

## **Executive Summary**

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

*Edible oil basket witnessed gains in the prices during the week in review in line with the international palm oil market.*

*On the currency front, Indian rupee against USD closed at 61.69, up 0.28 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 figures, and weather over South American soybean growing belt.*

*We expect edible oil complex to trade sideways to slightly firm tone in expectation of renewed demand from wholesalers. However, higher global soybean estimates for 2014-15 and weak demand for palm oil from top buyers may cap excessive gains.*

### **Recommendation:**

*Weekly Call - Market participant are advised to go long in RSO above 595 levels for a target of 604 and 606.50 with a stop loss at 589.60 on closing basis and go long in CPO above 455 for a target of 465 and 468 with a stop loss at 449 on closing basis.*

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

*Exports of Malaysian palm oil products for January fell 14.6 percent to 1,109,188 tonnes from 1,298,461 tonnes shipped during December - cargo surveyor Societe Generale de Surveillance. India imported 162,900 tons during January v/s 359,767 tons last month.*

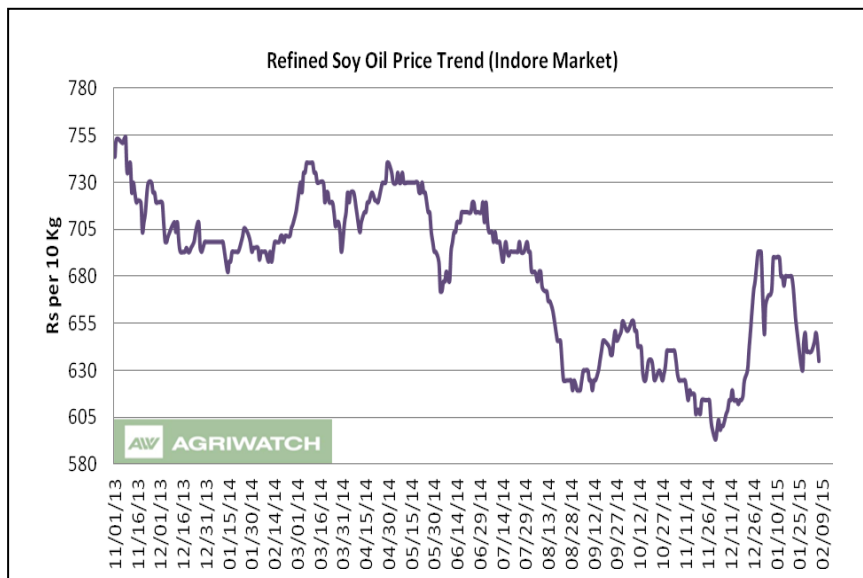
*On the international front, record US soybean production forecast for 2014/15, and good crop prospects for South American soybean and talks of cancellation of US soybean from China favors the bears. However, monsoon floods in South East Asian countries and renewed demand at lower quotes may curb the 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 tone during the week in review tracking need based buying from wholesalers.
- As per IBIS data (data compiled by Agriwatch) Indian buyers imported 1.528 lakh tons during 29 Dec. 2014 – 25 Jan. 2015. On the import front, India is likely to import 2.1 million tons of crude soybean oil in 2014-15 (AW proj.) v/s 1.95 million tons last year (SEA of India figures).
- CIF soybean oil ready delivery featured losses and quoted at USD 796 per tons v/s USD 783 per tons (March delivery) at Indian ports as on 9 February. CIF soybean oil quoted lower compared to January and monthly average CIF soy oil (Argentinean basis) was USD 861 per tons. Base import price for crude soybean oil sets at USD 864 per tons w.e.f from 30 January 2015.
- Need based buying witness in the major cash market with an approaching warm weather and new Rabi crop arrivals season (March/April). However, diminishing oilseed arrivals may cap excessive losses in oil complex. On the production front, we have lowered India's soybean production forecast for 2014-15 to 10.5 MMT from last estimate of 11.1MMT due to lower than preliminary potential yield output estimates, the yield is estimated to be 946 kg/ha v/s 1006 kg/ha (AW's Aug-Sept estimate) due to weather stress, lower than needed rains initially and prolonged dry weather. Last year soybean production estimate was 11 MMT. Subsequently, we have also lowered our estimates for domestic soy oil output for 2014/15 oil year to 1.615 MMT with a crushing of 9.5 MMT of soybean.
- We expect soy oil may trade with a steady tone to slightly firm tone on need-based demand.



