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# **Veg. Oil Monthly Research Report**

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## **Outlook and Review:**

### **Domestic Front**

Edible oil basket featured weak tone during the month under review. Soy oil and coconut oil closed higher while groundnut oil closed sideways. Palm oil, rapeseed oil and groundnut oil closed lower.

Soy oil (Indore) was the best performer among the edible oil complex tracking firm demand in the cash market. However, groundnut oil (Rajkot) was the worst performer ending in red owing to harvest pressure of groundnut and weak demand.

We expect soy oil to trade firm of weak fundamentals and weak palm oil on weak fundamentals in international markets.

### **Recommendation:**

Market participants are advised to go short in RSO below 685 for a target of 665 and 660 with a stop loss at 695 on closing basis. Market participants are advised to go short in CPO below 530 for a target of 510 and 500 with a stop loss at 540 on closing basis.

Market Participants can buy refined soy oil in the cash markets at 640-650 for the target of 670-680 levels (Indore including taxes), if needed. Market Participants can buy CPO Kandla 5% in the cash markets at 510-520 for the target of 540-550 levels, if needed.

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

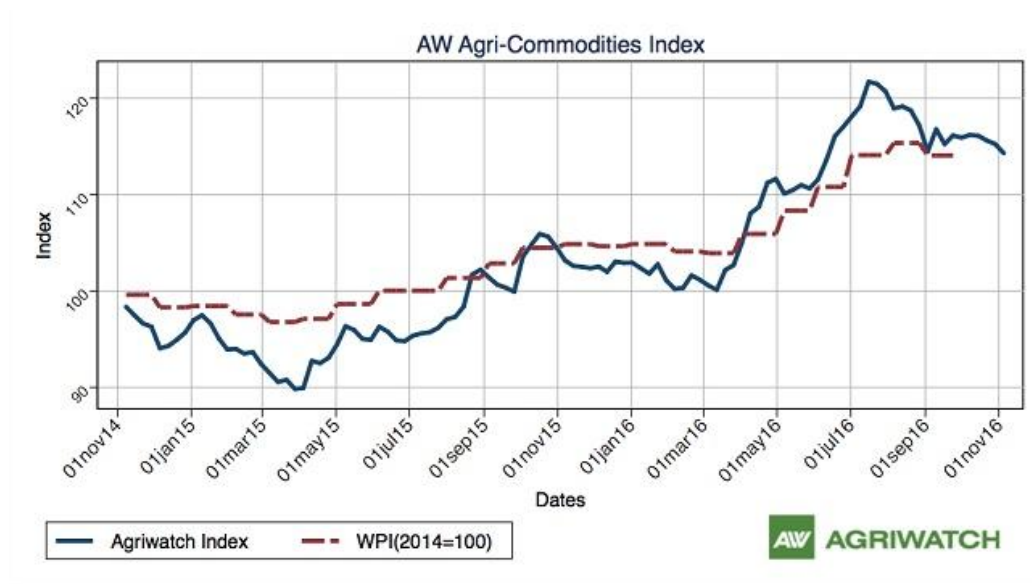
CBOT soy oil (December) is expected to stay in the range of 33 cents/lb to 38 cents/lb. CPO at BMD (Dec) is likely to stay in the range of 2500-3000 ringgits per ton. Focus during the coming days will be weak Indian demand, rise in palm oil ending stocks in Malaysia, weak exports of palm oil from Malaysia and record US soybean crop, higher stocks of soy oil in US, higher pace of planting in Brazil and strong dollar.

Malaysia's October palm oil exports fell 5.1 percent to 1,295,576 tons compared to 1,365,517 tons in September. Top buyers were European Union at 307,685 tons (252,399 tons), India at 189,724 tons (266,080 tons), China at 178,711 tons (217,430 tons), Pakistan at 59,770 tons (61,175 tons) and United States at 41,270 tons (62,324 tons). Values in brackets are figures of last month: SGS

On the international front, record crop of soybean in US, higher soy oil stock in US, favorable soybean planting in Brazil and Argentina, higher supply of soy oil in international markets, strong dollar due to expected FED rate hike in December are bearish for the soy complex in the coming days.

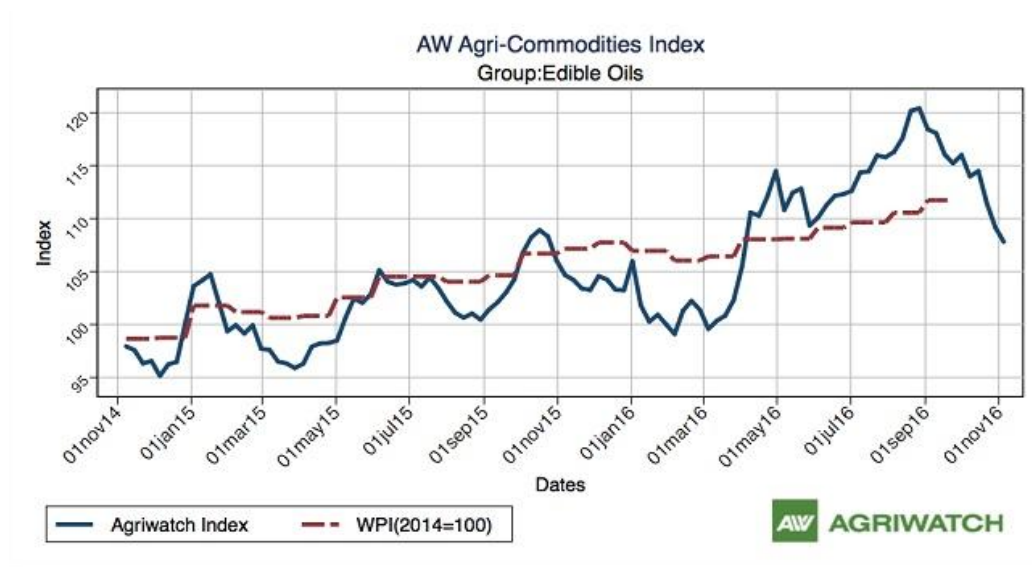
Weak palm oil exports from Malaysia, weak demand of palm oil from India, higher stocks of palm oil in Malaysia, weak demand from Malaysia ahead of winters ahead of will underpin palm oil prices in the near term.

### Agriwatch Index



- The Agriwatch Agri Commodities Index eased for the fourth straight week, declining 0.81% to 114.30 during the week ended Nov 5, 2016 from 115.24 during the previous week. The base for the Index and all sub-Indices is 2014 (= 100). The Index is now at its lowest since the week ending June 11, 2016 when it had closed at 113.62.
- Lower pulses, sugar and edible oils offset gains in cereals and vegetables this week.

### Agriwatch edible oil index



- Agriwatch edible oil index fell 1.26 percent last week to 117.81.

"Agriwatch has recently launched its AW Agri Commodity Indices to enable organizations access independent Indices to track and use to benchmark their purchases and sales. The Indices are based on the daily prices in the key benchmark markets for each commodity that AW has been covering for the past decade. The indices include an Aggregate Index, Category Indices and individual commodity indices. The weekly indices are free to access on our website [www.agriwatch.com](http://www.agriwatch.com). The daily indices are available on subscription. Please contact for more details."

## Soy oil: Domestic Market Fundamentals

- Refined soybean oil prices featured uptrend at its benchmark market at Indore during the month in review on firm demand. Average prices of soy oil increased in October. Prices of refined soy oil rose across board in India. CDSO prices rose at Kandla/Mudra and JNPT.
- Agriwatch view—Soy oil prices witnessed uptrend in month of October on firm demand.

Domestic prices rose less than prices of soy oil in international markets.

Prices rose on seasonal uptrend of prices.

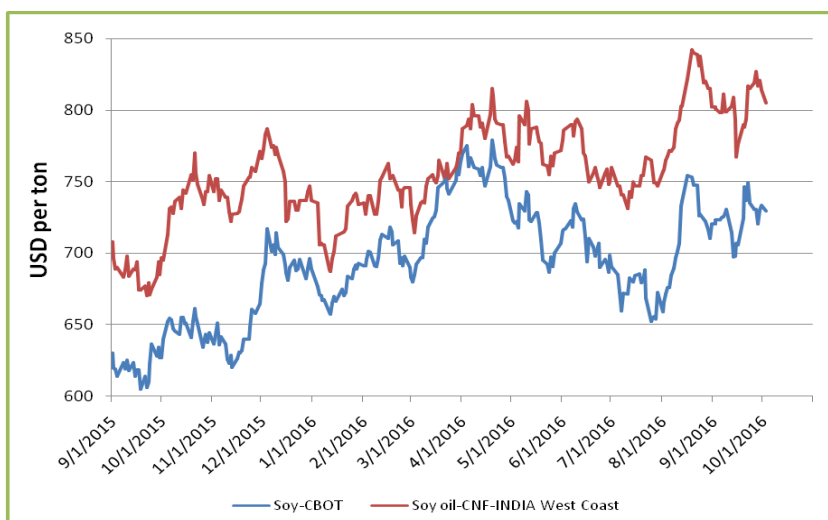
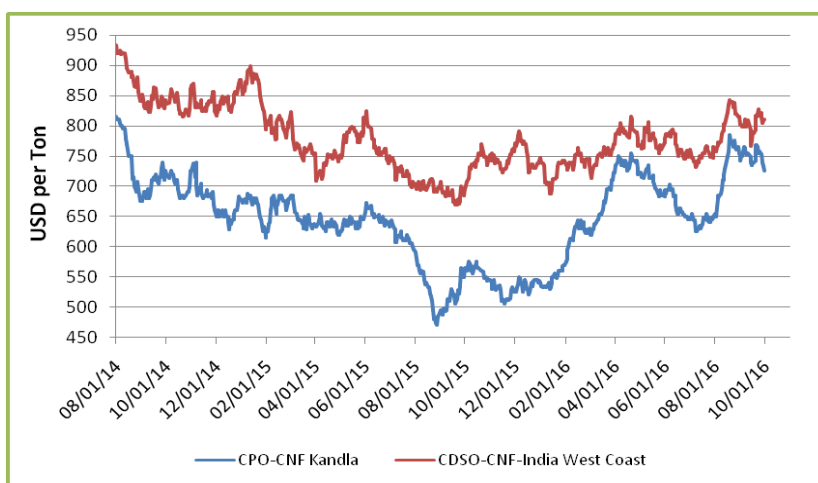
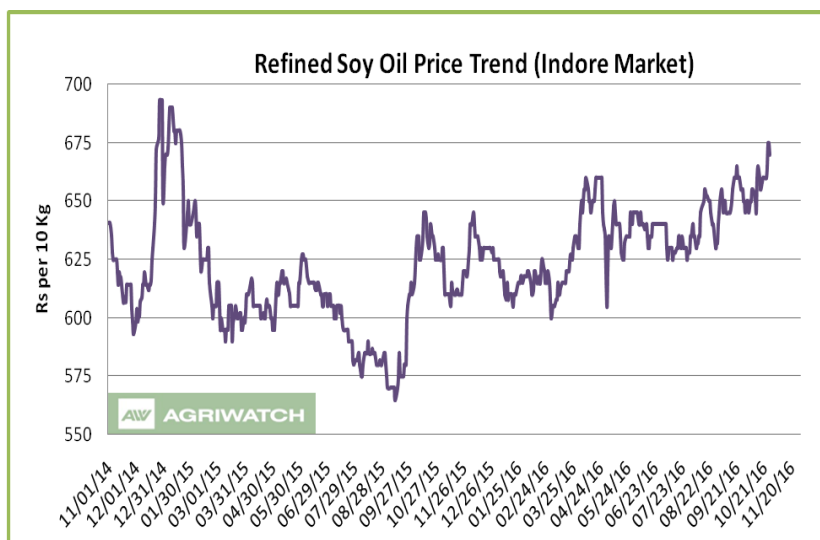
Fall in prices of soybean in domestic market capped gains of soy oil.

Soy oil premium over palm oil has increased at Rs 142 (Rs 85 last month) per 10 Kg which will underpin prices. Imports will weaken on rising CDSO premium over CPO at USD 123 (USD 104) per ton for November delivery.

Stocks of CDSO increased in ports and pipelines indicating weak demand of imported CDSO.

Both landed cost and refining margins of imported soy oil are in disparity. Disparity increased in October.

