

## **Executive Summary**

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

*Edible oil basket witnessed slight losses in the prices during the week in review on need-based demand.*

*On the currency front, Indian rupee against USD closed at 62.19, down 0.80 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 export figures, and oilseed's harvesting pace 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 600 levels for a target of 608.50 and 610 with a stop loss at 595 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 Feb. 1-15 fell 4.9 percent to 508,955 tonnes from 535,651 tonnes shipped during Jan. 1-15 - cargo surveyor Intertek Testing Services. India & subcontinent imported 129,050 tons during 1-15 Feb. v/s 106,400 tons same period of last month.*

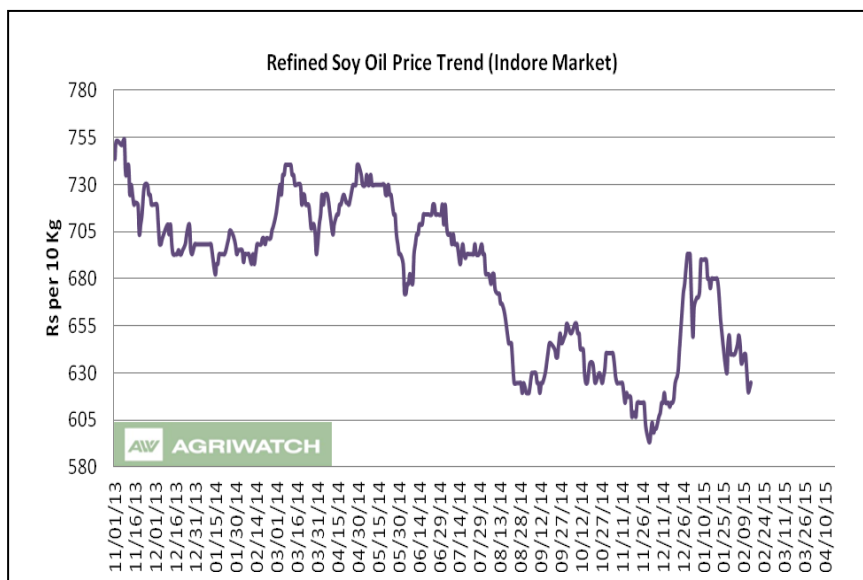
*On the international front, commencement of soybean harvesting season in South American countries, record US soybean production in 2014/15, and good crop prospects for South American soybean favors the bears. However, renewed demand at lower quotes may curb the excessive losses in soy complex.*

*Palm oil supplies hurts in South East Asian countries due to floods and better exports position compared to last month may support the palm oil prices for short term. However, upcoming oilseed supplies from the South American countries limit the excessive gains.*

## Soy oil Fundamental Analysis and Outlook:-

### Domestic Front

- Soybean oil featured steady to slightly weak tone during the week in review in line with the international soy oil market.
- As per IBIS data (data compiled by Agriwatch), Indian buyers imported 0.678 lakh tons during 02-08.February 2015 majorly from Argentina and Brazil. SEA of India revealed that Indian buyers imported 4.42 lakh tons during Nov 14-Jan 15 v/s 2.42 lakh tons same period of the last year. India's import projections, 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 slight gains and quoted at USD 816 per tons v/s USD 772 per tons (April delivery) at Indian ports as on 16 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 792 per tons w.e.f from 13 February 2015.
- 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

- USDA' WASDE February Oilseeds Highlights - USDA increased Argentina's soybean production estimates to 56 million tons, up one million tons from last month estimates and lower Brazil's soybean production estimates to 94.50 million tons v/s 95.50 million tons last month estimates. USDA lowers its US soybean ending stocks estimates for 2014-15 to 10.48 million tons, down 1.8 million tons from last month estimates due to expectation of higher exports (48.7 mln t v/s 44.8 mln t last month estimates) and higher crushing (48.8 mln t v/s 47.1 mln t last month estimates) in 2014-15.
- The 2014/15 season-average soybean price range projection is unchanged at \$9.45 to \$10.95 per bushel. The soybean meal price is projected at \$350 to \$390 per short ton, up 10 dollars on both ends of the range. The soybean oil price range is projected at 30 to 34 cents per pound, down 1 cent on both ends.
- Brazil's 2014/15 soybean production is estimated at 92.3 million tonnes in the new forecast this week, which is up 1.6 million tonnes from its previous estimate of 91.9 million tonnes. The shipments and the volume of Argentine soybeans in 2015 are expected to be similar to December's estimate at 48 million tonnes, said Abiove. Argentina's soybean production for 2014/15 season is likely to be at record high at 58 million tonnes. This is the highest output estimate by any analyst. The figures are the revised estimates of Rosario Grain Exchange raising its previous production estimate for 54.5 million tonnes. Recent rains are cited as the reasons in the boost in production with eventually rise in the potential yield output.
- On the international front, commencement of soybean harvesting season in South American countries, record US soybean production in 2014/15, and good crop prospects for South American soybean favors the bears. However, renewed demand at lower quotes may curb the excessive losses in soy complex.