### International Front

- Informa Economics raised its estimates of 2014/15 Argentine soybean production to 57 million tons, up 1.5 million from last month but left its soy production estimate for Brazil unchanged at 93.5 million tons.
- 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.
- Brazilian agricultural consultancy Safras & Mercado cut its forecasts for soy harvests in the 2014-15 growing season to 95.02 million tons. Last year, Brazil soybean output was 86.6 million tons.
- US soybean export inspections are still strong despite of cancellation of US soybean sales to China. USDA reports that total US soybean exports are reported at 37.466 MMT, up nearly 19 percent y-o-y basis during 01 Sept. 2014- 29 Jan. 2015.
- USDA's announcement marked the third cancellation of soybean sales to China in January due to a seasonal shift to South America countries from US. USDA announced soybean sales cancellation to China details as follow - On 27 Jan. about 120,000 tons, 20 Jan. about 174,000 tons and on 16 Jan. 285,000 tons. Soybean harvest is getting started in some parts of Brazil. Mixed result for soy yield witness from farms.
- 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.

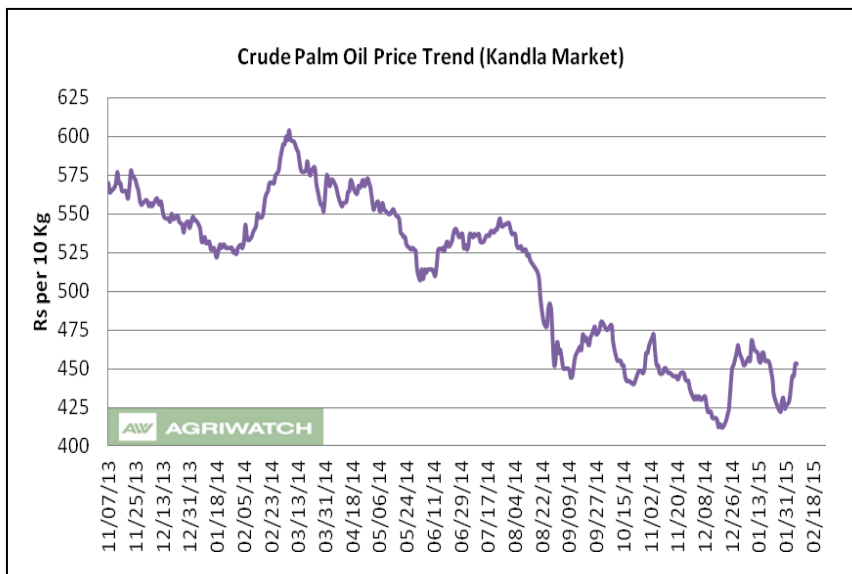
### Price Outlook:

We expect refined soy oil at Indore (with VAT) to stay in the range of Rs 625-647 per 10 Kg in the near term.

## Palm oil Fundamental Analysis and Outlook -:

### Domestic Front

- Crude palm oil at Kandla witnessed sideways to slightly firm trend in line with the international palm oil market and need based buying.
- As per IBIS data (compiled by Agriwatch), Indian buyers imported 6.713 lakh tons of crude palm oil and 0.794 lakh tons of RBD palmolein from majorly from Malaysia, Indonesia and Thailand during 29 Dec. 2014 – 25 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. On the import front, India is likely to import 6.5 and 1.65 million tons of crude palm oil and RBD palmolein in 2014-15 (AW proj.) respectively. Last year, India imported 6.25 and 1.65 million tons of crude palm oil and RBD palmolein in 2013-14 (SEA of India figures) respectively.
- As per the latest government notification, Indian Government has revised the tariff value for crude palm oil to US \$681 (705)/T, RBD palm oil to US \$ 707 (729), Crude and refined palmolein to 739 (724), 742(727) (US dollar per metric tons) respectively. Tariff value is the base price at which the customs duty is determined to prevent under-invoicing. Values in bracket depict the last fortnight figures.
- CNF CPO at Indian port is quoted at USD 685 per tons for January/February delivery. Moreover, RBD palmolein (Malaysian origin) CNF at Indian port is offered at USD 705 per tons for January/February delivery. CPO duty paid prices ready delivery quoted at Rs 457 per 10 Kg and March delivery is offered at Rs 465 per 10 Kg on 9 Feb. 2015.
- Recovery in the international palm oil market due to bio-fuel demand prospects in South East Asian countries may support the bulls for short term. Moreover, floods in Malaysia during the first half of January hurts the palm oil supply prospects and market participants expect that palm oil production would be lower in Jan from seasonal average basis. 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.
- We expect palm oil likely to trade range bound to slightly firm tone in the days ahead.