Following chart shows difference between CDSO-CNF-India West coast and Soy oil CBOT. Difference increased in CDSO-CNF-India West



coast and Soy oil CBOT is due to increase in basis (spot prices – futures prices). Demand from India was very weaker in October.

Refiners can wait to buy their consignment as basis will decrease with improvement of supplies and record soybean crop in US and higher supply from Argentina. If prices rise on international benchmark CDSO-CNF-India West coast will fall, indicating opportunity to benefit when prices fall.

Indian domestic market has dissociated from international soy oil markets as domestic fundamentals kick in with higher soybean crop in India and firm demand which will push prices higher while international prices of soy oil will remain stable on higher supplies in medium term from Argentina and US and decrease in basis.

Demand will increase in October onwards on stocking ahead winters.

Prices of soy oil are expected to be weak on weak demand after festivals. Fresh demand will depend upon how winters arrive in India. Good soybean crop in India and reduction in basis due to record crop of soybean in US will weaken prices.

Prices are expected to trade sideways to weak in medium term.

- The domestic soybean harvesting over. The moisture in the bean is witnessed between 10 – 18% and the prices are quoted depending upon the quality and the moisture. The bean quality has suffered in Marathwada and some in Vidarbha, Maharashtra due to rains over the region at maturity phase. The soybean prices are under pressure and they are likely to remain weak due to strong supplies.
- Soy oil import scenario – According to SEA India imported 4.70 lakh tons of soy oil in September 2016 v/s 3.21 lakh tons in September 2015, down 46.4 percent y-o-y. In the oil year 2015-16 (November 2015-September 2016) imports of soy oil is reported at 34.57 lakh tons v/s 25.81 lakh tons in corresponding period last oil year, higher by 33.95 percent y-o-y. In the period November 2015-September 2016, share of soft oil in imports has risen from 34 percent to 43 percent.
- According to Solvent Extractors Association (SEA), India's September edible oil imports rose 14.2 percent y-o-y to 13.77 lakh tons from 12.06 lakh tons in September 2015. Palm oil imports fell 1.15 percent y-o-y to 7.74 lakh tons y-o-y from 7.83 lakh tons in September 2015. CPO Imports fell 5.2 percent y-o-y to 5.65 lakh tons from 5.96 lakh tons in September 2015. RBD palmolein imports rose 18.5 percent y-o-y to 2.05 lakh tons from 1.73 lakh tons in September 2015. Soy oil imports rose 46.4 y-o-y to 4.70 lakh tons from 3.21 lakh tons in September 2015. Sunflower oil imports rose by 52.9 percent y-o-y to 1.03 lakh tons from 0.68 lakh ton in September 2015. Rapeseed (Canola) oil imports fell 10.0 percent y-o-y to 0.30 lakh tons from 0.33 lakh tons in September 2015.
- According to Solvent Extractors Association (SEA), India's September edible oil stocks at ports and pipelines rose 1.95 m-o-m at 20.90 lakh tons from 20.50 lakh tons in August 2016. Stocks of edible oil at ports rose to 860,000 tons compared 755,000 tons in August. Stocks of edible oil at ports were 860,000 tons (CPO 260,000 tons, RBD Palmolein 140,000 tons, Degummed Soybean Oil 375,000 tons, Crude Sunflower Oil 70,000 tons and 15,000 tons of Rapeseed (Canola) Oil) and about 1,230,000 tons in pipelines (stocks in pipelines were at 1,300,000 tons in August). India is presently holding 38 days of edible oil requirement on 1st October, 2016 at

20.90 lakh tons compared to 37 days of requirements last month. India's monthly edible oil requirement is 16.5 lakh tons.

- According to United States Department of Agriculture (USDA) October estimates India is expected to import 3.6 MMT of soy oil compared to 3.3 MMT in its previous estimate. USDA increased 2015/16 estimate of soy oil imports to 4.2 MMT, which is matching Agriwatch estimates of 4.2 MMT in 2015/16. Domestic consumption has been raised to 50 MMT in its October estimate from 47 MMT in its previous estimate.
- Imported crude soy oil CIF at West coast port is offered at USD 831 (USD 797) per ton for November delivery. December delivery is offered at USD 829 per ton as on November 3, 2016, CIF CDSO October average price was USD 825.5 (USD 803.32) per ton. Values in brackets are figure of September, 2016
- On the parity front, margins were in disparity during the month and we expect margins to stay in disparity in the coming days. Currently refiners lose USD 80-85 per ton (October average) v/s loss of USD 70-75 per ton (September average) margin in processing the imported Soybean Oil (Argentina Origin).
- We expect soy oil to trade sideways to weak tone in the coming days.

### International Market Fundamentals

- Agriwatch view – USDA reduced US 2016/17 soy oil end stocks of US on lower opening stocks partially set off by lower exports in 2016/17.

USDA increased soybean yield to record in history in its October estimate on very good condition of crop. US soybean harvest is almost wrapped. However, until last Monday report 87 percent crop was harvested due to lower harvest on wet conditions in parts of US Midwest. With higher yield estimate US soybean crop US crop will rise to record in history with present record production estimate in October estimate. USDA is expected to increase soybean production in 2016/17 to record levels as current harvest is indicating record yields compared to October estimate. USDA is expected to increase both yield and soybean crop in November estimate.

NOPA and USDA reported lower stocks of soy oil in US in September due to lower production of soy oil on lower crush of soybean. Soy oil stocks are expected to fall further in October and November on lower crush of soybean, which will lead to lower production of soy oil and lower stocks of soy oil. Crushers are not crushing soybean farmers run out of storage. However, farmer release has slowed in near term. Demand from feed mills is low compared to corresponding period as they expect lower prices of soy meal. They expect record crop of soybean in US will lead to lower soy meal prices which will increase crush of soybean. However, this has not happened until now with harvest is almost over.

Soy oil stocks are not expected to improve in October and November as crushing has not improved.

Soybean exports from US are expected to be steady in November due to higher buying by China on lower stocks of soybean at Chinese ports and low imports in August and September.

China is expected to buy soybean from US at steady pace as it is expected to stock ahead of winters and make up for the lower buying in last two months. Demand in China is robust as China is expected to increase hogs count, as hogs margins are higher than last two years.

Soybean planting has started in Brazil has started at very good pace while it reached 52.5 percent compared to 42.3 percent in corresponding period last year and 48.7 percent (5-year average). In top soybean producing state of Mato Grosso planting of soybean reached 82 percent which is higher than long term average in corresponding period. However, early soybean planting in Brazil will mean that it will face wet conditions during harvest in January which is wettest month of gains. With increased sowing in Brazil and higher area of soybean crop, estimate of soybean crop is expected to increase by USDA in its November estimate.

Sowing of soybean has started in Argentina with adequate moisture in its top producing states which will support crop.

Argentina government body Bungeus Aires Grains Exchange has reduced soybean crop in 2016/17 to 53 MMT from 56 MMT primarily due to deferring of reduction of export duty on soybean and soybean products to 2018. Farmers are expected to shift soybean area to corn and wheat as there is no export duty on its exports.

Slash in export duties of soybean and soybean products were expected from present administration, which took over last December. Fiscal shortfall is described as the primary reason behind the postponement. Lower soybean crop in Argentina will increase demand of soybean and soybean products from US and Brazil supporting prices in longer term.

Fall in crude oil prices in November will underpin prices in medium term.

Soy oil prices are in a range.

- According to United States Department of Agriculture (USDA) October estimates, U.S 2016/17 ending stocks of soy oil is estimated to fall marginally to 1,725 million lbs from 1,735 million lbs in September estimate. Opening stocks reduced to 1,750 million lbs from 1,820 million lbs in September estimate. Production of soy oil in 2016/17 is unchanged at 22,525 million lbs. Imports in 2016/17 are unchanged at 250 million lbs. Biodiesel use in 2016/17 was unchanged at 5,950 million lbs. Food, feed and other industrial use in 2016/17 are unchanged at 14,600 million lbs. Exports in 2016/17 reduced to 2,250 million lbs v/s 2,300 million lbs in September estimate. Average price range estimate is unchanged at 30.5-35.5 cents/lbs. Fall in end stock is primarily due to lower opening stocks partially offset by fall in exports.
- According to National Oilseed Processors Association (NOPA), U.S. September soybean crush fell to 129.405 million bushels from 131.822 million bushels in August, down by 1.8 percent m-o-m. Crush of soybean in September 2015 was 126.704 million bushels. Production of soy oil in U.S. in September fell to 1.522 billion lbs from 1.557 billion lbs in August 2016. Production in September 2015 was 1.451 billion lbs. Soy oil stocks in U.S. at the end of September fell by 15 percent to 1.376 billion lbs compared to 1.620 billion lbs in August 2016. Stocks of soy oil in September were higher by 1.5 percent compared to September 2015, which was reported at 1.355 million lbs. Yield fell to 11.76 lbs/bushel in September from 11.81 lbs/bushel in August. Yield in September 2015 was reported at 11.45 lbs/bushel.
- According to Safras & Mercado, planting of soybean crop in Brazil has reached 52.5 percent as on November 4, 2016 compared to 42.3 percent in corresponding period last year and 48.7 percent (5-year average).



Planting in Mata Grosso has reached 82 percent, higher than 70.2 percent average during this period. In second highest producing state of Parana, planting has reached 73 percent, higher than 72 percent average. Third highest soybean state planting is 9 percent compared to 14.4 percent due to heavy downpour in recent days. Higher planting at this time puts maturing crops most susceptible to risk of damage during harvest when it is best month of rain in grain belt.

- In the USDA crop report dated 1st November, 2016 soybean harvest in U.S. was reported at 87 percent of total area, up from 76 percent last week and above 85 percent (5-year average). In the corresponding period last year 91 percent of soybeans were harvested.
- According to Buenos Aires Grains Exchange latest estimate, Argentina is expected to produce 53 MMT soybeans in 2016/17 compared to 56 MMT in 2015/16. Area under soybean is expected to fall to 19.6 million hectares from 20.1 million hectares in 2015/16. Fall in area under soybean is due to postponing of export taxes on soybean and soybean products until 2018. Area will shift towards corn and wheat where export duties were slashed to zero when the current president took office.
- Argentina has postponed to slash the soy export taxes for this year and 2017. The Argentine government has decided to ease the tax by 0.5% per month from January 2018 to December 2019, stated the President Mauricio Macri early this week. Macri had already cut the export tax from 35% to 30% in December shortly after Macri was elected as President and taking over the office.
- Conab, Brazil's agricultural statistics agency has reported that the country's 2017 soybean production could increase to 104 million tons from 95.5 million tons in drought hit year 2016.
- ANEC, Brazilian grain export association has slashed its forecast for the country's 2016 soybean export for 52 million tons against 57 million tons in 2015 season. However, ANEC expects Brazil's 2017 soybean exports to reach 53 million tons
- Argentina's 2016/17 soybean area is seen down at 20.4 million hectares. The soybean yield is expected to be 3% lower than the normal at 2.77 tons per hectares and eventually production is projected at 54.3 million tons.
- Paraguay's area under soybean is expected increase in 2016/17 due to favorable soy prices and expected better returns and production is forecast up at 8.6 million tons compared to 6.4 million tons last season.
- Informa Economic has raised its forecast of US 2016 soybean productivity to 52.4 bushels per acre in November from 51.6 bpa estimated in October. Informa has projected 2016 US soybean production at 4.353 billion bushels up from 4.3 billion bushels projected previous month.
- FCStone has raised its forecast for US 2016 soybean productivity to a record 52.8 bushels per acre from 52.5 in its October report. Further, FCStone has raised its US 2016 soybean production estimate to 4.386 billion bushels 4.357 billion bushels projected in October.
- According to China's General Administration of Customs (CNGOIC), China's imports of edible vegetable oil in September fell 5.5 percent to 5.2 lakh tons compared to 5.5 lakh tons in August. Imports fell 25.7 percent from September 2015 which was at 7.00 lakh tons. Year to date imports of edible vegetable oil fell 19.9 percent to 39.5 lakh tons.