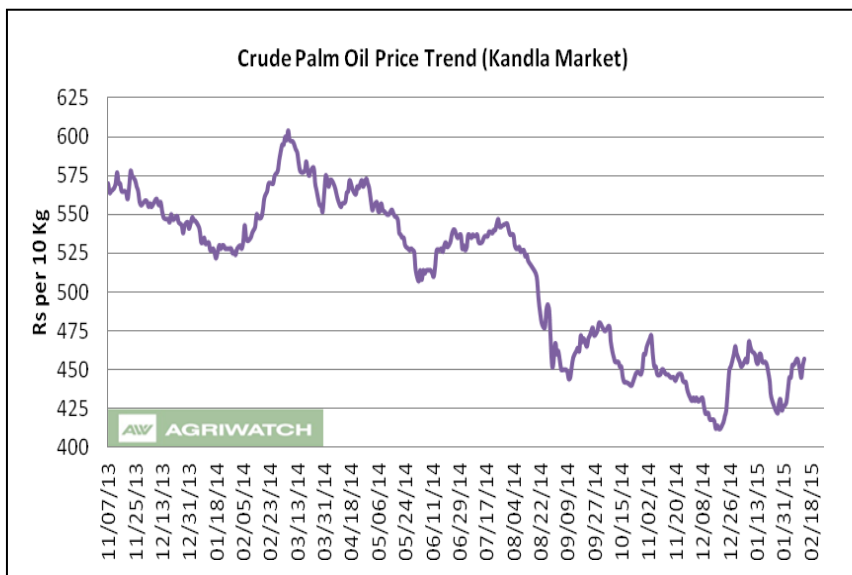
### Price Outlook:

We expect refined soy oil at Indore (with VAT) to stay in the range of Rs 605-635 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 the latest government notification, Indian Government has revised the tariff value for crude palm oil to US \$669 (681)/T, RBD palm oil to US \$ 710 (707), Crude and refined palmolein to 719 (739), 722 (742) (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.
- As per IBIS data (compiled by Agriwatch), Indian buyers imported 1.749 lakh tons of crude palm oil and 0.398 lakh tons of RBD palmolein from majorly from Malaysia, Indonesia and Thailand during 02– 08 February 2015. SEA revealed that India imports CPO 2.07 (1.57) lakh tons and 1.70 (5.80) lakh tons of RBD palmolein during Nov-Dec. 2014. Values in bracket depicts last year same period import figures. India's import projections, 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.
- Stockists remain reluctant to take huge position ahead of new soybean crop arrivals from South American countries in March/April and with a rising temperature edible oils demand fall. However, floods in Malaysia during the first half of January hurts the palm oil supply prospects and use of biodiesel initiatives in South East Asian countries may caps excessive losses.
- CNF CPO at Indian port is quoted at USD 685 per tons for February delivery. Moreover, RBD palmolein (Malaysian origin) CNF at Indian port is offered at USD 705 per tons for February delivery. CPO duty paid prices ready delivery quoted at Rs 462 per 10 Kg and March delivery is offered at Rs 468 per 10 Kg on 16 Feb. 2015.
- 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 Feb. 1-15 fell 4.9 percent to 508,955 tonnes from 535,651 tonnes shipped during Jan. 1-15, cargo surveyor Intertek Testing Services. India & subcontinent imported 129,050 tons during 1-15 Feb. v/s 106,400 tons same period of last month.
- Malaysia set its crude palm oil export tax for March at zero, unchanged from February. On the production front, combined crude palm oil output from Malaysia and Indonesia is expected to rise to 51.1 million tons in 2015 v/s 49.2 million tons last year – Malaysian government.
- 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.
- As per MPOB's data, Malaysian palm oil end-stocks fell to their lowest in six months due to floods in the first week of January over key oil palm producing regions. Inventories in Malaysia fell 12.2 percent in January to

1.77 million tons against a revised 2.01 tons at the end of December and production plunged to 1.16 million tons (-15 pct m-o-m).

