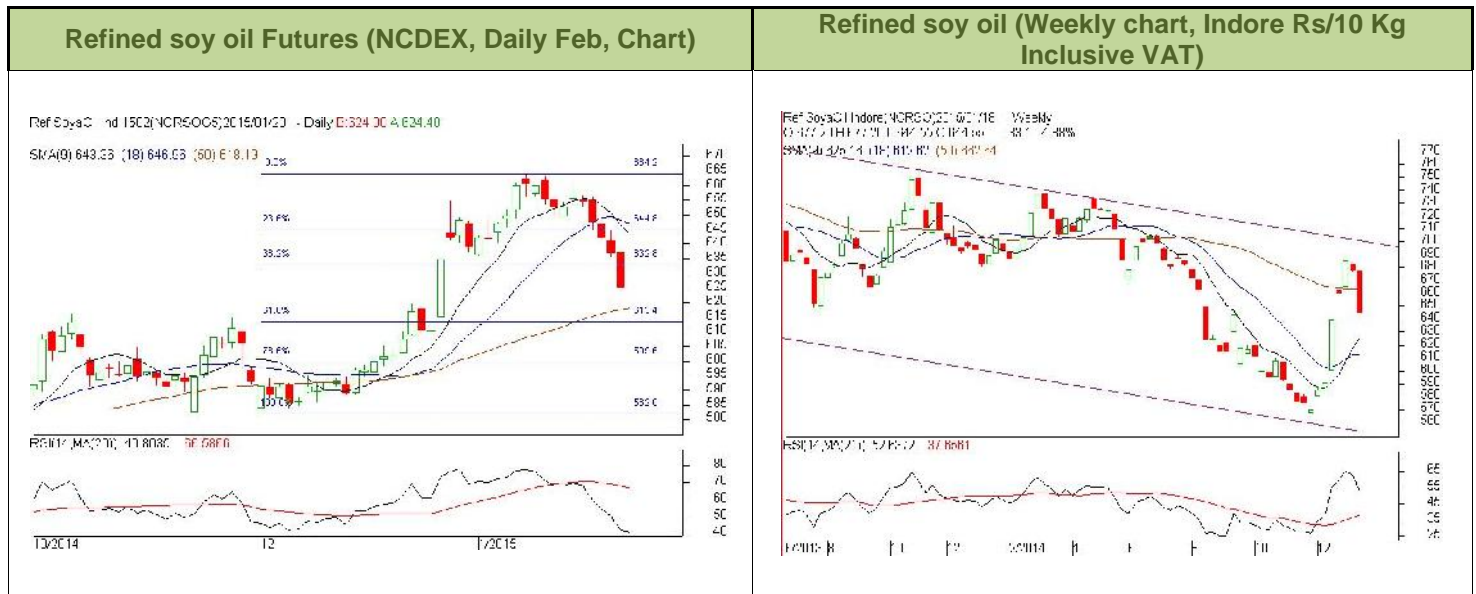


Import Parity After Refining in US dollar per tons (Monthly Average)

	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
Nov., 2014	-43.50	-32.25	-21.65	33.33	-8.59
Dec., 2014	-24.51	-24.64	17.55	46.72	16.52

Outlook:-

Import parity for crude soy oil from Argentina and palm oil after refining is hovering in positive territory due to cheaper imported oils. We expect CDSO/palm oil import parity to be in the positive side. Lower oilseed arrivals on y-o-y basis and slight parity in veg. oil may favor higher imports in the coming days.

Technical Analysis (Refined soy oil)