- Informa Economics has projected 2017 US soybean planting up 5.7%. It has forecast US 2017 soybean planting at 88.487 million acres compared to 83.7 million acres of soybeans planted in 2016 (USDA figure).
- According to U.S. Energy Information Administration (EIA), U.S. biodiesel production rose 1.43 percent in August to 142 million gallons compared to 142 million gallons in July. Soy oil contributed as the largest feedstock in August with 561 million lbs used compared to 536 million lbs used in July.
- USDA WASDE Oilseeds Highlights: The U.S. season-average soybean price is forecast at \$8.30 to \$9.80 per bushel, unchanged from last month. Soybean meal prices and soy oil price projection is also unchanged are projected at \$300 to \$340 per short ton. Soybean oil prices are projected at 30.5 to 35.5 cents per pound.

**Price Outlook:** We expect Ref. soy oil with VAT to trade in the price band of Rs 640-700 per 10 Kg.

### Balance Sheet (Quarterly)- Soy Oil, India

*Fig. in lakh tons*

	2015-2016	2016-2017-F	Nov-Jan-F	Feb-Apr-F	May-July-F	Aug-Oct-F
Opening Stock	5.58	6.51	6.51	8.61	7.99	6.96
Production (Domestic)	12.75	19.80	9.11	2.38	2.38	5.94
Imports	42.00	42.00	10.08	10.50	10.08	11.34
Imported oil processing	40.87	40.87	9.81	10.22	9.81	11.03
Total Production (Domestic production + imported oil processing)	53.62	60.67	18.92	12.59	12.18	16.97
Total Supply	59.20	67.18	25.43	21.20	20.17	23.93
Consumption	52.68	60.06	16.82	13.21	13.21	16.82
Exports	0.00	0.00	0.00	0.00	0.00	0.00
Ending Stock	6.51	7.12	8.61	7.99	6.96	7.12

Source: AW estimates  
Oil year- November-October

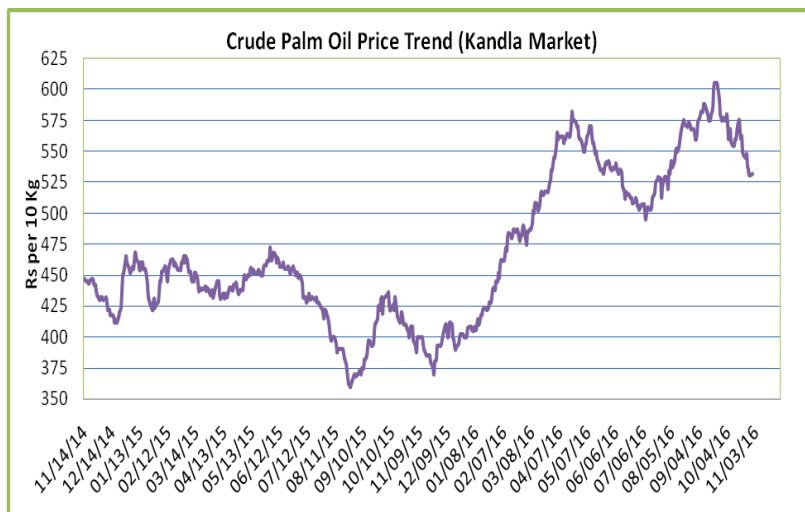
### Highlights

- Prices of soy oil in 2016-17 are expected to be lower on higher carryout in oil year 2015-16 on higher domestic production.
- Soy oil production is expected to be higher in oil year 2016-17 on higher soybean crush due to higher soybean crop in 2015-16.
- Carry out in first and second quarter of oil year 2015-16 is higher compared to last two quarter.
- Higher carry out in Nov-Jan is due to higher domestic production.
- Carryout stocks of oil year 2015-16 is 6.51 lakh tons on higher soy oil imports.
- Carry out of oil 2016-17 is 7.12 lakh tons
- Carryout of 2016-17 is higher than 2015-16 due to higher domestic soy oil production.

## Palm oil: Domestic Market Fundamentals

➤ CPO prices witnessed weak tone in the month of October at its benchmark market at Kandla on weak demand. CPO prices fell in Kakinada. RBD palmolein prices fell across board in India. Superolein prices rose in Kandla and Mumbai. CPO-CNF and RBD palmolein-CNF prices fell in October.

➤ Agriwatch view – Crude palm oil prices fell in Kandla on weak demand. RBD palmolein prices fell on weak demand while supeolein and Vanaspati prices



rose in October on demand ahead of festivals. End product prices rose while crude and RBD palmolein prices fell.

Prices of CPO fell in India despite rise in BMD CPO. Prices of CPO and RBD palmolein fell more in CNF markets compared to FOB markets.

Prices fell on seasonal downtrend of prices.

CPO prices fell more than RBD palmolein prices indicating weak demand of CPO and firm supply of RBD palmolein. Finished product prices are available at raw material prices leaving India refiners idled.

Abrupt decision by Indian government to reduce import duty ahead of festivals to check rising prices of palm oil has yield negative results. Agriwatch do not believe decision to reduce import duty taken by Indian government was in interest of Indian consumers.

Higher imports from Malaysia will only benefit international companies leaving Indian companies distressed with idle capacity.

Prices rose in 2015-16 due to adverse effect of El Nino which led to surge in international prices of palm oil and decrease in stocks in Malaysia. Aggressive pricing by Malaysia further helped in reducing palm oil stocks in Malaysia. This led to lower CPO imports in India and higher imports of RBD palmolein.

Prices of CPO and RBD palmolein fell more at high seas compared to CNF markets indicating weak demand.

Prices of CPO fell more in Indian CNF-Kandla compared Indonesia FOB. RBD palmolein fell in India CNF-Kandla in more than fall in Malaysia FOB. However, fall in CPO CNF was more than RBD palmolein CNF-Kandla. Cumulative imports of palm oil were lower by 8.5 percent in the first 11 months of oil year 2015-16 (November 2015-September 2016) and cumulative imports of CPO were lower by 23.5 percent in the first 11 months of oil year 2015-16 (November 2015-September 2016), according to SEA, which indicates tight supply scenario in India. CPO imports increased in September compared to August. However, cumulative RBD palmolein imports surged 67.9 in this period. RBD palmolein imports fell in September compared to August. However on y-o-y basis both CPO and RBD palmolein imports rose. However, rise in imports if RBD palmolein was significant.

There was increase of stocks of palm oil from port and pipelines in September due to weak demand. CPO and RBD palmolein stocks at ports and pipelines increased in September indicating weak demand. Lower price differential of CNF RBD palmolein and CNF CPO has resulted in higher imports of RBD palmolein imports in oil year 2015-16 and slowdown of CPO imports.

CPO and RBD palmolein landed cost increased in October.

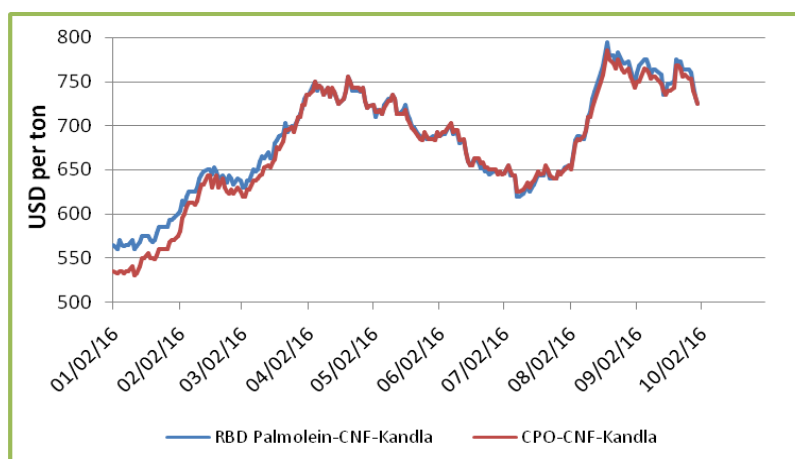
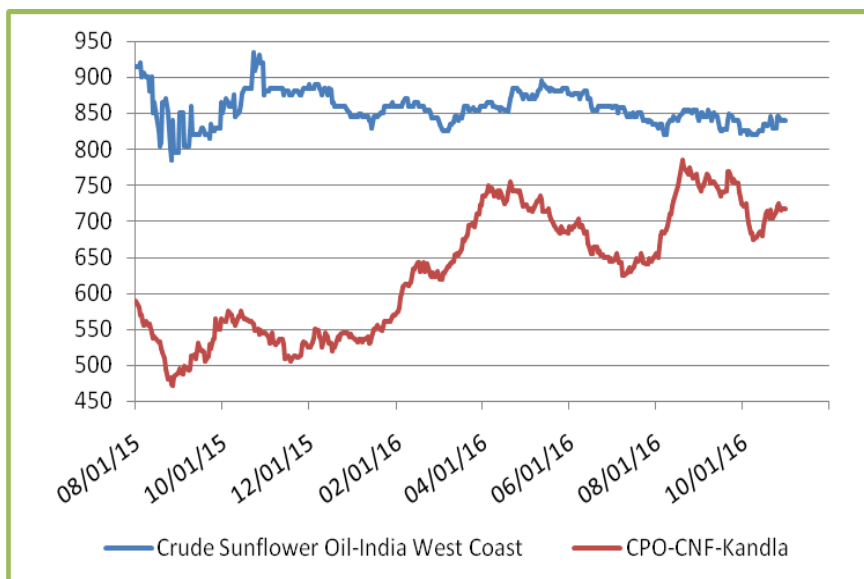
The second chart indicates that CPO-CNF and RBD palmolein-CNF are almost at same prices for a long time in current oil year.

Palm oil prices will be supported by improving soy oil premium over palm oil which is hovering at Rs 142 (Rs 85 last month) per 10 Kg.

Previous chart in soy oil section

shows that premium of soy oil over palm oil has increased in October at CNF markets. Low premium of crude sunflower CNF India West coast and CPO CNF will weaken CPO and RBD palmolein imports in medium term. Premium of sunflower oil over palm oil increased significantly in domestic market indicating weak demand. This may further weaken demand in medium term.

Positive refining margins will increase imports.



Prices of palm oil will fall in medium term on weak demand and seasonal downtrend of prices.

- Palm oil import scenario – According to SEA, India imported 7.73 lakh tons of palm oil in September 2016 v/s 7.83 lakh tons in September 2015, down 1.3 percent y-o-y. CPO imports slowed to 5.65 lakh tons in September compared to 5.96 lakh tons in September 2015, lower by 5.2 percent y-o-y. RBD palmolein imports rose to 2.05 lakh tons from 1.73 lakh tons in September 2015, up by 18.5 percent y-o-y. In the oil year 2015-16 (November 2015-September 2016) imports of palm oil is reported at 77.05 lakh tons v/s 84.21 lakh tons in corresponding period last oil year, lower by 8.5 percent y-o-y. RBD palmolein reported sharp rise at 24.01 lakh tons (November 2015-September 2016) v/s 14.30 lakh tons in corresponding period of oil year 2014-15, rise of 67.9 percent y-o-y. Crude palm imports in the period (November 2015-September 2016) fell to 52.35 lakh tons from 68.46 lakh tons in the corresponding period last oil year, fall of 23.5 percent y-o-y. In the period November 2015-August 2016, share of palm product imports fell to 57 percent from 66 percent in the corresponding period last oil year
- On the trade front, CNF CPO (Indonesian origin) at Indian port is quoted at USD 705 (USD 680) per ton for November delivery. December delivery is quoted at USD 705 per ton and JFM delivery is quoted at USD 710 per ton. Moreover, RBD palmolein (Malaysian origin) CNF at Indian port is offered at USD 705 (USD 687.5) per ton for November delivery. December delivery is quoted at USD 705 per ton and JFM delivery is quoted at USD 710 per ton. CPO duty paid prices ready lift quoted at Rs 528 (Rs 572) per 10 Kg and November delivery is offered at Rs 525 (Rs 562) per 10 Kg on November 5, 2016. Values in bracket depict September, 2016 quotes.
- Palm oil imports will improve in near term owing to improving CIF soybean oil premium versus crude palm oil, which is hovering at USD 123 per ton (USD 104 per ton last month).
- On the parity front, margins improved during the month of October on lower price of palm oil imports and higher price of palm products in Indian markets and we expect margins to weaken in coming days. Currently refiners fetch USD 75-80/ton (October average) v/s loss of USD 10-15/ton (September average) margin in processing the imported CPO but on the imports of ready to use palmolein fetch USD 75-80/ton (October average) v/s gain of USD 0-5 (September average).
- We expect palm oil to trade sideways to weak tone in medium term.