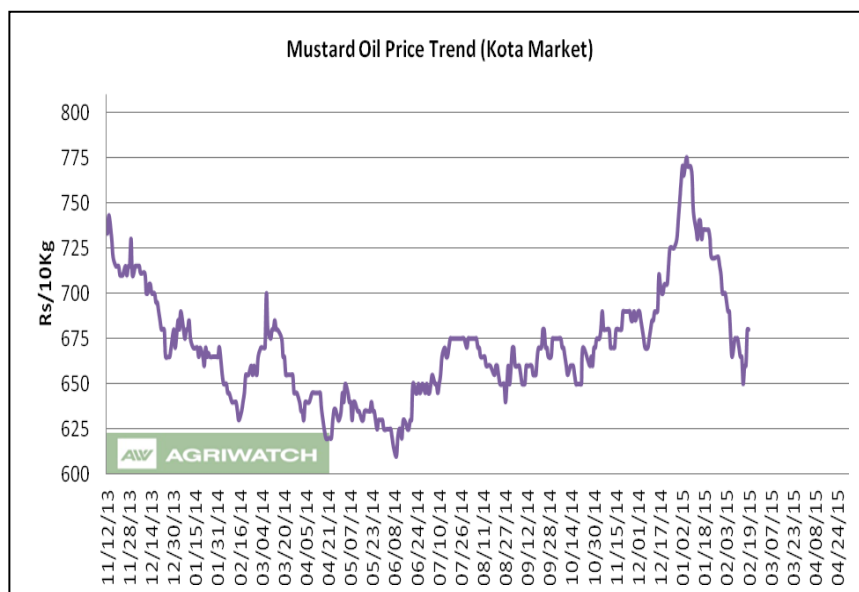
- Palm oil supplies hurts in South East Asian countries due to floods and better exports position compared to last month may support the palm oil prices for short term. However, upcoming oilseed supplies from the South American countries limit the excessive gains.

**Price Outlook:** We expect CPO Kandla 5 percent (with VAT) to stay in the range of Rs 455-475 per 10 Kg in the near term.

### Rapeseed oil Fundamental Review and Analysis:-

#### Domestic Front

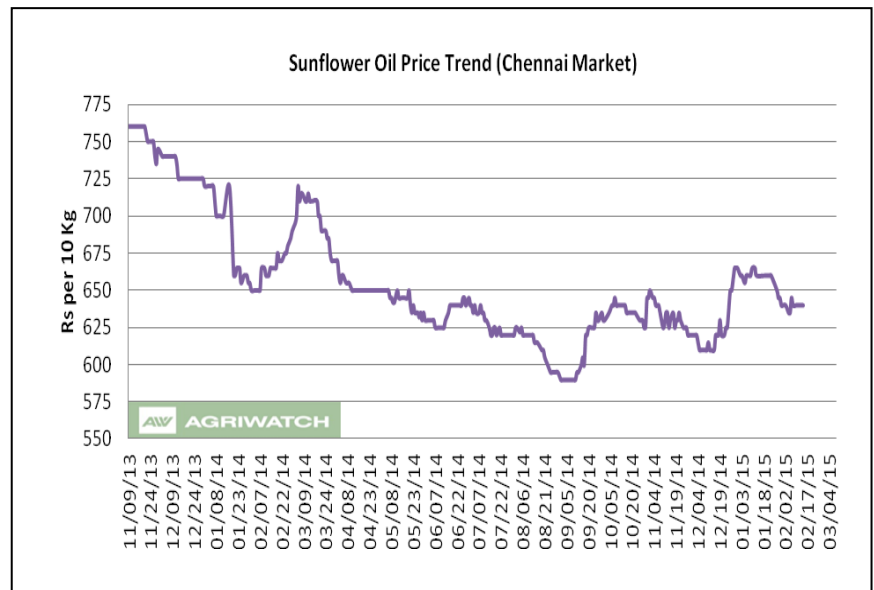
- Mustard oil featured slight gains tracking better buying at lower quotes and lower crop prospects in the current season.
- On the supply side, we are expecting mustard oil production in 2014-15 at 2.546 MMT with a crushing of 6.7 MMT of mustard seed. Lower production mainly attributed to lower area 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. India's import projections, 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).
- New RM seed crop in Kota and Baran belt has arrives with high moisture level (9-15 percent) and is offered at Rs 3200-3300 per quintal. Moreover, new crop arrivals from Rajasthan likely to pick up in the coming weeks.
- 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.
- 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 in the coming days.