### International Front

- Weekly review & Outlook – Exports of Malaysian palm oil products for January fell 14.6 percent to 1,109,188 tonnes from 1,298,461 tonnes shipped during December - cargo surveyor Societe Generale de Surveillance. India imported 162,900 tons of palm oil products from Malaysia during January v/s 359,767 tons last month. Moreover, lower demand witnessed from EU's countries and China. China and EU's countries imported 209,800 tons and 185,706 tons of palm oil respectively during January from Malaysia.
- Indonesia parliament has approved the proposal of rise in biodiesel subsidies, planned by the government. The biodiesel subsidy is now 4000 Rupiah per litre, three times higher than the previous subsidy of 1500 rupiah per litre, said Energy Ministry Official. Hopes of increasing biodiesel subsidies by Indonesia would make blending profitable and may support the palm oil prices.
- Indonesia set its crude palm oil export tax for February at zero, unchanged from January – Indonesian Trade ministry. 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.

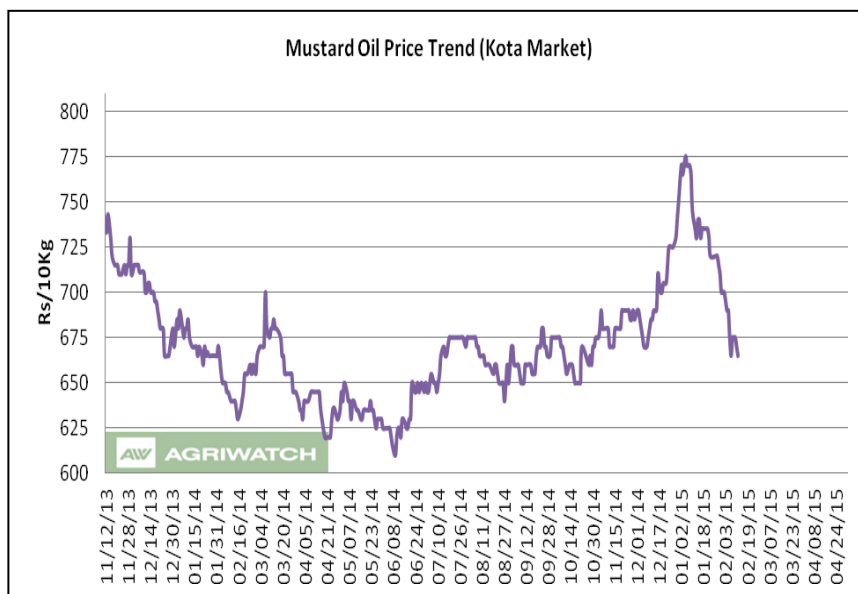
- On the production front, Malaysia is expected to produce 20.09 million tons of palm oil in 2015, lower than his earlier prediction of 20.5 million tonnes in October. Last year, Malaysia produced 19.67 million tons of crude palm oil.
- Oilseed supplies from the globe are plenty and biofuel demand remains 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 450-475 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.
- New RM seed crop in Kota belt has arrives with high moisture level (12-15 percent). Moreover, new crop arrivals from Rajasthan likely to pick up from the third week of February, if the weather is conducive.
- On the planting front, Indian farmers have been sown 65.14 lakh hectares of mustard seed (2014-15 crop year) as on 23 Jan. 2015, which was 70.53 lakh ha. compared to the same period of last year. State wise details - in Rajasthan has been sown in 26.41 (30.50) lakh hectares, in MP sowing reached at 6.63 (8.14) lakh hectares and in UP sowing reached to 11.42 (10.46) 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.
- On the supply side, we are expecting mustard oil production in 2014-15 at 2.546 MMT with a crushing of 6.7 MMT of mustard seed. Lower production mainly attributed to lower area under rapeseed and high temperature in the initial stage. However, beneficial rains over key RM seed producing region during first week of Jan. support the yield prospects. Mustard oil output is projected at 2.812 MMT 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.
- On the import front, India is likely to import 0.22 million tons of crude rapeseed oil in 2014-15 (AW proj.) v/s 0.199 million tons last year (SEA of India figures).
- Global rapeseed production is projected at 71.94 million tons, up 1.10 percent on y-o-y basis tracking higher production in European Union. However, lower production figures witness from Canada and China. Global rapeseed exports during 2014-15 are likely to be 13.76 million tons v/s 15.10 million tons last year. Global ending stocks of rapeseed seen at 7.41 million tons (up 10.8 percent y-o-y basis)
- We expect RM seed oil prices may trade range bound to slightly weak tone in the coming days.