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

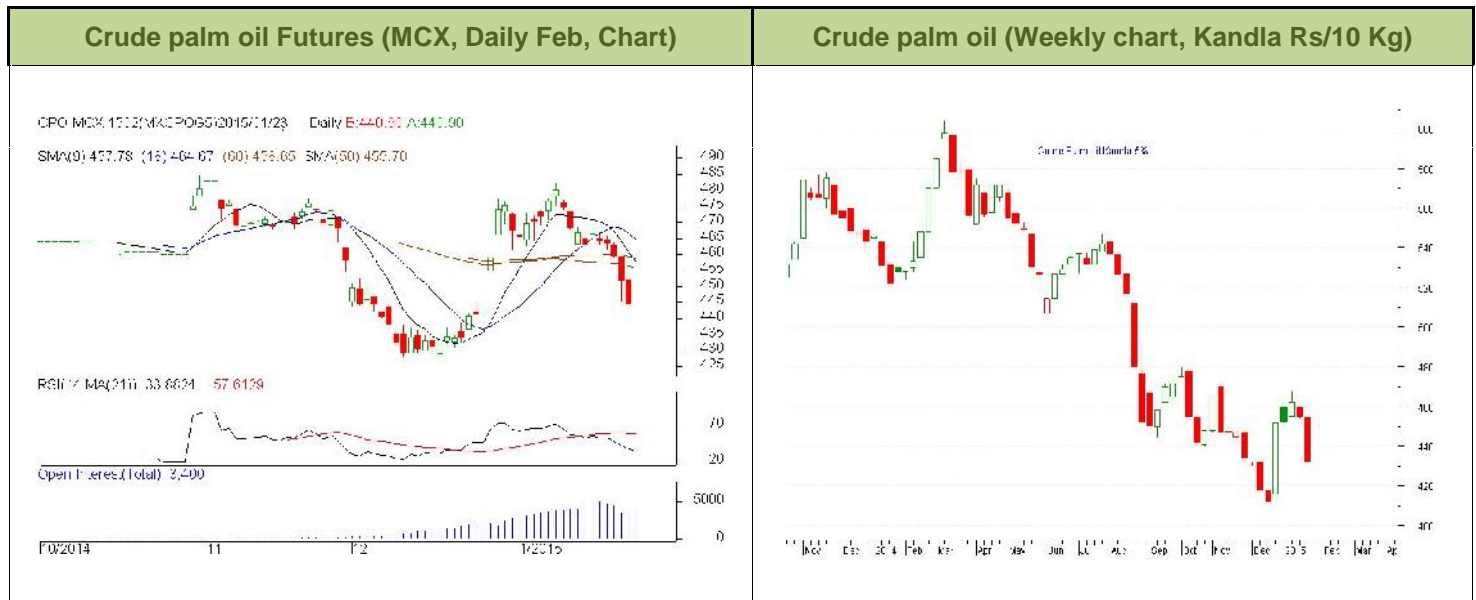
- ❖ Weekly chart of refined soy oil at NCDEX depicts sideways movement during the week in review. We expect prices may trade with a steady to slightly weak note in the near term.
- ❖ Any close above 635 in weekly chart shall change the sentiments and might take the prices to a bearish phase.
- ❖ Expected price band for next week is 629-617 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 629 levels for a target of 619 and 617 with a stop loss at 635 on closing basis.

RSO NCDEX (Feb.)

Support and Resistance				
S2	S1	PCP	R1	R2
607	612	621	640	645

Spot Market outlook: Refined soy oil Indore (with VAT) is likely to stay in the range of Rs 638-670 per 10 Kg.

Technical Analysis (Crude Palm oil)


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

- ❖ Candlestick weekly chart of crude palm oil at MCX depicts gains in the prices. We expect prices may trade with a steady to firm note in the near term.
- ❖ Any close above 452.50 in weekly chart shall change the sentiments and might bring the prices to a bullish tone.
- ❖ Expected price band for next week is 436-447 level. RSI is in neutral region suggesting range bound to firm movement in the coming week.

Strategy: Market participants are advised to go short in CPO below 447 for a target of 438 and 436 with a stop loss at 452.50 on closing basis.

CPO MCX (Feb.)

Support and Resistance				
S2	S1	PCP	R1	R2
431	435	442.40	454.00	460.00

Spot Market outlook: Crude palm oil is likely to stay in the range of Rs 422-445 per 10 Kg.

