



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, palm oil, groundnut oil, rapeseed oil and sunflower oil closed lower while coconut oil closed higher.

Coconut oil (Kangayan) was the best performer among the edible oil complex tracking firm demand and weak supply in the cash market. However, rapeseed oil (Kota) was the worst performer ending weak rapeseed prices.

We expect soy oil and palm oil to trade weak of weak fundamentals.

Recommendation:

Market participants are advised to go short in RSO below 695 for a target of 675 and 670 with a stop loss at 705 on closing basis.

Market participants are advised to go short in CPO below 585 for a target of 565 and 560 with a stop loss at 595 on closing basis.

Market Participants can buy refined soy oil in the cash markets at 680-690 for the target of 720-730 levels (Indore including taxes), if needed. Market Participants can buy CPO Kandla 5% in the cash markets at 570-580 for the target of 610-620 levels, if needed.

International Veg. Oil Market Summary

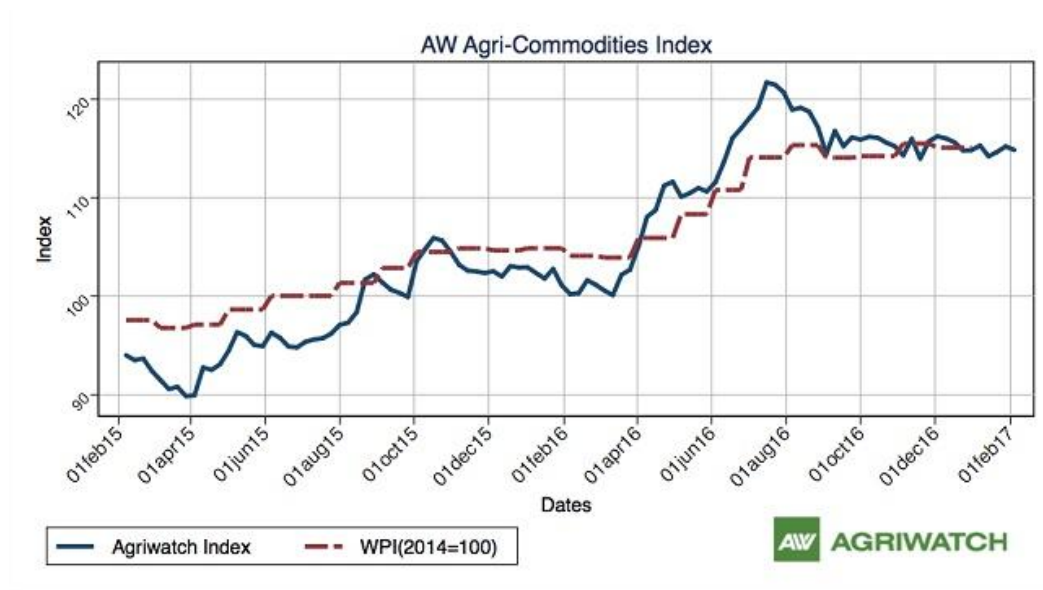
CBOT soy oil (March) is expected to stay in the range of 30 cents/lb to 36 cents/lb. CPO at BMD (March) is likely to stay in the range of 2900-3400 ringgits per ton. Focus during the coming days will be firm ringgit, weak Chinese demand, EPA biodiesel regulations, lower production of biodiesel in Argentina, lower production of soy oil in Argentina, slow rise in palm oil ending stocks in Malaysia, higher stocks of soy oil in US and Argentina, weak exports of palm oil from Malaysia and, higher stocks of soy oil in US and strong crude oil prices.

Malaysia's January palm oil exports rose 4.3 percent to 1,157,288 tons compared to 1,109,606 tons in December 2016. Top buyers were European Union at 213,950 tons (257,808 tons), China at 145,510 tons (176,477 tons), India at 140,550 tons (154,525 tons), United States at 50,350 tons (43,620 tons) and Pakistan at 31,500 tons (46,150 tons). Values in brackets are figures of December 2016: SGS

On the international front, lower EPA biodiesel regulations in US, lower exports of biodiesel in Argentina, lower production of soy oil in Argentina, higher stocks of soy oil in US and Argentina are bearish for the soy complex in the coming days.

Strong ringgit, weak exports of palm oil exports from Malaysia, weak Chinese and Indian demand, higher production of palm oil in Indonesia, weak competitive oils, lack of support from Chinese markets is bearish for palm oil prices in the near term.

Agriwatch Index



- The Agriwatch Agri Commodities Index dipped 0.32% to 114.85 during the week ended Feb 4, 2017 from 115.21 during the previous week. The base for the Index and all sub-Indices is 2014 (= 100).
- Commodity price trends were mixed with 4 of the 9 commodity group sub-Indices gaining during the week. Gains in cereals and non-food articles were offset by declines in pulses and edible oils.

Agriwatch edible oil index



- Agriwatch edible oil index fell 1.38 percent in the week ended February 4, 2017 to 111.13

"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. The daily indices are available on subscription. Please contact for more details."