### **International Market Fundamentals**

- Agriwatch view – Palm oil prices witnessed gains in October on rise in soy oil CBOT and RBD palmolein DALIAN. Lower stocks of palm oil in Malaysia supported upside during the month.

Palm oil stocks in Malaysia rose from six year low on lower exports of palm oil especially India and China. India decreased in purchases in October after festivals and rise in prices on BMD CPO. Imports from Malaysia is higher from Malaysia due to lower prices of Malaysian RBD palmolein compared to Indonesia CPO,.

Demand from China decreased in September. However, imports from Malaysia registered increase in September. China has not imported any soy oil from Argentina and talks with Canada over Canola have has fructified after many months which has resulted in shortage of edible oils in the country. Canadian canola

seeds crop have been affected by snow leading to higher prices of canola oil. Moreover, China has not imported much soybean in last couple of months leading to lower stocks at ports. China has not imported much palm oil in last two months which has led to lower supply of edible oils in the country. Additionally depreciation of Chinese Yuan has made palm oil costly for China and expensive in China.

China is expected to stocks palm oil in coming months to stocks ahead of Chinese New Year.

Data from SGS and ITS show fall in exports from Malaysia by 5-7 percent in October.

Demand from India is weak as higher prices of palm oil in its domestic markets reduced imports of palm oil in October.

Demand from China was weak in October as buyers are expecting correction in prices in September.

Demand is weak from India and China as they will purchase only when prices correct significantly.

Parity of palm oils improved in India which will increase imports from India. Malaysia RBD palmolein is still quoted at par with CPO on Indian CNF markets indicating India will purchase more in November from Malaysia. However, purchases from Indonesia will also increase as parity of CPO has also improved post import duty cut.

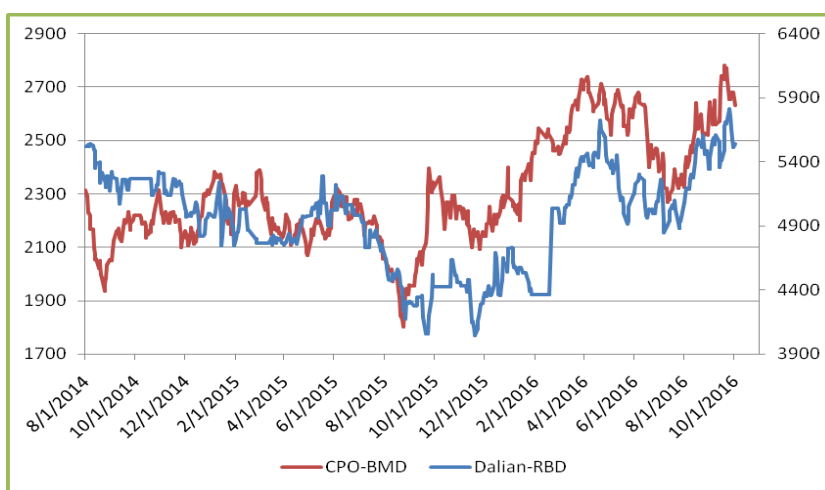
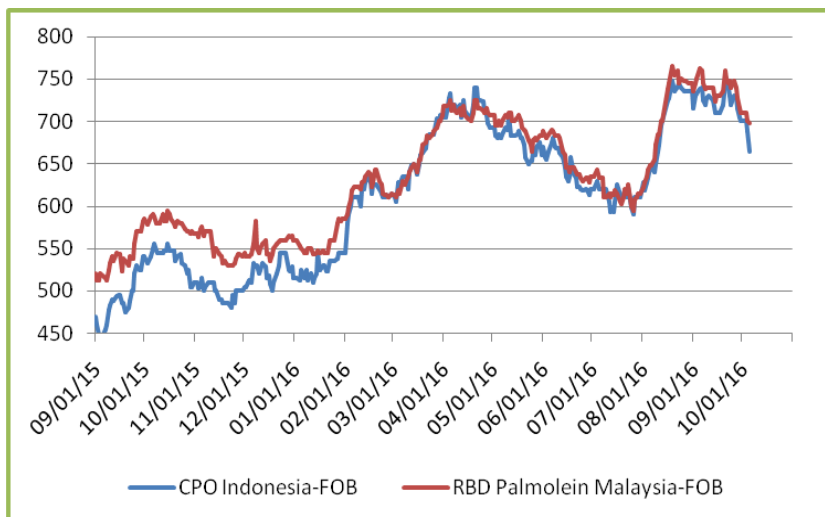
Aggressive pricing by Malaysia by quoting lower RBD palmolein compared to Indonesia CPO will support palm oil exports in near term. Above chart in this section show how lower difference of Malaysia RBD palmolein and Indonesia CPO increased exports from Malaysia and reduced end stocks of palm oil in Malaysia to lowest levels in six years.

Ringgit depreciation will support palm oil prices in medium term.

Production of palm oil is expected to improve in last quarter of 2016 and 2017 as effect of El Nino will be over in October. Palm oil production is expected to be stagnant in October due to lagged

effect of El Nino. However, La Nina weather conditions in Malaysia and Indonesia in November and December will affect production on higher rains which will hinder harvest, crushing and transportation of palm oil.

Demand will taper from India, China and EU with onset of winters which is expected to hit earlier than estimated according to Agriwatch sources. Demand of palm oil will depend how winters will pan out in Northern hemisphere.



India is buying more from both Malaysia due to competitive prices offered by Malaysia compared to Indonesia. Aggressive pricing by Malaysia has led to higher exports from Malaysia. Rise in DALIAN RBD palmoline and CBOT soy oil has supported palm oil in near term. Above chart shows high correlation between RBD palmolein-Dalian and CPO-BMD.

Demand from India and China will stay weak in November.

Stocks at major ports in China and India are still very low and demand is expected to improve in early November due to replenishment of stocks in both the countries.

Palm oil stocks are expected to increase in Malaysia in October due to lower exports and stagnant production.

Expectation of higher end stocks of palm oil in Malaysia in October will underpin prices in near term. Agrwatch expects palm oil stocks will rise by less than market estimate of rise of 8.8 percent. Agrwatch estimates that production will be unchanged in October against forecast of 1.2 percent rise.

However, exports will rise in first ten days of November compared to corresponding period last month on stocking ahead of winters.

Malaysia has maintained palm oil export duty on CPO at 6.5 percent for November.

Indonesia also removed export duties in November.

Palm oil discount with crude degummed soy oil (CDSO) is still has increased and will support exports to top exporting destinations.

Announcement of B10 biodiesel mandate in Malaysia by December 1, 2016 will support palm oil prices in near term. With its implementation the total use in the mandate will be 7,500,000 tons palm oil every year. The plan is in books since early 2016 and has not been implemented due to technical constraints and may possibly go the same way if implementation with stakeholders are not implemented properly.

Therefore, prices of palm oil are in a range.

- According to Malaysia Palm Oil Board (MPOB), Malaysia's September palm oil end stocks rose 5.67 percent to 15.47 lakh tons compared to 14.64 lakh tons in August. Palm oil end stocks are above market expectations. Production rose marginally by 0.78 percent to 17.15 lakh tons compared to 17.02 lakh tons in August. Exports fell 20.42 percent in September to 14.51 lakh tons compared to 18.24 tons in August. Imports fell 80.51 percent in September to 0.18 lakh tons. Fall in end stocks are primarily due to lower exports and rise in production was marginal due to lagged effect of El Nino.
- According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's October palm oil exports fell 5.1 percent to 1,295,576 tons compared to 1,365,517 tons in September. Top buyers were European Union at 307,685 tons (252,399 tons), India at 189,724 tons (266,080 tons), China at 178,711 tons (217,430 tons), Pakistan at 59,770 tons (61,175 tons) and United States at 41,270 tons (62,324 tons). Values in brackets are figures of last month.
- According to cargo surveyor Intertek Testing Services (ITS), Malaysia's October palm oil exports fell 6.4 percent to 1,288,894 tons compared to 1,377,757 tons in September. Top buyers were European Union at 316,883 tons (296,634 tons), India & subcontinent at 304,741 tons (377,225 tons), and China at 139,585 tons (239,300 tons). Values in brackets are figures of last month.



- According to Indonesia Palm Oil Association (GAPKI), Indonesia exports in August rose by 29.7 percent to 2.07 MMT from 1.596 MMT in July. Along with biodiesel and oleochemical products, Indonesia exported 2.23 MMT in August compared to 1.74 MMT in August 2015, higher by 28.16 percent y-o-y.
- According to Malaysia Palm Oil Board (MPOB), Malaysia plans to implement biodiesel mandate for it transportation and industrial sector by December 1, 2016. This program is named B10 program which is intended to blend 10 percent bio content in biodiesel. The program will be first implemented in Johor stae. The B7 biodiesel mandate will start by December 1, 2016. Gasoline stations which sell Euro 5 grade diesel is exempted from B10 mandate. However, they are required to sell B7. Complete implementation of biodiesel mandate will soak 750,000 tons of palm oil in a year.
- According to Malaysian government, Malaysia's production in 2017 is expected to increase 5.6 y-o-y. Production in 2016 is expected lower by 9.8 percent to 18 MMT with yields declining 5.3 percent y-o-y. In 2016 production was hampered by El Nino weather pattern which soaked palm yield in the Southeast Asian country. Prices of CPO in 2016 are expected to average RM 2,500 per ton. Production is expected to increase in second half of 2016 due to decreasing effect of El Nino. Production of CPO is expected to rise for rest of 2016.
- According to China's General Administration of Customs (CNGOIC), China's September imports fell 15.44 percent to 480,786 tons y-o-y. Year to date imports fell 28.57 percent compared to corresponding period last year. Imports from Malaysia in September increased 27.82 percent y-o-y to 275,237 tons. Year to date imports from Malaysia fell 1,292,465 tons compared to corresponding period last year. Imports from Indonesia in September fell 41.81 percent y-o-y to 205,543 tons. Year to date imports from Indonesia fell 22.34 y-o-y to 1,784,560 tons compared to corresponding period last year.
- Indonesia Estate Crop Fund raised biodiesel subsidy fund collection target of its biodiesel mandate for 2017 by 14 percent compared to 2016 on higher exports of palm oil in 2017. Exports are expected to rise 5 to 10 percent in 2017 compared to current year. Indonesia Estate Crop Fund has collection target of 10.7-10.8 trillion Rupiah (USD 830 million). Target for 2016 was 9.4 trillion Rupiah. Indonesia charges USD 50 levy for exports of crude palm oil (CPO) and USD 30 levy for export of crude palm kernel oil (CPKO). Indonesia has set 20 percent bio content in biodiesel production in 2016.
- Policy development- According to Malaysia Palm Oil Board (MPOB), Malaysia kept November crude palm oil export duty unchanged at 6.5 percent. Tax is calculated at reference price of 2865.40 ringgit (USD 689.63) per ton. Prices above 2,250 ringgit are taxed with tax starting from 4.5 percent to a maximum of 8.5 percent.  
  
According to Indonesia's trade ministry, Indonesia will reduces crude palm oil export duty to zero for November from present USD 3 per ton above benchmark prices of USD 750 per ton.
- **Price Outlook:** We expect CPO Kandla 5% to trade in the price band of Rs 490-560 per 10 Kg.