Veg. Oil Prices at Key Spot Markets

Commodity	Centre	Prices(Per 10 Kg)		Change
		23-Jan-15	16-Jan-15	
Refined Soybean Oil	Kota	650	680	-30
	Rajkot	625	655	-30
	Delhi	680	710	-30
	Mumbai	635	660	-25
	Indore	655	680	-25
	Kandla/Mundra	635	660	-25
	Kolkata	640	655	-15
	Indore (Soy Solvent Crude)	625	660	-35
	Mumbai (Soy Degum)	600	630	-30
	Kandla/Mundra (Soy Degum)	600	635	-35
	Akola	685	720	-35
	Amrawati	684	719	-35
	Jalna	701	730	-29
	Nagpur	689	719	-30
	Alwar	NR	NR	-
	Solapur	701	727	-26
	Bundi	655	690	-35
	Dhule	697	728	-31
Palm Oil	Rajkot	480	510	-30
	Hyderabad	504	523	-19
	Delhi	550	565	-15
	Kandla (Crude Palm Oil)	432	460	-28
	Kandla (RBD Palm oil)	480	500	-20
	Mumbai RBD Pamolein	495	520	-25
	Kandla RBD Pamolein	490	515	-25
	Mangalore RBD Pamolein	510	530	-20
	Chennai RBD Pamolein	510	530	-20
	Kakinada RBD Pamolein	495	525	-30
	KPT (krishna patnam)	490	515	-25
	Haldia	490	515	-25
	PFAD (Kandla)	360	380	-20
	Refined Palm Stearin (Kandla)	380	400	-20
Refined Sunflower Oil	Mumbai	660	685	-25
	Mumbai(Expeller Oil)	600	620	-20
	Kandla/Mundra (Crude)	600	620	-20



	Erode (Expeller Oil)	690	690	Unch
	Hyderabad (Ref)	665	689	-24
	Chennai	660	660	Unch
	Latur (Expeller Oil)	645	670	-25
	Chellakere (Expeller Oil)	600	605	-5
Groundnut Oil	Rajkot	995	1025	-30
	Chennai	820	820	Unch
	Delhi	880	750	130
	Hyderabad *	885	870	15
	Mumbai	1000	1040	-40
	Gondal	1000	1030	-30
	Jamnagar	1000	1030	-30
Rapeseed Oil/Mustard Oil	Mumbai (Expeller Oil)	740	755	-15
	Sri-GangaNagar(Exp Oil)	745	765	-20
	Alwar (Expeller Oil)	780	800	-20
	Kota (Expeller Oil)	700	730	-30
	Jaipur (Expeller Oil)	754	771	-17
	New Delhi (Expeller Oil)	762	785	-23
	Hapur (Expeller Oil)	770	790	-20
	Sri-Ganga Nagar (Kacchi Ghani Oil)	770	795	-25
	Kota (Kacchi Ghani Oil)	770	795	-25
	Jaipur (Kacchi Ghani Oil)	785	810	-25
	Agra (Kacchi Ghani Oil)	805	815	-10
	Bharatpur (Kacchi Ghani Oil)	800	810	-10
	Neewai (Kacchi Ghani Oil)	765	794	-29
	Hapur (Kacchi Ghani Oil)	800	820	-20
Refined Cottonseed Oil	Mumbai	585	590	-5
	Rajkot	555	580	-25
	New Delhi	580	595	-15
	Hyderabad	595	615	-20
Coconut Oil	Kangayan (Crude)	1340	1360	-20
	Cochin	1370	1370	Unch
	Trissur	1380	1400	-20
Sesame Oil	New Delhi	850	750	100
	Mumbai	835	850	-15

Kardi	Mumbai	860	860	Unch
Rice Bran Oil (40%)	New Delhi	450	455	-5
Rice Bran Oil (4%)	Punjab	470	470	Unch
Rice Bran Oil (4%)	Uttar Pradesh	470	470	Unch
Malaysia Palmolein USD/MT	FOB	650	678	-28
	CNF India	668	700	-32
Indonesia CPO USD/MT	FOB	630	665	-35
	CNF India	648	680	-32
RBD Palm oil (Malaysia Origin USD/MT)	FOB	645	670	-25
RBD Palm Stearin (Malaysia Origin USD/MT)	FOB	655	673	-18
RBD Palm Kernel Oil (Malaysia Origin USD/MT)	FOB	1130	1180	-50
Palm Fatty Acid Distillate (Malaysia Origin USD/MT)	FOB	585	588	-3
Ukraine Origin CSFO USD/MT Kandla	CIF	865	870	-5
Rapeseed Oil Rotterdam Euro/MT	FOB (Dec delivery)	667	677	-10
Argentina FOB (\$/MT)		22-Jan-15	14-Jan-15	Change
Crude Soybean Oil Ship		768	805	-37
Refined Soy Oil (Bulk) Ship		794	833	-39
Sunflower Oil Ship		NA	NA	-
Cottonseed Oil Ship		748	785	-37
Refined Linseed Oil (Bulk) Ship		NA	NA	-
<i>* indicates including VAT</i>				

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