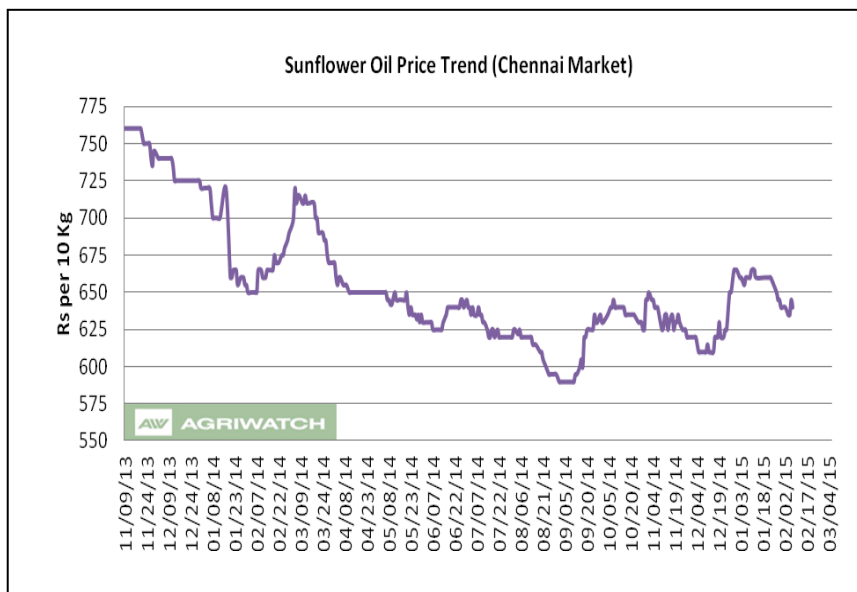


**Price Outlook:** Rapeseed oil (without VAT) prices in Kota may stay in the range of Rs 658-680 per 10 Kg.

## 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.
- On the domestic front, sunflower oil CIF prices (Ukraine origin) quoted around USD 830 per tons for Feb./March delivery, as on 09 Feb 2015 v/s USD 825 per tons AMJ delivery. CIF average sunflower oil at Kandla in Jan. was USD 862 per tons. Prices are likely to stay in the range of USD 805-845 per tons in the near term. CIF sun oil is offered at premium of USD 34 per tons against CIF soybean oil (Argentine basis) at Indian port.
- As per IBIS (data compiled by Agriwatch), Indian buyer imported 2.064 lakh tons of crude sunflower oil majorly from Ukraine and Argentina during 29 Dec. 2014 – 25 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.
- India is likely to import 1.46-1.48 million tons of crude sunflower oil in 2014-15 oil year (AW proj.) v/s 1.50 million tons last year (SEA of India figures). Lower global sunseed production estimates from European Union countries may keep the market premium compared to soy and rapeseed oil in the current season.
- On the planting front, Indian farmers have been sown 2.74 lakh hectares of Rabi sunseed as on 23 Jan. 2015, which was 31.6 percent lag compared to the last year same period. State wise details - in Karnataka sunflower has been sown in 1.88 (2.48) lakh hectares, and in Maharashtra sowing reached to 0.18 (0.36) lakh hectares. Values in bracket were last year same period figures.
- Global sunflower seed production is estimated at 39.95 million tons for 2014-15 v/s 42.90 million tons last year. In 2014-15, Ukraine's and Russian sun seed production is estimated 10 and 9 million tons respectively. However, last year combined (Ukraine and Russia) sunflower production was 22.15 million tons.
- We expect sunflower oil prices may trade range bound in the coming days.