**Price Outlook:** Rapeseed oil (without VAT) prices in Kota may stay in the range of Rs 665-688 per 10 Kg.

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

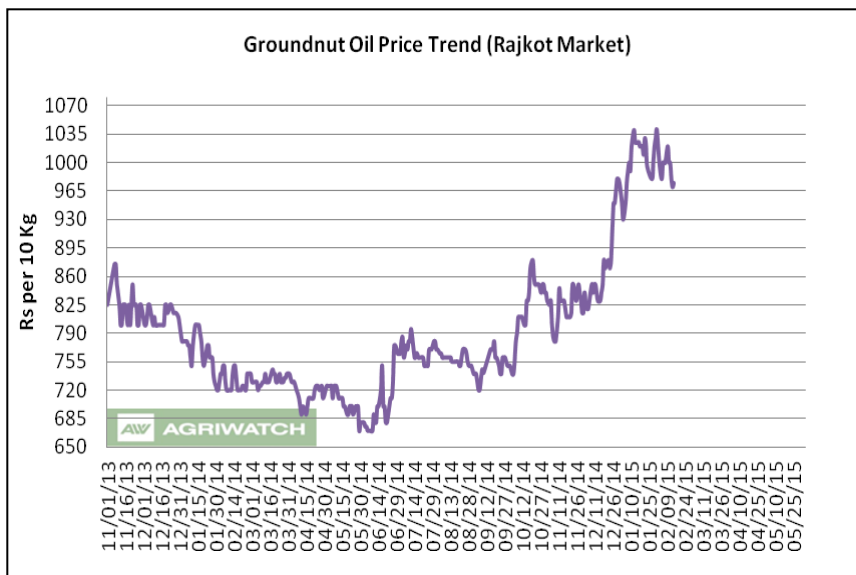
- Sunflower oil featured sideways trend during the week in review due to need-based demand. However, lower EU's sun seed production estimates for 2014/15 keep the sentiments slightly firm.
- As per IBIS (data compiled by Agriwatch), Indian buyer imported 0.270 lakh tons of crude sunflower oil majorly from Ukraine and Argentina during 02-08 Feb. 2015. As per SEA of India, Indian buyers imported 5.01 lakh tons of crude sunflower oil during Nov-Jan 2014-15 oil year majorly from Ukraine, up 38.3 percent from the corresponding period of the last year.
- India's import projection - 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 domestic front, sunflower oil CIF prices (Ukraine origin) quoted around USD 820 per tons for Feb. /March delivery, as on 16 Feb 2015 v/s USD 825 per tons AMJ delivery. Prices are likely to stay in the range of USD 802-840 per tons in the near term. Spread between CIF sun oil and CIF soybean oil (Argentine basis) at Indian port narrow to USD 4 per tons v/s USD 34 per tons (last week) due to steady demand for sunflower oil against adequate supply in the cash market.
- 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.
- Ukraine's sunflower oil exports are estimated to drop 9 percent in the current season due to a fall in output and duty hike would pressurize the sun oil imports by India. Ukrainian sunflower oil exports in 2014/15 seen at 3.75 million tons, down from 4.12 million tons in 2013/14. In Russia, sunflower oil exports would fall by 13 percent to 1.45 million tons from last year - APK-Inform.
- 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 to weak tone at its benchmark market (Rajkot) during the week tracking limited buying at higher quotes. However, shortage of raw material for crushing and lower crop estimates caps excessive losses.
- As per trade sources, sluggish buying at higher quotes, talks of inferior quality of seeds for exports and demand shift to cheaper edible oils may support the bears in the coming days. However, diminishing oilseeds arrivals and lower G/N seed production in 2014-15 may cap excessive losses.
- 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.
- 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.