**Balance Sheet- Palm Oil (quarterly), India**
*Fig. in million tons*

	2015-16	2016-17-F	Nov-Jan-F	Feb-Apr-F	May-July-F	July-Oct F
<b>Opening Stock</b>	<b>1.65</b>	<b>1.10</b>	1.10	1.30	1.31	1.22
<b>Production</b>	<b>0.20</b>	<b>0.20</b>	0.05	0.05	0.05	0.05
<b>Imports</b>	<b>8.60</b>	<b>9.46</b>	2.37	2.18	2.27	2.65
<b>Total Supply</b>	<b>10.46</b>	<b>10.76</b>	3.52	3.53	3.63	3.92
<b>Consumption</b>	<b>9.36</b>	<b>9.64</b>	2.22	2.22	2.41	2.80
<b>Ending Stocks</b>	<b>1.10</b>	<b>1.13</b>	1.30	1.31	1.22	1.13

Source: AW estimates

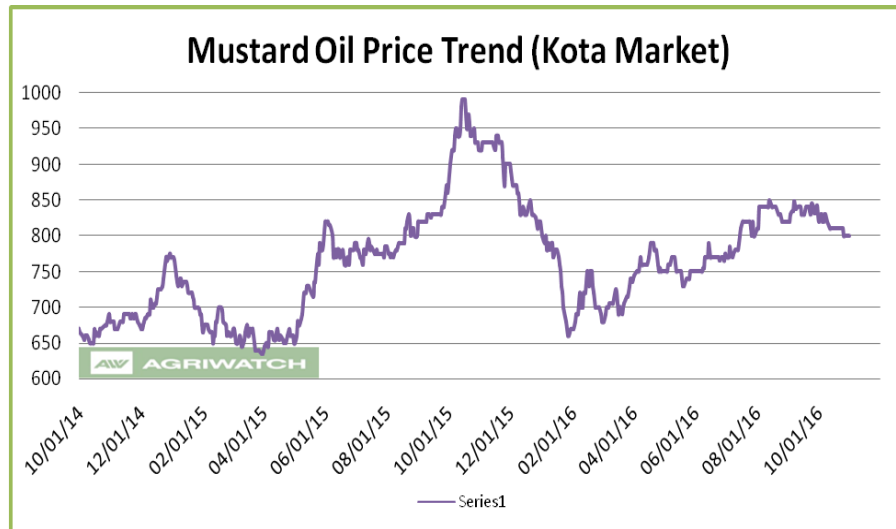
Oil year- November-October

**Highlights**

- Prices of palm oil in 2016-17 are expected to be firm on lower carryout in oil year 2015-16.
- Imports are expected to register improve compared to last year on lower imports duty compared to other oils and wakening effect of El Nino in Malaysia and Indonesia.
- Carryout stocks of oil year 2015-16 are 1.10 million tons on lower imports.
- Carryout of 2016-17 is higher than 2015-16 due to higher imports of palm oil.
- Carry out of first quarter of oil year 2016-17 will be lower than second quarter of oil year 2016-17.

## Rapeseed oil: Domestic Market Fundamentals

- Rapeseed oil featured downtrend in benchmark at Kota during the month of October on weak demand. Prices of expeller mustard oil fell in Jaipur, Neewai, Ganganagar, New Delhi, Mumbai, Kolkata and Gujarat while it was unchanged in Hapur. Kacchi ghani prices were lower across board in India.



- Agriwatch view: Rapeseed oil prices traded sideways to lower in the month of October various markets in India on weak demand. Both Expeller and kacchi ghani fell in most place of India on weak activity in cash markets. Weak rapeseed prices impacted prices of rapeseed oil.

Demand weakened due to higher prices in cash markets. However, demand ahead of winter in North and East India will support prices in medium term.

Fall in palm oil prices supported fall.

Winter demand is expected to rise in November-February which will support prices. Rapeseed sowing is expected to be strong which will affect sentiment in longer term.

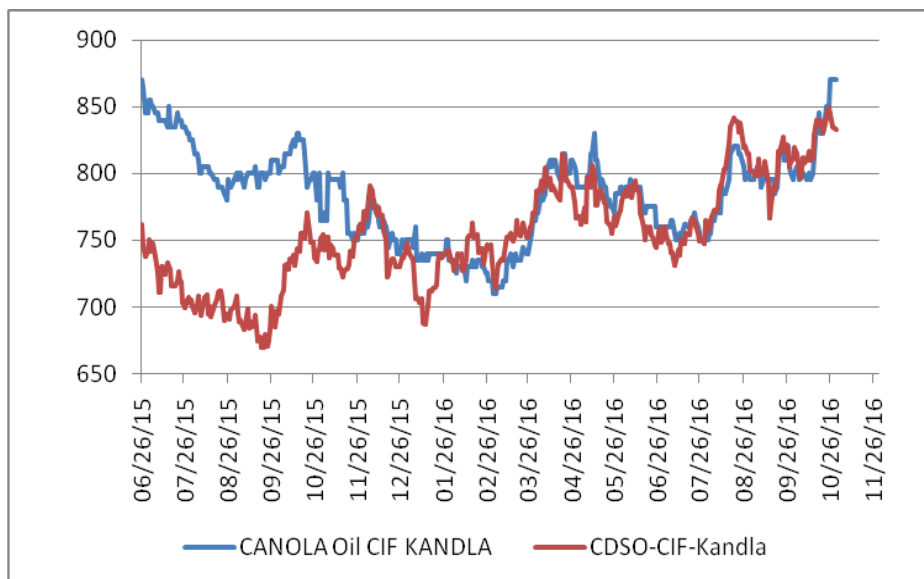
Stockists and traders are expected to stock ahead of winters. Prices will depend how winters will pan out in medium term. However, stocks are low in the market and supply of rapeseed is not sufficient to meet demand by crushers.

Rapeseed (Canola) oil prices increased in October due to heavy snow in canola growing regions in Canada.

Canola oil is landing at the cost of CDSO.

Following chart shows prices of canola oil at CNF markets are closely following soy oil-CNF.

Prices of rapeseed oil are expected to trade sideways to



firm in medium term on seasonal uptrend of prices, stocking ahead of winters, uptick in demand and rise in prices of rapeseed.

- India imported 0.30 lakh tons of rapeseed (Canola) oil in September 2016 v/s 0.32 lakh tons in September 2015, lower by 6.25 percent y-o-y. For oil year 2015-2016 (November 2015 – September 2016) India imported 3.34 lakh tons rapeseed (canola) oil v/s 3.40 lakh tons in corresponding period in the oil year 2014-15, marginally lower y-o-y: SEA
- CIF Canola oil premium over soybean oil is hovering at USD 10 (USD -6 last month) as on 3 November, 2016. Low premium of canola oil over soybean oil will increase imports of canola oil.
- Currently, RM oil at Jaipur market (expeller) is offered at Rs 825 (842) per 10 Kg and at Kota market is quoted around Rs 800 (820) per 10 kg as on November 3, 2016. Values in brackets are figures of last month.
- We expect RM seed oil prices to trade sideways to firm tone in the coming days.

**Price Outlook:** We expect Rapeseed oil (Kota) to trade in the price band of Rs 760-860 per 10 Kg.

#### **Balance Sheet- Rapeseed Oil, India**

	<i>Fig. in lakh tons</i>					
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16-F
	1.71	1.32	1.49	1.73	3.86	1.39
<b>Production</b>	24.48	22.68	25.02	26.78	20.16	21.24
<b>Imports</b>	0.11	0.91	0.13	2.00	3.70	3.50
<b>Total Supply</b>	26.30	24.91	26.64	30.52	27.72	26.13
<b>Exports</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>Consumption</b>	24.99	23.41	24.91	26.66	26.33	24.72
<b>Ending Stocks</b>	1.32	1.49	1.73	3.86	1.39	1.41

Source: AW estimates

Oil year- November-October

#### ➤ **Highlights**

- Prices of rapeseed oil in 2015-16 are expected to be steady on lower carryout in oil year 2014-15.
- Rapeseed oil production is higher in oil year 2015-16 on higher rapeseed crop.
- Higher oil production in 2015-16 is due to higher marketable surplus of rapeseed resulting in higher crush.
- Carryout stocks of oil year 2014-15 is 1.39 lakh tons on lower rapeseed oil production.
- Carryout of 2015-16 is higher than 2014-15 due to higher production and import of rapeseed oil.

## Sunflower oil: Domestic Market Fundamentals

➤ Sunflower oil featured sideways trend at its benchmark market in Chennai during the month of October on weak demand and firm supply. Prices closed higher in Kakinada and Hyderabad while closed lower in Mumbai. Prices were unchanged in Erode. Prices closed higher at Kandla/Mudra while closed lower in Latur.

➤ Agriwatch view: Sunflower prices were unchanged in month of October at its benchmark market of Chennai on weak demand firm supply.

Prices were firm in Andhra Pradesh in October compared to Chennai indication firm demand in the state. However demand was weak at benchmark market in Chennai.

Prices were unchanged in domestic market despite rise in international prices of sunflower oil indicating weak demand.

Sunflower oil imports in the month of September were significantly higher than September 2015. Low premium of crude sunflower over CDSO and CPO in CNF markets led to higher imports. Imports are expected to be higher in October as crude sunflower oil premium over CDSO CNF and CPO CNF has decreased.

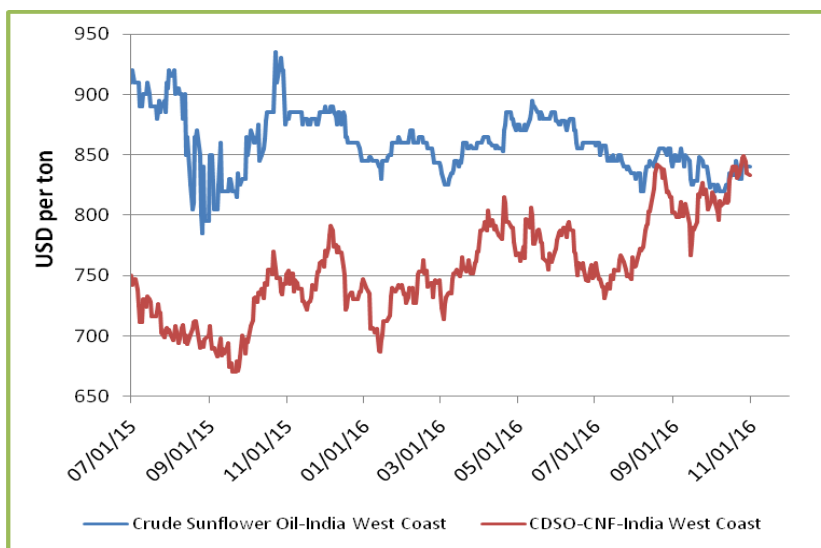
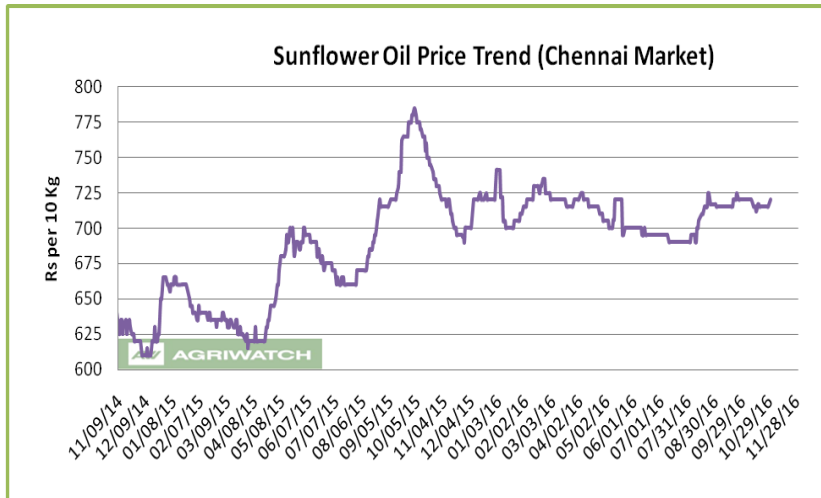
Refiners and stockists are stocking as sunflower oil premium over soy oil is low at USD 1.5 (USD 23.5 at present). Refiners will take advantage of lower premium of sunflower oil over soy oil in October.

The following table shows the movement of CDSO India west coast and crude sunflower India West Coast.

With ample harvest of groundnut, rice and soybean will depress sunflower oil prices in medium term.

There are ample stocks in market and refiners have increased supply in the market.

In domestic market, demand is expected to be weak in medium term. Sunflower oil prices are expected to correct on seasonal downtrend of prices. Sunflower imports in coming months at current rates of sunflower oil, palm oil and soy oil may support sunflower oil prices in medium term. Prices are expected to correct in



domestic market due to fall in soy oil and palm oil prices. Reduction of palm oil import duties will flood the market with palm oil which was in short supply and underpin sunflower oil prices. Prices of sunflower are expected to fall in November in lines with fall in prices of soy oil and palm oil.

On the international front record production of sunflower oil will dampen sunflower oil prices in international markets which will increase imports in medium term.