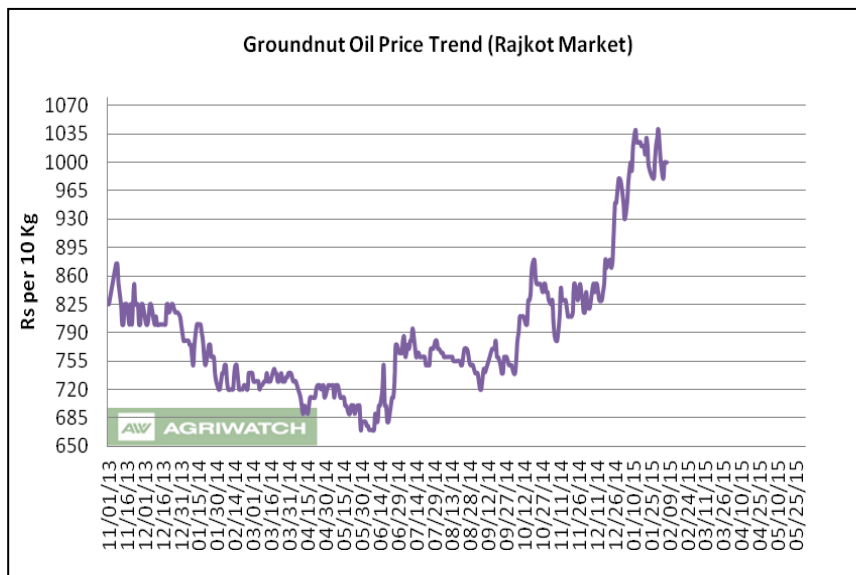


**Price Outlook:** Sunflower oil (with VAT) prices in Chennai may stay in the range of Rs 643-665 per 10 Kg.



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

- Groundnut oil prices trade steady tone at its benchmark market (Rajkot) during the week tracking better demand against shortage of raw material for crushing and lower crop estimates. However, inferior quality issues caps excessive gains.
- The directorate general of foreign trade (DGFT) has cut the minimum export price of edible oils in branded consumer packs of up to five kg to \$900 tons v/s \$1,100 a tons (previous), with immediate effect.
- As per Ministry of agriculture, area coverage as on 23 Jan. 2015 during Rabi 2014-15 is lower by 15.5 percent to 5.18 lakh ha compared to corresponding period of rabi 2013-14. State wise details – in Telangana sowing reached to 1.30 (1.67) lakh hectares, in Karnataka sowing reached to 0.76 (1.26) lakh hectares and in Tamil Nadu sowing reached to 1.16 (1.21) lakh hectares. Values in bracket were last year same period figures.
- 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 - COOIT.
- 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.

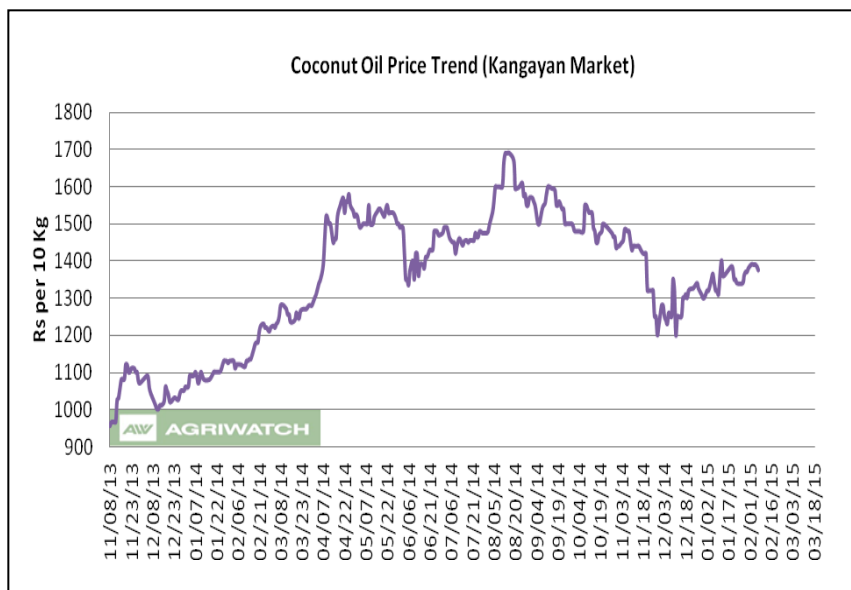


### Price Outlook

Groundnut oil (without VAT) in Rajkot market is likely to trade in the price band of Rs 980-1025 per 10 Kg.

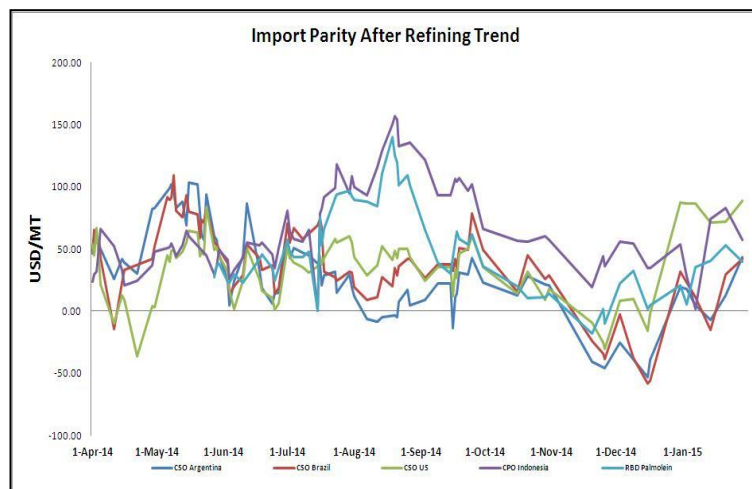
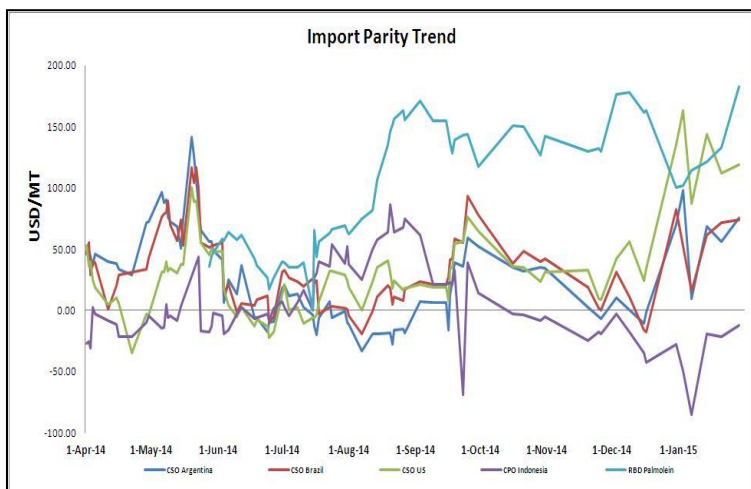
### Coconut Oil Fundamental Review and Analysis:- Domestic Front