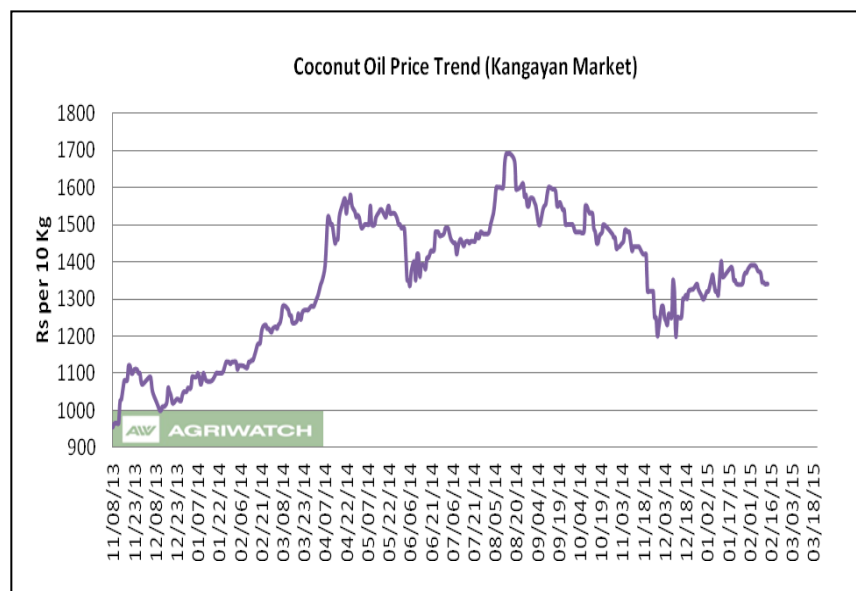


### Price Outlook

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

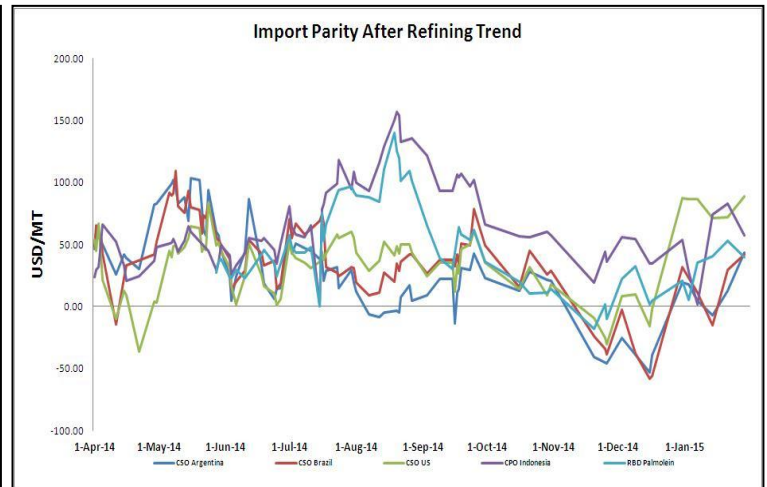
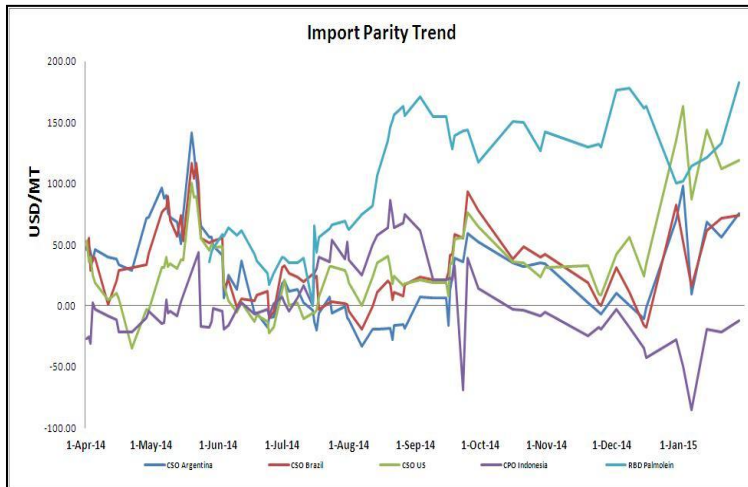
- Coconut oil featured steady tone at its benchmark market Kangeyam during the week owing to better buying at lower quotes. However, cheaper availability of edible oils (palm and sun oil) shifts the demand from coconut oil.
- According to the Coconut Development Board, steady to firm trend likely to witness in the coconut oil prices tracking upcountry market for exports, domestic purposes and major use of raw nut for industries even in the peak season.
- Currently copra arrivals from Tamil Nadu have started. However, Kerala and Karnataka copra season will begin from third week of February