Prices of sunflower oil in international markets are expected to trade at discount to soy oil and premium over palm oil will decrease in medium term.

Sunflower oil is expected to trade weaker on seasonal downtrend of prices, weak demand, higher supply and impact of other domestic edible oils.

Prices are expected to trade sideways to weak in medium term.

- All India sowing of sunflower has reached 1.61 lakh hectares as on 23 September 2016, compared to 1.48 lakh hectares in the corresponding period last year.
- Solvent Extractors of India (SEA) representing edible oil industry has asked government to reduce import duty on sunflower seed from present 31.2 percent to 5-10 percent, which will allow industry to increase their capacity utilization, which is saddled by idle capacity. Sunflower seeds have higher recovery rate compared to other oilseeds and there is no issue of GM and non-GM issue in sunflower seed. The industry has proposed that imports could be allowed in offseason, which will not impact oilseed farmers in the country. There is negligible production of sunflower seeds in India.
- Sunflower oil import scenario – According to SEA, India imported 1.04 lakh tons of crude sunflower oil during September 2016 v/s 0.68 lakh tons in September 2015, higher by 53 percent y-o-y. Imports during oil year 2015-16 (November 2015 –September 2016) were reported at 14.19 lakh tons v/s 14.29 lakh tons during the corresponding period in last oil year, down marginally y-o-y.
- According to UKrAgroConsult, Ukraine produced 399.8 KMT of sunflower oil in September compared to 71.3 KMT in August and 296 KMT in September 2015. Production in September is just 1.3 percent lower than record in March 2014. UKrAgroConsult expects record production of sunflower oil in 2016/17 in Ukraine.
- CIF sunflower oil prices (Ukraine origin) at west coast of India quoted around USD 832.5 (USD 825) per ton for November delivery, December delivery is offered at USD 827.5 (USD 807.5) per ton, JFM delivery is offered at USD 827.5 (USD 807.5) per ton as on November 3, 2016. Last month, CIF sun oil (Ukraine origin) monthly average was around USD 831.08 per ton. Values in brackets are figures of last month.
- Prices are likely to stay in the range of USD 780-850 per ton in the near term. CIF Sunflower oil CNF premium against CDSO CNF had weakened from last month and is hovering at USD 1.5 per ton versus USD 23.5 last month.
- Currently, refined sunflower oil at Chennai market is offered at Rs 720 (Rs 720) per 10 Kg, and at Hyderabad market, it is offered at Rs 722 (Rs 708) per 10 kg as on November 3, 2016. Values in brackets are figures of last month.
- We expect sunflower oil prices to trade sideways to weak tone in the coming days.



**Price Outlook:** We expect sunflower oil (Chennai) to trade in the price band of Rs 680-760 per 10 Kg.

### Balance Sheet- Sunflower Oil (quarterly), India

*Fig. in lakh tons*

	2015-16	2016-17-F	Nov-Jan-F	Feb-Apr-F	May-July-F	Aug-Oct-F
<b>Opening Stock</b>	2.12	2.09	2.09	2.55	2.69	2.76
<b>Production</b>	1.42	1.55	0.28	0.23	0.52	0.52
<b>Imports</b>	15.5	17.05	4.52	4.26	4.26	4.01
<b>Total Supply</b>	19.04	20.70	6.90	7.04	7.47	7.28
<b>Exports</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>Consumption</b>	16.94	18.13	4.35	4.35	4.71	4.71
<b>Ending Stocks</b>	2.09	2.57	2.55	2.69	2.76	2.57

Source: AW estimates

Oil year- November-October

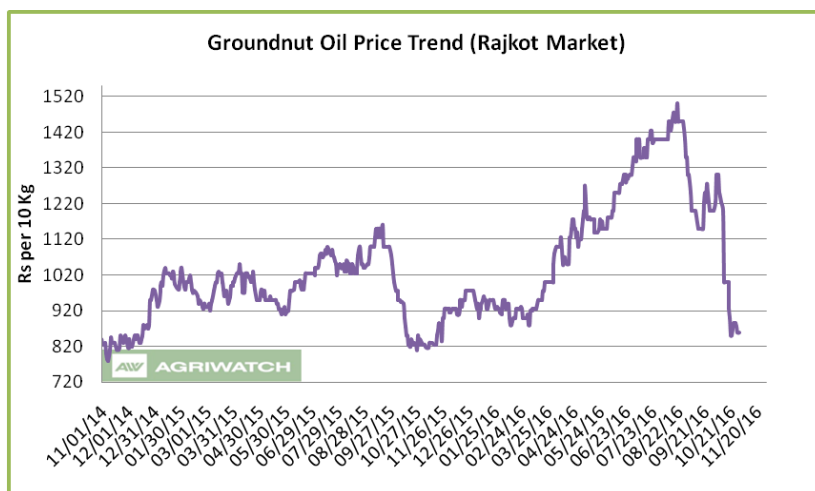
### Highlights

- Prices will be weak in higher carry out for oil year 2016-17 compared to of 2015-16.
- Sunflower oil production is expected to be lower in oil year 2016-17 on higher sunflower crop.
- Carryout stocks of oil year 2015-16 is 2.57 lakh tons on higher sunflower oil imports.
- Carryout of 2016-17 is higher than 2015-16 due to higher imports and higher domestic crop.

## Groundnut oil: Domestic Market Fundamentals

➤ Groundnut oil featured downtrend during the month in review at its benchmark market in Rajkot on weak demand and firm supply of groundnut on steady harvest. Prices closed lower in Chennai, Hyderabad, New Delhi, Hyderabad, Mumbai, Gondal and Jamnagar at the end of the month.

➤ Agriwatch view: Groundnut oil fell in the month of October on weak demand and harvest pressure of groundnut and



higher crop of groundnut which will increase marketable surplus and improve supply of groundnut oil in oil year 2016-17.

Prices fell on seasonal downtrend of prices.

Sowing of groundnut was higher by 29 percent compared to last year.

Fall in groundnut prices in October translated to lower prices of groundnut oil prices.

Groundnut prices fell below MSP which prompted government to step in to support prices. Prices of groundnut are still quoting below MSP.

Surge in groundnut oil prices has weakened demand at retail levels, leading to lower demand at wholesale levels.

Stockists and traders have stopped stocking as they expect further fall in prices as more groundnut arrive in markets.

Demand will revive in December which is peak season of demand in Gujarat.

Millers are not crushing groundnut oil and offering in markets as they are taking advantage of lower groundnut prices.

Rains in October delayed harvest of groundnut while it improved the quality of groundnut.

Millers are not holding produce and are depending on ready markets as they are not confident at current prices.

Prices are expected trade weak in medium term on seasonal downtrend of prices, harvesting pressure and lower demand.

Prices are expected to trade sideways to weak in medium term.

➤ According to United States Department of Agriculture (USDA) October estimates India is expected to produce 9.61 lakh tons of groundnut oil compared to 10.37 lakh tons in September estimate. Exports were kept

unchanged at 0.20 lakh tons. Domestic consumption was reduced to 9.35 lakh tons compared to 9.85 lakh tons in its September estimate. Ending stocks were raised to 1.18 lakh tons from 0.59 lakh tons in September estimate.

- All India sowing of groundnut has reached 46.93 lakh hectares as on 23 September 2016, compared to 36.38 lakh hectares in the corresponding period last year.
- On the price front, currently the groundnut oil prices in Rajkot is hovering near Rs 8,750 (12,000) per quintal and quoting at Rs 8,600 (Rs 10,000) per quintal in Chennai market.
- Groundnut oil prices are likely to trade with a sideways to weak tone in the coming days.

**Price Outlook:** We expect Groundnut oil (Rajkot) to trade in the price band of Rs 700-1000 per 10 Kg.

### Balance Sheet- Groundnut Oil (quarterly), India

*Fig. in lakh tons*

	2015-16	2016-17-F	Nov-Jan-F	Feb-Apr-F	May-July-F	Aug-Oct-F
<b>Opening stocks</b>	0.17	0.14	0.14	0.31	0.23	0.22
<b>Oil availability (Production)</b>	2.47	3.02	1.11	0.90	0.50	0.50
<b>Imports</b>	0	0	0	0	0	0
<b>Total Supply</b>	2.34	2.85	1.19	1.11	0.68	0.62
<b>Exports</b>	0.30	0.30	0.05	0.10	0.05	0.10
<b>Consumption</b>	2.20	2.69	0.89	0.89	0.46	0.46
<b>End stocks</b>	0.14	0.17	0.31	0.23	0.22	0.17

Source: AW estimates

Oil year- November-October

### Highlights

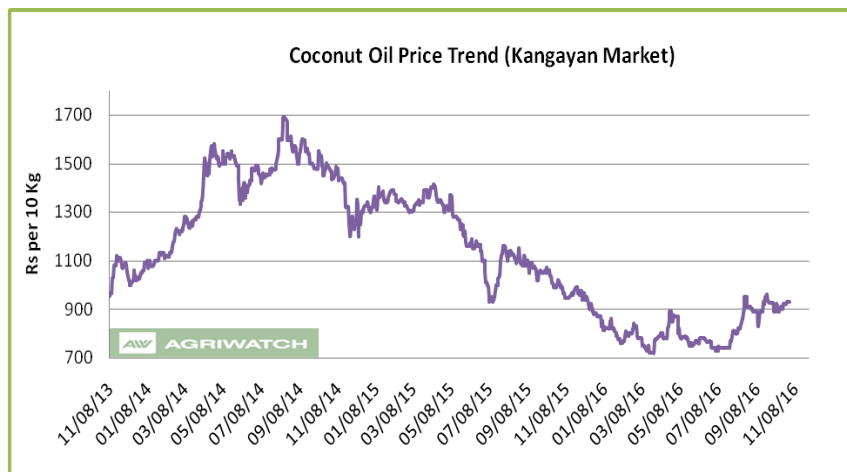
- Groundnut oil production is expected to be higher in oil year 2016-17 on higher groundnut crop.
- Higher oil production in 2016-17 is due to higher marketable surplus of groundnut seed resulting in higher crush.
- Carryout stocks of oil year 2015-16 is 0.14 lakh tons on higher groundnut oil production.
- Carryout stocks of oil year 2016-17 is 0.17 lakh tons on higher groundnut oil production.
- Higher supply of groundnut oil in 2016-17 is due to higher marketable surplus.
- Carryout of 2016-17 is higher than 2015-16 due to higher production of groundnut oil.

## Coconut oil: Domestic Market Fundamentals

- Coconut oil featured uptrend at its benchmark market Kangeyam during the month in review on firm demand. In Trissur prices rose while it was unchanged in Kochi at the end of the month.

- Agriwatch view: Prices of coconut oil rose in the month on firm demand.

Prices tend to rise before onset of winter.



Demand from North India is still not weakened. However, with early winters expected in North India, demand will decrease in medium term.

Millers are well stocked as they took advantage of fall in prices of copra in October which fell below MSP. However, they will use copra when prices increase and copra supply weakened on onset of Northeast monsoon in Tamil Nadu and Kerala.

Northeast has arrived in Tamil Nadu and Kerala last week, according to IMD, which will slow harvest of coconut and support prices of copra thereby affecting prices of coconut oil.

Exports of coconut oil have increased as the domestic prices of coconut oil are lower than international prices. Imports are not possible at these prices.

Lower prices of coconut for a long period has shifted demand pattern towards coconut oil in medium term and government measure to control adulteration of coconut oil has yielded positive results.

Moreover, with higher prices and low supply of palm oil helped shift in demand pattern.

Prices of coconut oil have rallied by more than 30 percent since July and festival demand is covered for North India and Onam is over which will may weaken coconut oil prices in medium term.

Traders and upcountry buyers are stocking market as they expected prices to recover.

Corporate demand which contributes 80 percent of demand is moderate. Demand shifted towards coconut oil in past couple of months on higher prices and lower supply of palm oil which led to shifted towards coconut oil whose prices were at rock bottom.

Price momentum of coconut oil is strong in the month of October which may support prices in medium term.

Prices are expected to remain firm in November on moderate demand from corporates, lower supply of copra due to lower harvest of coconut on arrival of Northeast monsoon and weak supply chain activity due to active monsoon. Prices are expected to trade sideways to firm in medium term.