- Coconut oil featured steady tone at its benchmark market Kangeyam during the week owing to better buying at lower quotes. However, cheaper availability of edible oils (palm and sun oil) shifts the demand from coconut oil.
- Currently copra arrivals from Tamil Nadu have started. However, Kerala and Karnataka copra season will begin from second-third week of February
- 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 (withut VAT) prices in Erode may stay in the range of Rs 1320-1425 per 10 Kg.

### Import Parity Trend

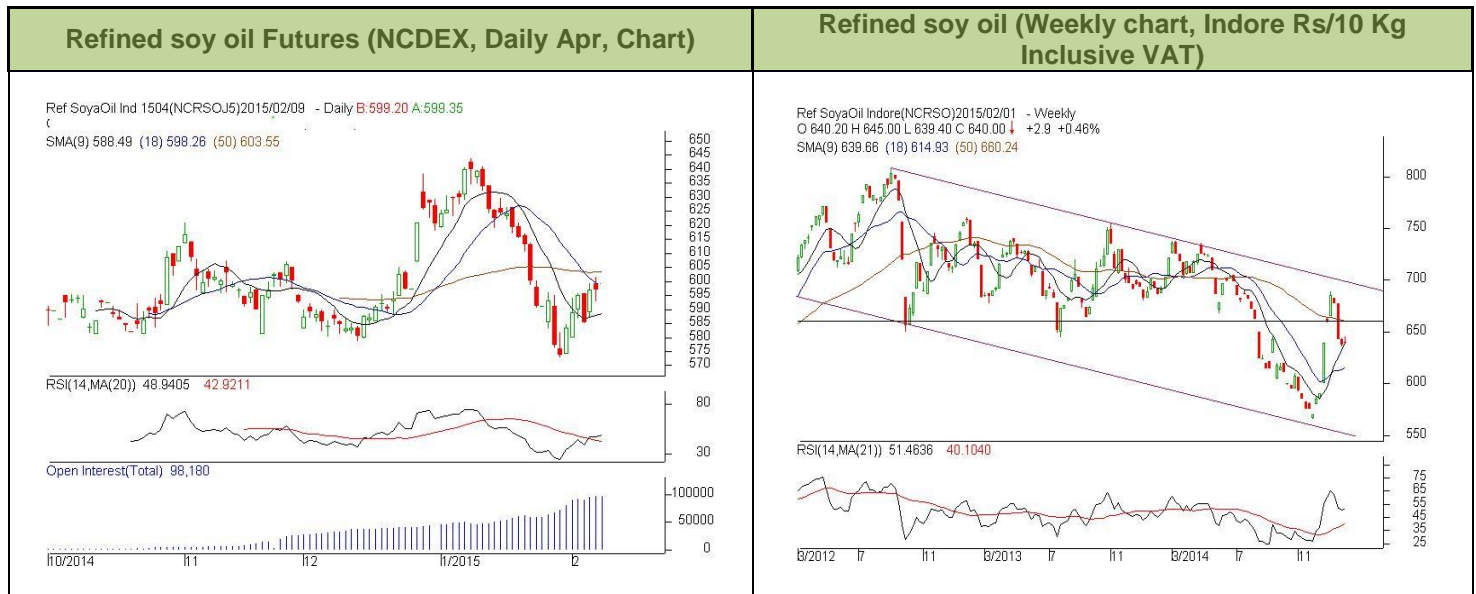


### Import Parity After Refining in US dollar per tons (Monthly Average)

	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
<b>Dec., 2014</b>	-24.51	-24.64	17.55	46.72	16.52
<b>Jan., 2015</b>	14.36	17.11	81.11	48.89	34.87

### 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 firm tone in the coming days.**

- ❖ Weekly chart of refined soy oil at NCDEX depicts consolidation during the week in review. We expect prices may trade with a steady to slightly firm note in the near term.
- ❖ Any close below 589.60 in weekly chart shall change the sentiments and might take the prices to a bearish phase.
- ❖ Expected price band for next week is 595-606.50 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 long in RSO above 595 levels for a target of 604 and 606.50 with a stop loss at 589.60 on closing basis.