- 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. However, with the commencement of new season renewed demand could witness at lower quotes.

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

### **Import Parity Trend**

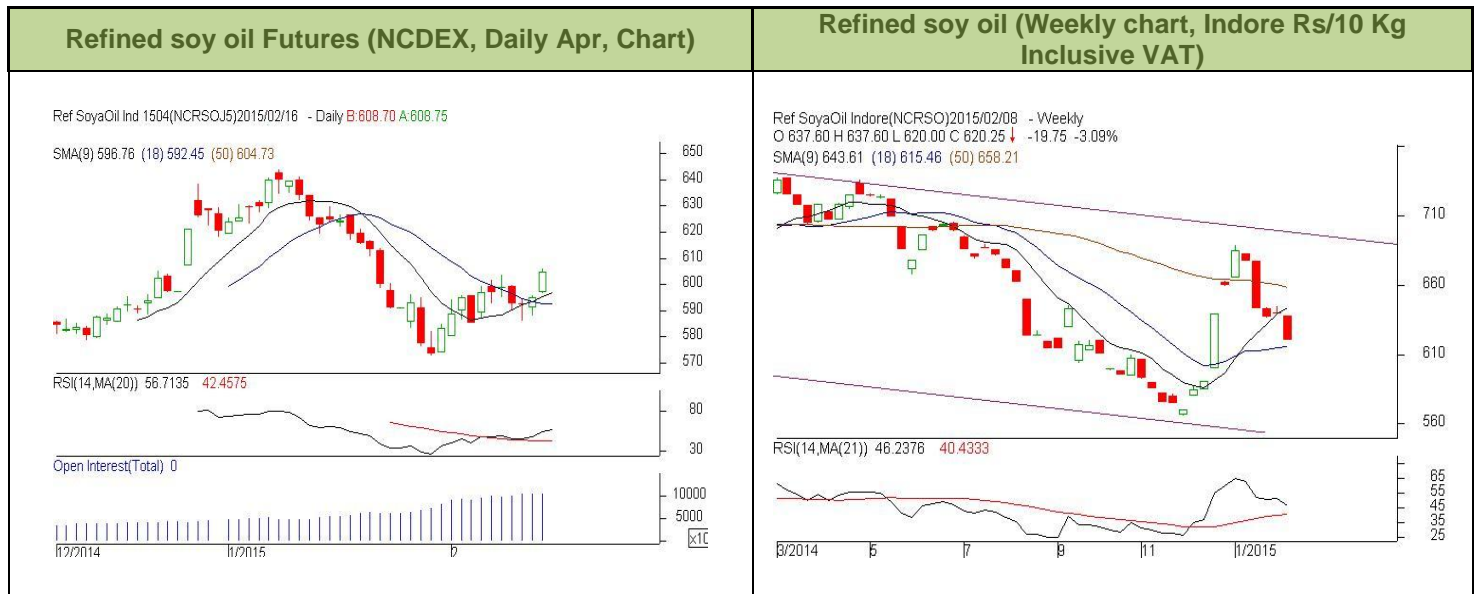


### **Import Parity After Refining in US dollar per tons (Monthly Average)**

	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
<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 to slightly firm 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 595 in weekly chart shall change the sentiments and might take the prices to a bearish phase.
- ❖ Expected price band for next week is 600-610 level in near to medium term. RSI is neutral region and no evidence of divergence with the ref. soy oil prices noticed.