- On the price front, currently the coconut oil prices in Trissur is hovering near Rs 9,600 (9,250) per quintal due to firm demand of coconut oil, and quoting Rs 9,550 (9,250) per quintal in Erode market on November 1, 2016.
- Coconut oil prices may trade sideways to firm tone tracking firm demand in ready markets.

**Price Outlook:** We expect coconut oil (Erode) to trade in the price band of Rs 900-1050 per 10 Kg.

**Coconut oil production:**

*Fig. in tons*

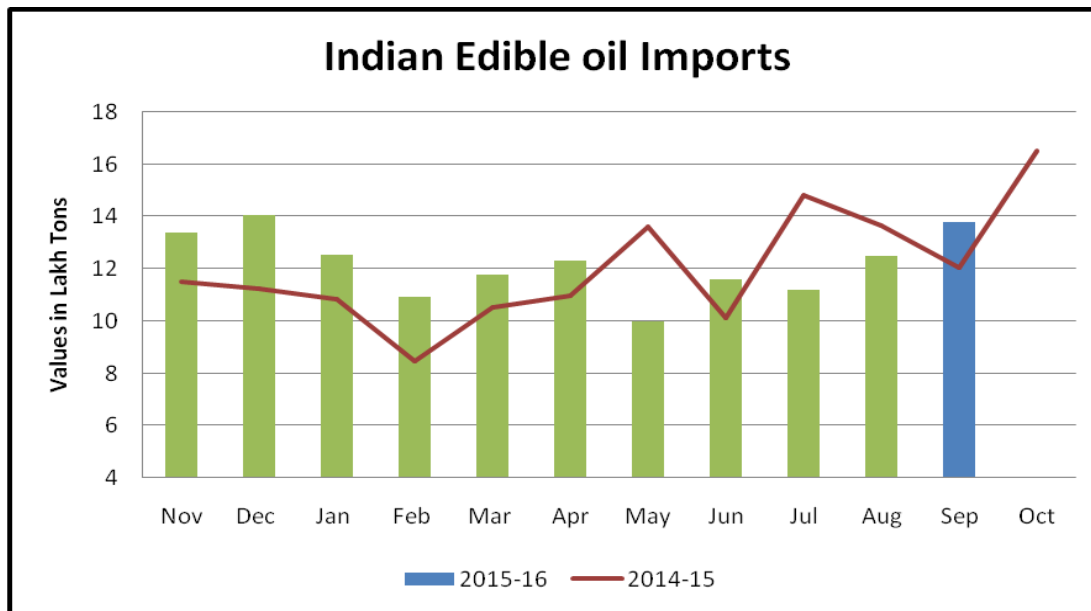
Year	Export	Import	Production
<b>2011-12</b>	6521.68	3014.21	587500
<b>2012-13</b>	6829.42	1001.88	608100
<b>2013-14</b>	7066.9	1645.57	562500
<b>2014-15</b>	6935.54	12811.92	481300
<b>2015-16</b>	8549.97	5416.30	546300

Source: Coconut Development Board

**Trade Statistics:**

	<b>2015 (April-September)</b>		<b>2016 (April-September)</b>	
	<b>Cum. Quantity (in MT)</b>	<b>Cum. Value (Rs. In lakhs)</b>	<b>Cum. Quantity (in MT)</b>	<b>Cum. Value (Rs. In lakhs)</b>
<b>Exports</b>	<b>3717.69</b>	<b>8555.30</b>	<b>16282.29</b>	<b>17125.05</b>
<b>Imports</b>	<b>3313.69</b>	<b>2795.24</b>	<b>4.83</b>	<b>17.94</b>

Source: Coconut Development Board

**Indian Edible Oil Imports Scenario –:**


As per Solvent Extractors' Association of India, India imported 14.42 million tons of veg. oils in the 2014/15 oil year. However, edible oils imports were 13.41 million tons 2015-16 (November 2015-September 2016) compared to 12.77 million tons in the corresponding period last year. Edible oils (including CPO, CDSO, CSFO, and RBD Palmolein) imports for September is pegged at 13.77 lakh tons.

**Indian Supply and Demand Scenario:**

Balance sheet of Indian Edible Oil	2014-15	2015-16	2015-17-F	% Change
Value in million tons				
Beginning Stock	1.49	2.77	2.76	-0.49
Production	7.55	6.78	8.24	21.63
Imports	14.42	15.14	15.90	5.00
Total Supply	23.46	24.69	26.90	8.95
Exports	0.01	0.01	0.01	0.00
Total Demand(Consumption)	20.68	21.92	23.24	6.00
Ending Stock	2.77	2.76	3.65	32.40

\* Value in million tons

**Balance Sheet Highlights**

Net edible oil output is likely to be 8.24 million tons (up 21.63 percent y-o-y basis) in 2016-17 on the back of higher oilseed sowing in Kharif and Rabi season in the current oil year.

On import front, edible oil imports seen at 15.90 million tons for 2016/17 oil year v/s 15.14 million tons last year.

On the consumption side, India's edible oil consumption for 2016-17 oil year seen at 23.24 million tons, up 6 percent from last year. Ending stocks are projected higher compared to 2015-16 at 3.65 million tons.

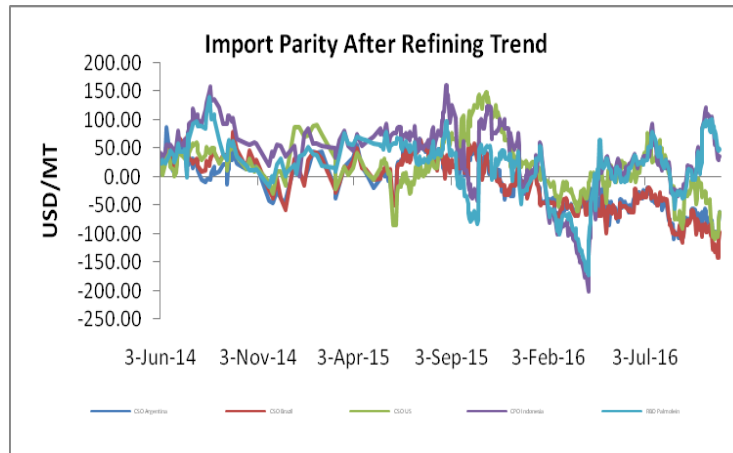
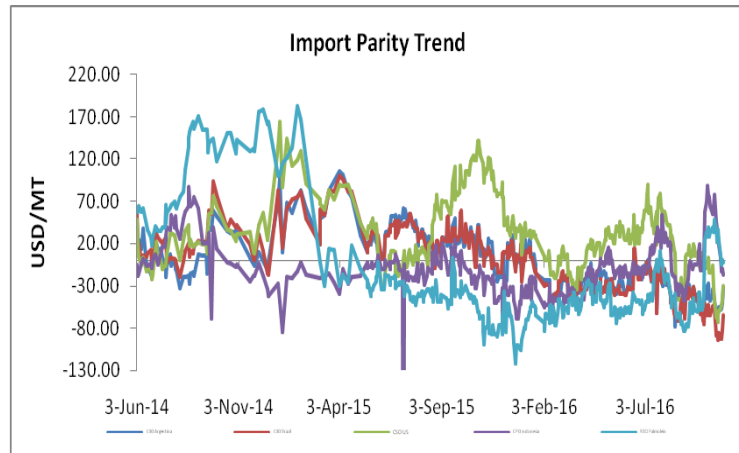
**Note** - Values in Mln. Tons, Oil year (Nov.-Oct.) \*Including Production of Groundnut, Soy, Mustard, Sunflower, Sesame, Niger, Safflower, Cottonseed, Copra, Rice bran Oils. \*\* 2014-15- SEA of India & 2015-16 Agriwatch Estimates, \*\*\* (USDA estimates).



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

<b>Landed Cost Calculation as on 01/11/2016</b>	<b>CSO Argentina</b>	<b>CSO Brazil</b>	<b>CSO US</b>	<b>CPO Indonesia</b>	<b>RBD Palmolein</b>
FOB USD per ton	794	813	775	700	703
Freight (USD/MT)	60	55	62	25	20.0
Landing Charge 1%	8.54	8.68	8.37	7.25	7.23
C & F	854.0	868.0	837.0	725.0	723.0
Weight loss (0.25% of FOB)	1.99	2.03	1.94	1.75	1.76
Finance charges (0.4% on CNF)	3.42	3.47	3.35	2.90	2.89
Insurance (0.3% of C&F)	2.56	2.60	2.51	2.18	2.17
CIF (Indian Port - Kandla)	871	885	853	739	737
CVD	0	0	0	0	0
Duty (Values in USD per tons)	106.63	106.63	106.63	54.23	111.00
CVD value USD per ton	0	0	0	0	0
Cess (3% on duty) USD per ton	2.1325	2.1325	3.19875	1.0845	2.22
Exchange rate	66.7	66.7	66.7	66.7	66.7
Landed cost without customs duty in INR per ton	58063	59015	56906	49296	49161
Customs duty %	12.50%	12.50%	12.50%	7.50%	15.00%
Base import price	853	853	853	723	740
Fixed exchange rate by customs department	67.55	67.55	67.55	67.55	67.55
Duty component in INR per ton	7202.52	7202.52	7202.52	3662.90	7498.05
Clearing charges INR per ton	1200	1200	1200	1200	1200
Brokerage INR per ton	200	200	200	200	200
Total landed cost INR per ton	66665	67618	65509	54359	58059
Domestic Market price INR/ton Soy Degum Kandla/CPO Kandla/RBD Kandla	63500	63500	63500	52800	56000
Total landed cost USD per ton	999	1014	982	815	870
Domestic Market price USD/tons Soy Degum Kandla/ CPO Kandla 5%	952	952	952	792	840
<b>Parity INR/MT (Domestic - Landed)</b>	<b>-3165</b>	<b>-4118</b>	<b>-2009</b>	<b>-1559</b>	<b>-2059</b>
<b>Parity USD/MT (Domestic - Landed)</b>	<b>-47.45</b>	<b>-61.74</b>	<b>-30.12</b>	<b>-23.38</b>	<b>-30.87</b>
Source: Agriwatch					
Refining/ Processing Cost per MT	3200.00	3200.00	3200.00	4700.00	....
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	72365.07	73317.91	71208.72	61859.20	60859.18
Soy/Palm oil imported Price (Including tax)	75983.32	76983.81	74769.16	64952.16	63902.14
Loose price of Soy/Palm in Indore and Delhi market	70875.00	70875.00	70875.00	68250.00	68250.00
<b>Parity after processing and Taxes (Rs per MT)</b>	<b>-5108.32</b>	<b>-6108.81</b>	<b>-3894.16</b>	<b>3297.84</b>	<b>4347.86</b>
<b>Parity after processing and Taxes (USD per MT)</b>	<b>-76.58</b>	<b>-91.57</b>	<b>-58.37</b>	<b>49.44</b>	<b>65.18</b>
Source: Agriwatch					