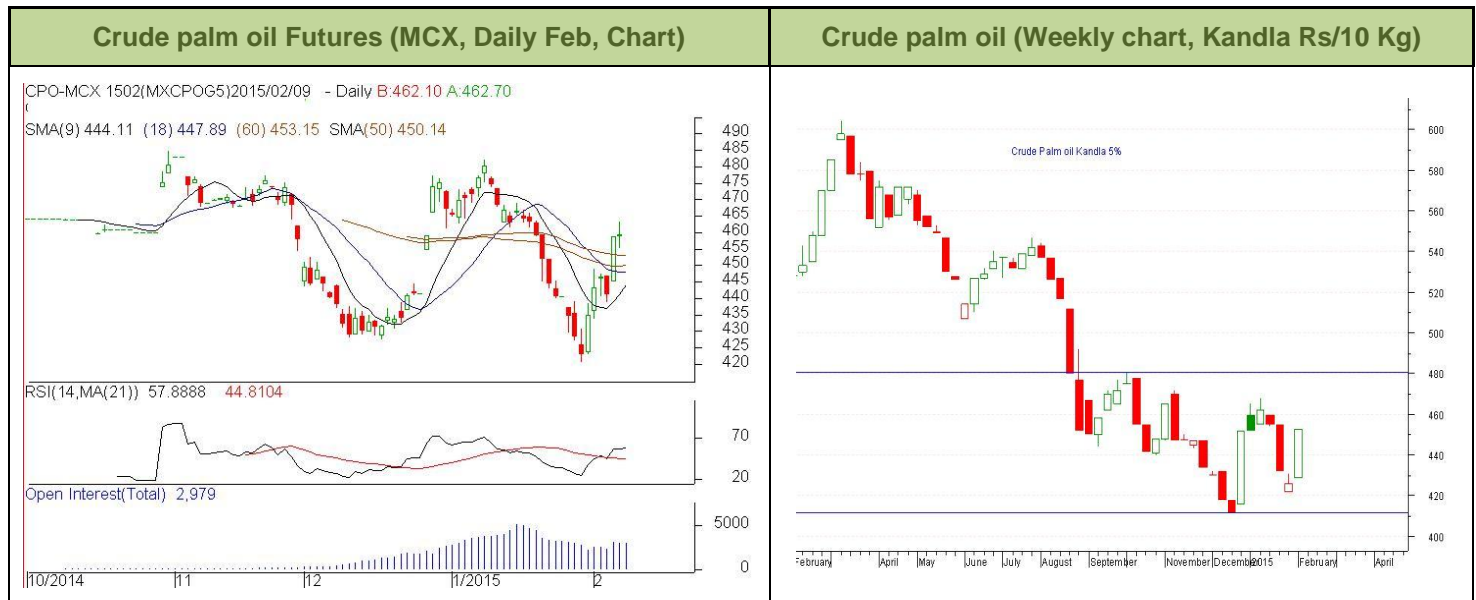
**RSO NCDEX (Apr.)**

Support and Resistance				
S2	S1	PCP	R1	R2
582.00	586.00	596.90	607.00	612.00

**Spot Market outlook:** Refined soy oil Indore (with VAT) is likely to stay in the range of Rs 625-647 per 10 Kg.



### Technical Analysis (Crude Palm oil)



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

- ❖ Candlestick weekly chart of crude palm oil at MCX depicts consolidation in the prices. We expect prices may trade with a steady to firm note in the near term.
- ❖ Any close below 449 in weekly chart shall change the sentiments and might bring the prices to a bearish tone.
- ❖ Expected price band for next week is 455-468 level. RSI is in neutral region suggesting range bound to firm movement in the coming week.

**Strategy:** Market participants are advised to go long in CPO above 455 for a target of 465 and 468 with a stop loss at 449 on closing basis.