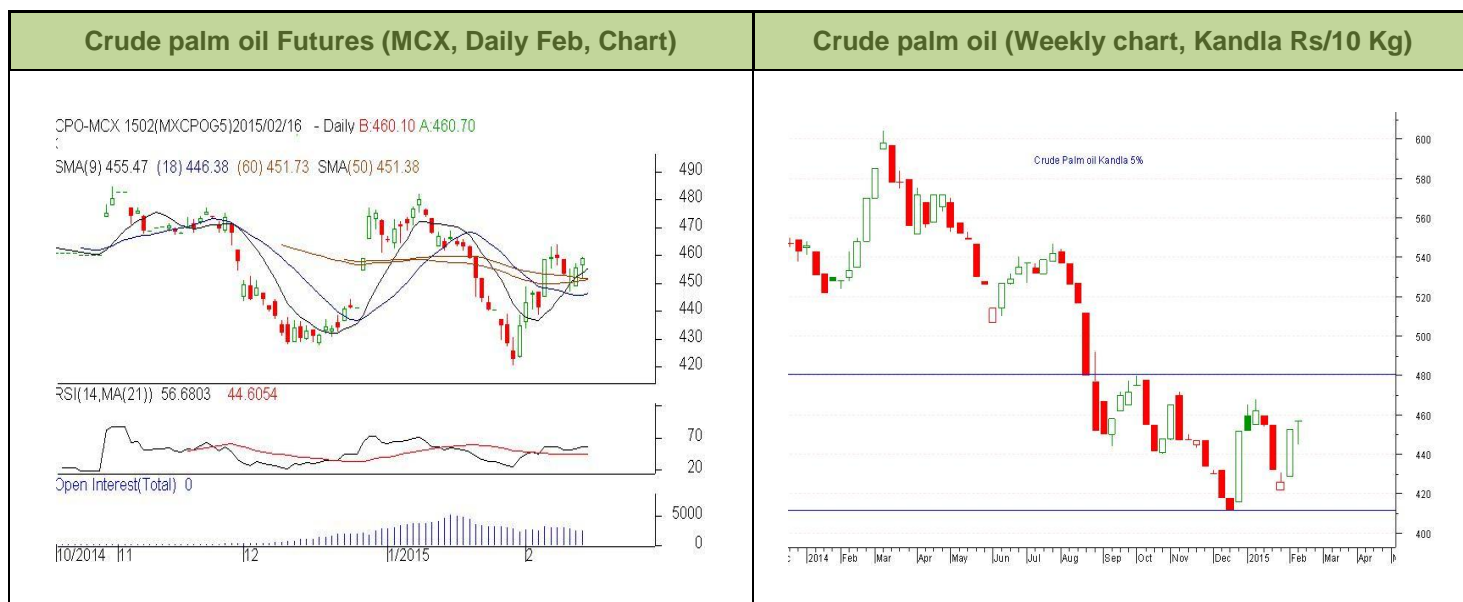
**Strategy:** Market participant are advised to go long in RSO above 600 levels for a target of 608.50 and 610 with a stop loss at 595 on closing basis.

**RSO NCDEX (Apr.)**

Support and Resistance				
S2	S1	PCP	R1	R2
585.80	592.00	604.80	614.00	620

**Spot Market outlook:** Refined soy oil Indore (with VAT) is likely to stay in the range of Rs 605-635 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	458.90	472.50	475.80