### Import Parity Trend

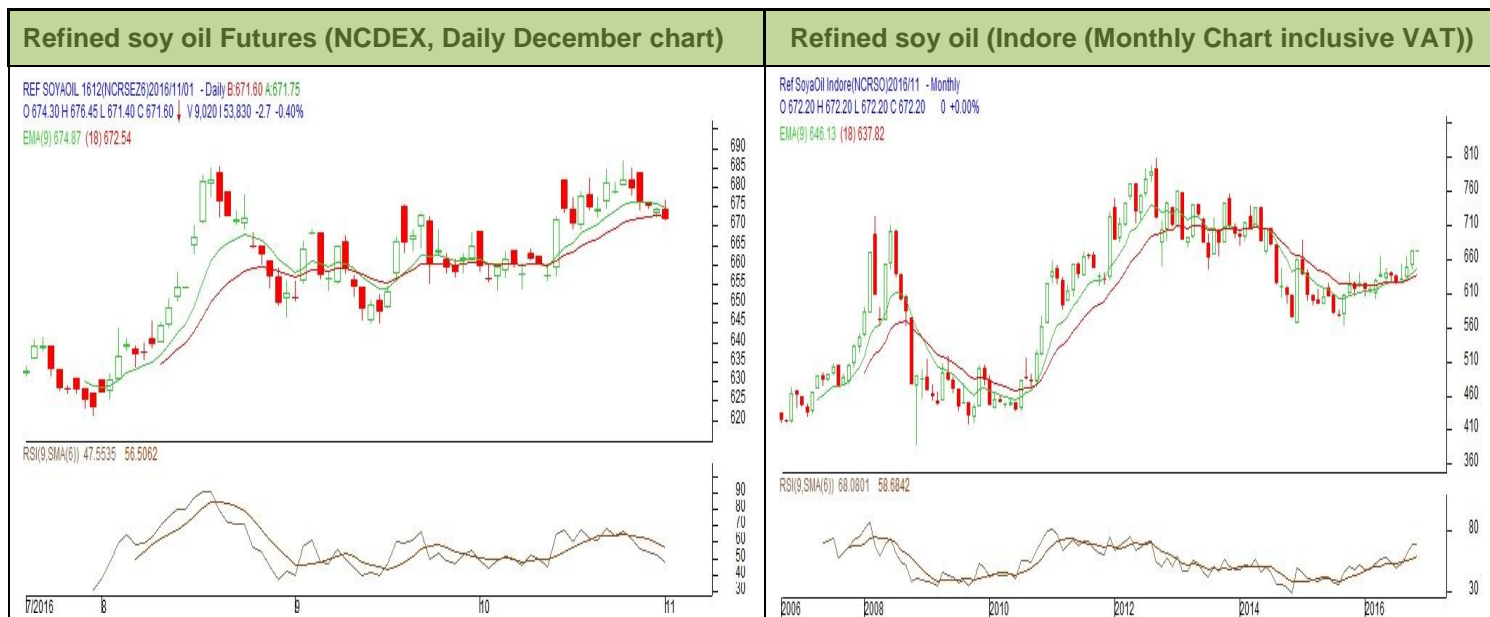


### Import Parity after Refining in US dollar per tons (Monthly Average)

	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
<b>Aug, 2016</b>	-82.87	-81.31	-27.15	-11.00	-12.64
<b>Sep, 2016</b>	-72.51	-81.47	-25.09	12.65	4.22
<b>Oct, 2016</b>	-81.35	-106.68	-67.93	78.49	78.96

### Outlook:-

Import parity for CDSO Argentina and CDSO Brazil are in disparity due to costlier imports. We expect CDSO import parity to be in parity in November. Parity in palm oil products may increase palm oil imports in the coming days.

**Technical Analysis (Refined soy oil Monthly Charts)**


**Outlook – Prices are likely to trade sideways to weak tone in the days ahead. Investors are advised to sell refined soy oil (December contract) on pullbacks.**

- Monthly chart of refined soy oil at NCDEX featured gains in the prices. We expect sideways to weak movement in the coming days.
- Any close above 680 in monthly chart might take prices to take the prices to 700 levels.
- Expected price band for next month is 640-700 level in near to medium term. RSI is moving up indicating downtrend at current levels.

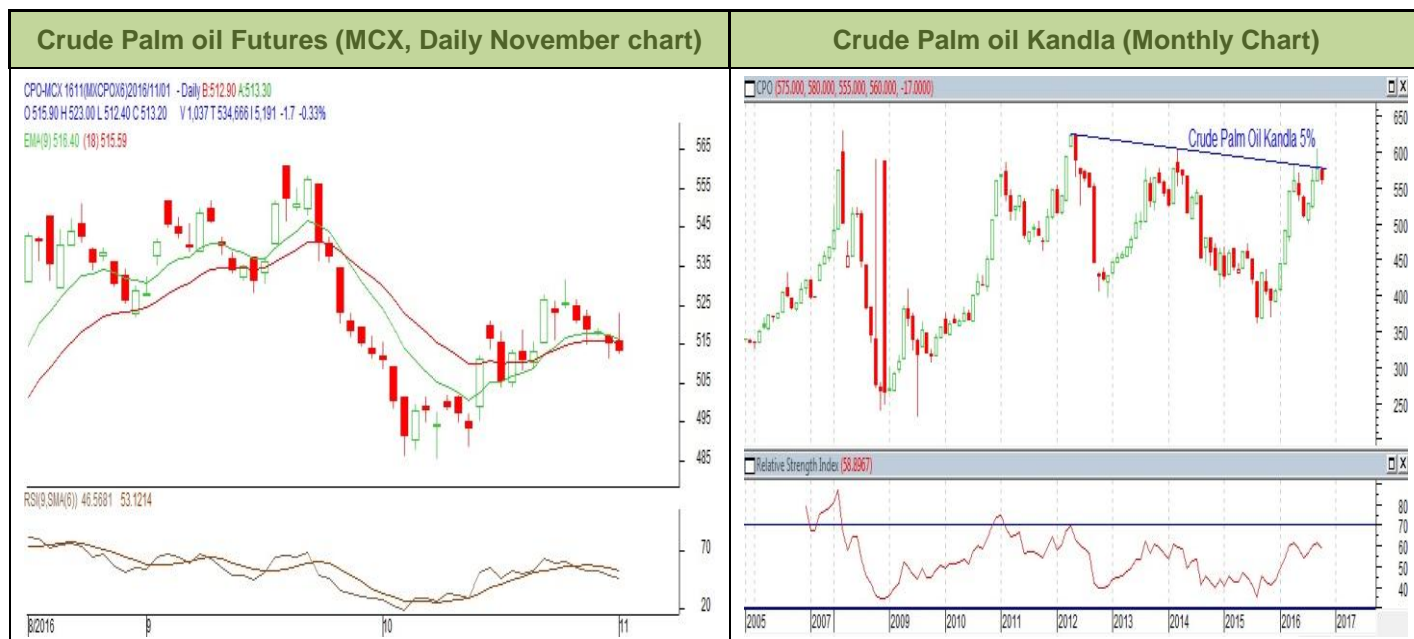
**Strategy:** Market participants are advised to go short in RSO below 685 for a target of 665 and 660 with a stop loss at 695 on closing basis.

**RSO NCDEX**

Support and Resistance				
S2	S1	PCP	R1	R2
640.00	666.00	677.5	680.00	700.00

**Spot Market outlook:** Refined soy oil Indore (including VAT) is likely to stay in the range of 640-700 per 10 Kg.

### Technical Analysis (Crude Palm oil Monthly Charts)



**Outlook - Prices may trade with a sideways to weak tone in the coming days. Investors are advised to sell MCX CPO (November contract) on pullbacks.**

- Candlestick monthly chart of crude palm oil at MCX depicts fall in prices. We expect prices to feature sideways to weak tone in the near term.
- Any close below 500 in monthly chart might bring the prices to 480 levels.
- Expected price band for next month is 470-550 level in near to medium term. RSI along with Stochastic and MACD are indicating downtrend.

**Strategy:** Market participants are advised to go short in CPO below 530 for a target of 510 and 500 with a stop loss at 540 on closing basis.

#### CPO MCX

Support and Resistance				
S2	S1	PCP	R1	R2
480.00	500.00	522.00	531.00	548.00

**Spot Market outlook:** Crude palm oil Kandla is likely to stay in the range of 520-600 per 10 Kg.



### Monthly spot prices comparison

Commodity	Centre	Prices(Per 10 Kg)		Change
		31-Oct-16	30-Sep-16	
Refined Soybean Oil	Indore	670	650	20
	Indore (Soy Solvent Crude)	640	620	20
	Mumbai	680	660	20
	Mumbai (Soy Degum)	630	615	15
	Kandla/Mundra	665	640	25
	Kandla/Mundra (Soy Degum)	635	610	25
	Kolkata	660	640	20
	Delhi	705	690	15
	Nagpur	673	668	5
	Rajkot	665	630	35
	Kota	670	650	20
	Hyderabad	679	670	9
	Akola	712	708	4
	Amrawati	713	708	5
	Bundi	680	650	30
	Jalna	718	NA	-
	Alwar	NA	NA	-
	Solapur	719	NA	-
	Dhule	716	NA	-
Palm Oil	Kandla (Crude Palm Oil)	532	577	-45
	Kandla (RBD Palm oil)	575	600	-25
	Kandla RBD Pamolein	590	620	-30
	Kakinada (Crude Palm Oil)	530	555	-25
	Kakinada RBD Pamolein	578	590	-12
	Haldia Pamolein	585	610	-25
	Chennai RBD Pamolein	580	600	-20
	KPT (krishna patnam) Pamolein	565	580	-15
	Mumbai RBD Pamolein	575	595	-20
	Delhi	640	665	-25
	Rajkot	582	610	-28
	Hyderabad	584	589	-5
	Mangalore RBD Pamolein	580	600	-20
	PFAD (Kandla)	445	465	-20
	Refined Palm Stearin (Kandla)	510	530	-20
Refined Sunflower Oil	Chennai	720	720	Unch
	Mumbai	735	740	-5

	Mumbai(Expeller Oil)	670	670	Unch
	Kandla	750	740	10
	Kandla/Mundra (Crude)	NA	NA	-
	Hyderabad (Ref)	722	717	5
	Latur (Expeller Oil)	740	725	15
	Chellakere (Expeller Oil)	660	675	-15
	Erode (Expeller Oil)	745	740	5
Groundnut Oil	Rajkot	875	1200	-325
	Chennai	860	1000	-140
	Delhi	900	950	-50
	Hyderabad *	920	980	-60
	Mumbai	960	1190	-230
	Gondal	875	1200	-325
	Jamnagar	875	1150	-275
Rapeseed Oil/Mustard Oil	Jaipur (Expeller Oil)	825	842	-17
	Jaipur (Kacchi Ghani Oil)	859	883	-24
	Kota (Expeller Oil)	800	820	-20
	Kota (Kacchi Ghani Oil)	860	880	-20
	Neewai (Kacchi Ghani Oil)	825	825	Unch
	Neewai (Expeller Oil)	800	865	-65
	Bharatpur (Kacchi Ghani Oil)	890	900	-10
	Alwar (Kacchi Ghani Oil)	NA	NA	-
	Alwar (Expeller Oil)	NA	NA	-
	Sri-Ganga Nagar(Exp Oil)	830	840	-10
	Sri-Ganga Nagar (Kacchi Ghani Oil)	865	875	-10
	Mumbai (Expeller Oil)	820	840	-20
	Kolkata(Expeller Oil)	1040	1050	-10
	New Delhi (Expeller Oil)	830	860	-30
	Hapur (Expeller Oil)	850	850	Unch
	Hapur (Kacchi Ghani Oil)	920	940	-20
	Agra (Kacchi Ghani Oil)	895	905	-10
Refined Cottonseed Oil	Rajkot	630	690	-60
	Hyderabad	665	680	-15
	Mumbai	705	705	Unch
	New Delhi	650	660	-10
Coconut Oil	Kangayan (Crude)	930	925	5
	Cochin	790	790	Unch
	Trissur	950	925	25



Sesame Oil	New Delhi	700	700	Unch
	Mumbai	730	730	Unch
Kardi	Mumbai	830	830	Unch
Rice Bran Oil (40%)	New Delhi	470	495	-25
Rice Bran Oil (4%)	Punjab	600	615	-15
Rice Bran Oil (4%)	Uttar Pradesh	600	615	-15
Malaysia Palmolein USD/MT	FOB	700	710	-10
	CNF India	718	725	-7
Indonesia CPO USD/MT	FOB	695	700	-5
	CNF India	718	725	-7
RBD Palm oil (Malaysia Origin USD/MT)	FOB	695	700	-5
RBD Palm Stearin (Malaysia Origin USD/MT)	FOB	715	710	5
RBD Palm Kernel Oil (Malaysia Origin USD/MT)	FOB	1660	1475	185
Palm Fatty Acid Distillate (Malaysia Origin USD/MT)	FOB	640	623	17
Crude palm Kernel Oil India (USD/MT)	CNF India	1410	1450	-40
Ukraine Origin CSFO USD/MT Kandla	CIF	840	825	15
Rapeseed Oil Rotterdam Euro/MT	FOB	850	760	90
<b>Argentina FOB (\$/MT)</b>		<b>28-Oct-16</b>	<b>29-Sep-16</b>	<b>Change</b>
Crude Soybean Oil Ship		786	767	19
Refined Soy Oil (Bulk) Ship		814	794	20
Sunflower Oil Ship		765	770	-5
Cottonseed Oil Ship		766	747	19
Refined Linseed Oil (Bulk) Ship		806	787	19
<i>* indicates including VAT</i>				

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