#### CPO MCX (Feb.)

Support and Resistance				
S2	S1	PCP	R1	R2
440.00	445.00	459.50	472.50	475.80

**Spot Market outlook:** Crude palm oil is likely to stay in the range of Rs 450-475 per 10 Kg.

Veg. Oil Prices at Key Spot Markets

Commodity	Centre	Prices(Per 10 Kg)		Change
		6-Feb-15	30-Jan-15	
Refined Soybean Oil	Kota	640	635	5
	Rajkot	615	605	10
	Delhi	670	665	5
	Mumbai	620	620	Unch
	Indore	645	640	5
	Kandla/Mundra	620	615	5
	Kolkata	645	630	15
	Indore (Soy Solvent Crude)	622	620	2
	Mumbai (Soy Degum)	582	570	12
	Kandla/Mundra (Soy Degum)	590	575	15
	Akola	663	667	-4
	Amrawati	664	667	-3
	Jalna	676	676	Unch
	Nagpur	668	668	Unch
	Alwar	NR	NR	-
	Solapur	675	675	Unch
	Bundi	645	642	3
	Dhule	676	676	Unch
Palm Oil	Rajkot	500	470	30
	Hyderabad	513	489	24
	Delhi	545	525	20
	Kandla (Crude Palm Oil)	453	424	29
	Kandla (RBD Palm oil)	495	460	35
	Mumbai RBD Pamolein	510	480	30
	Kandla RBD Pamolein	505	475	30
	Mangalore RBD Pamolein	505	490	15
	Chennai RBD Pamolein	505	490	15
	Kakinada RBD Pamolein	500	472	28
	KPT (krishna patnam)	500	470	30
	Haldia	505	477	28
	PFAD (Kandla)	360	350	10
	Refined Palm Stearin (Kandla)	380	380	Unch
Refined Sunflower Oil	Mumbai	645	650	-5
	Mumbai(Expeller Oil)	590	580	10
	Kandla/Mundra (Crude)	585	575	10



	Erode (Expeller Oil)	670	680	-10
	Hyderabad (Ref)	641	660	-19
	Chennai	645	640	5
	Latur (Expeller Oil)	635	635	Unch
	Chellakere (Expeller Oil)	580	580	Unch
Groundnut Oil	Rajkot	1000	1030	-30
	Chennai	800	800	Unch
	Delhi	880	920	-40
	Hyderabad *	865	870	-5
	Mumbai	990	980	10
	Gondal	1000	1020	-20
	Jamnagar	980	1020	-40
Rapeseed Oil/Mustard Oil	Mumbai (Expeller Oil)	712	712	Unch
	Sri-GangaNagar(Exp Oil)	725	725	Unch
	Alwar (Expeller Oil)	750	760	-10
	Kota (Expeller Oil)	670	675	-5
	Jaipur (Expeller Oil)	722	731	-9
	New Delhi (Expeller Oil)	750	742	8
	Hapur (Expeller Oil)	750	750	Unch
	Sri-Ganga Nagar (Kacchi Ghani Oil)	745	750	-5
	Kota (Kacchi Ghani Oil)	740	760	-20
	Jaipur (Kacchi Ghani Oil)	750	761	-11
	Agra (Kacchi Ghani Oil)	770	785	-15
	Bharatpur (Kacchi Ghani Oil)	765	780	-15
	Neewai (Kacchi Ghani Oil)	738	750	-12
	Hapur (Kacchi Ghani Oil)	780	780	Unch
Refined Cottonseed Oil	Mumbai	588	570	18
	Rajkot	570	555	15
	New Delhi	595	580	15
	Hyderabad	580	570	10
Coconut Oil	Kangayan (Crude)	1385	1370	15
	Cochin	1390	1370	20
	Trissur	1395	1390	5
Sesame Oil	New Delhi	750	850	-100
	Mumbai	840	840	Unch

Kardi	Mumbai	850	860	-10
Rice Bran Oil (40%)	New Delhi	455	445	10
Rice Bran Oil (4%)	Punjab	470	470	Unch
Rice Bran Oil (4%)	Uttar Pradesh	460	460	Unch
Malaysia Palmolein USD/MT	FOB	663	608	55
	CNF India	690	635	55
Indonesia CPO USD/MT	FOB	650	590	60
	CNF India	670	615	55
RBD Palm oil (Malaysia Origin USD/MT)	FOB	663	605	58
RBD Palm Stearin (Malaysia Origin USD/MT)	FOB	670	620	50
RBD Palm Kernel Oil (Malaysia Origin USD/MT)	FOB	1240	1070	170
Palm Fatty Acid Distillate (Malaysia Origin USD/MT)	FOB	620	585	35
Ukraine Origin CSFO USD/MT Kandla	CIF	815	800	15
Rapeseed Oil Rotterdam Euro/MT	FOB (Dec delivery)	662	645	17
Argentina FOB (\$/MT)		5-Feb-15	29-Jan-15	Change
Crude Soybean Oil Ship		725	700	25
Refined Soy Oil (Bulk) Ship		750	724	26
Sunflower Oil Ship		NA	NA	-
Cottonseed Oil Ship		NA	680	-
Refined Linseed Oil (Bulk) Ship		NA	NA	-
* indicates including VAT				

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