**Spot Market outlook:** Crude palm oil is likely to stay in the range of Rs 455-475 per 10 Kg.

Veg. Oil Prices at Key Spot Markets

Commodity	Centre	Prices(Per 10 Kg)		Change
		13-Feb-15	6-Feb-15	
Refined Soybean Oil	Kota	635	640	-5
	Rajkot	602	615	-13
	Delhi	655	670	-15
	Mumbai	612	620	-8
	Indore	622	645	-23
	Kandla/Mundra	605	620	-15
	Kolkata	640	645	-5
	Indore (Soy Solvent Crude)	595	622	-27
	Mumbai (Soy Degum)	572	582	-10
	Kandla/Mundra (Soy Degum)	575	590	-15
	Akola	657	663	-6
	Amrawati	658	664	-6
	Jalna	667	676	-9
	Nagpur	658	668	-10
	Alwar	NR	NR	-
	Solapur	670	675	-5
	Bundi	629	645	-16
	Dhule	668	676	-8
Palm Oil	Rajkot	500	500	Unch
	Hyderabad	523	513	10
	Delhi	550	545	5
	Kandla (Crude Palm Oil)	453	453	Unch
	Kandla (RBD Palm oil)	485	495	-10
	Mumbai RBD Pamolein	510	510	Unch
	Kandla RBD Pamolein	505	505	Unch
	Mangalore RBD Pamolein	512	505	7
	Chennai RBD Pamolein	512	505	7
	Kakinada RBD Pamolein	490	500	-10
	KPT (krishna patnam)	490	500	-10
	Haldia	500	505	-5
	PFAD (Kandla)	360	360	Unch
	Refined Palm Stearin (Kandla)	380	380	Unch
Refined Sunflower Oil	Mumbai	640	645	-5
	Mumbai(Expeller Oil)	580	590	-10
	Kandla/Mundra (Crude)	575	585	-10



	Erode (Expeller Oil)	665	670	-5
	Hyderabad (Ref)	656	641	15
	Chennai	640	645	-5
	Latur (Expeller Oil)	625	635	-10
	Chellakere (Expeller Oil)	575	580	-5
Groundnut Oil	Rajkot	970	1000	-30
	Chennai	850	800	50
	Delhi	890	880	10
	Hyderabad *	870	865	5
	Mumbai	970	990	-20
	Gondal	970	1000	-30
	Jamnagar	980	980	Unch
Rapeseed Oil/Mustard Oil	Mumbai (Expeller Oil)	710	712	-2
	Sri-GangaNagar(Exp Oil)	715	725	-10
	Alwar (Expeller Oil)	720	750	-30
	Kota (Expeller Oil)	680	670	10
	Jaipur (Expeller Oil)	714	722	-8
	New Delhi (Expeller Oil)	730	750	-20
	Hapur (Expeller Oil)	750	750	Unch
	Sri-Ganga Nagar (Kacchi Ghani Oil)	740	745	-5
	Kota (Kacchi Ghani Oil)	730	740	-10
	Jaipur (Kacchi Ghani Oil)	738	750	-12
	Agra (Kacchi Ghani Oil)	755	770	-15
	Bharatpur (Kacchi Ghani Oil)	750	765	-15
	Neewai (Kacchi Ghani Oil)	730	738	-8
	Hapur (Kacchi Ghani Oil)	785	780	5
Refined Cottonseed Oil	Mumbai	582	588	-6
	Rajkot	565	570	-5
	New Delhi	585	595	-10
	Hyderabad	575	580	-5
Coconut Oil	Kangayan (Crude)	1340	1385	-45
	Cochin	1390	1390	Unch
	Trissur	1395	1395	Unch
Sesame Oil	New Delhi	750	750	Unch
	Mumbai	840	840	Unch

Kardi	Mumbai	850	850	Unch
Rice Bran Oil (40%)	New Delhi	455	455	Unch
Rice Bran Oil (4%)	Punjab	470	470	Unch
Rice Bran Oil (4%)	Uttar Pradesh	460	460	Unch
Malaysia Palmolein USD/MT	FOB	662	663	-1
	CNF India	690	690	Unch
Indonesia CPO USD/MT	FOB	643	650	-7
	CNF India	670	670	Unch
RBD Palm oil (Malaysia Origin USD/MT)	FOB	658	663	-5
RBD Palm Stearin (Malaysia Origin USD/MT)	FOB	660	670	-10
RBD Palm Kernel Oil (Malaysia Origin USD/MT)	FOB	1220	1240	-20
Palm Fatty Acid Distillate (Malaysia Origin USD/MT)	FOB	620	620	Unch
Ukraine Origin CSFO USD/MT Kandla	CIF	818	815	3
Rapeseed Oil Rotterdam Euro/MT	FOB (Dec delivery)	653	665	-12
<b>Argentina FOB (\$/MT)</b>		<b>12-Feb-15</b>	<b>5-Feb-15</b>	<b>Change</b>
Crude Soybean Oil Ship		722	725	-3
Refined Soy Oil (Bulk) Ship		747	750	-3
Sunflower Oil Ship		NA	NA	-
Cottonseed Oil Ship		702	NA	-
Refined Linseed Oil (Bulk) Ship		NA	NA	-
<i>* indicates including VAT</i>				

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