Soy oil: Domestic Market Fundamentals

➤ Refined soybean oil prices featured downtrend at its benchmark market at Indore during the month in review on firm supply. Average prices of refined soy oil increased in January. Prices of refined soy oil fell across board in major centers in India. However, prices in various centers rose in Maharashtra. CDSO prices fell at Kandla/Mudra and JNPT.

➤ Agriwatch view—Soy oil prices witnessed downtrend in month of January on firm supply.

Fall in domestic prices were less than fall in international soy oil prices, indicating firm demand. Domestic CDSO prices fell less than CDSO CNF prices indicating firm demand.

Prices fell on seasonal downtrend of prices.

Fall in prices of palm oil and rapeseed oil supported fall.

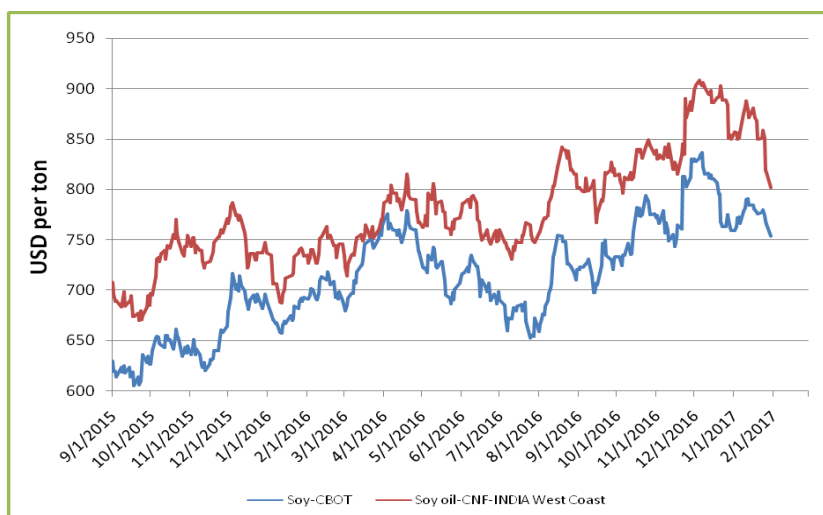
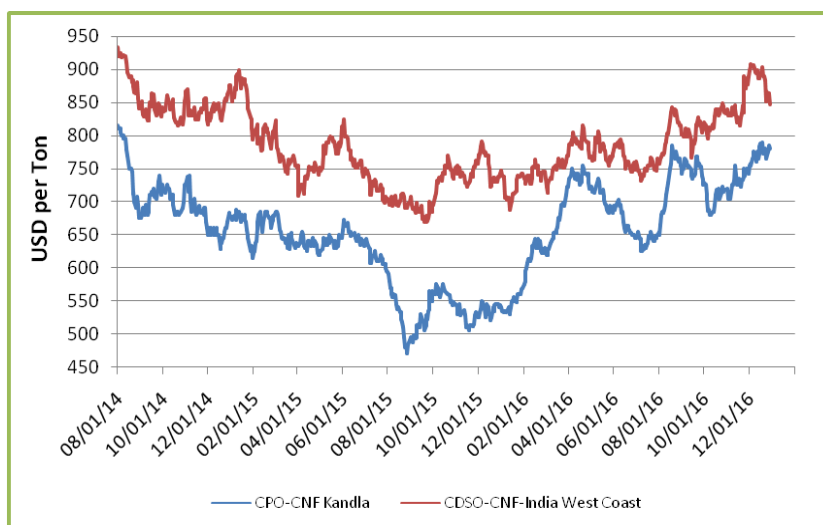
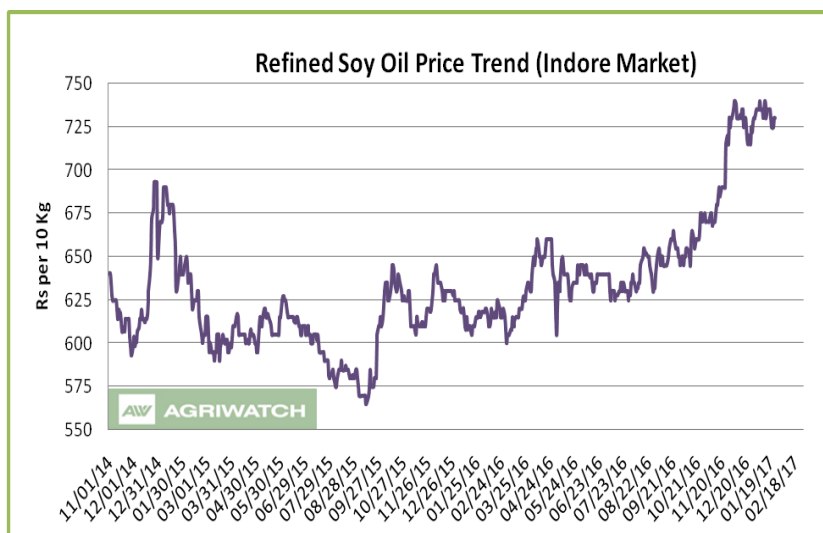
Fall in prices of soybean in domestic market supported losses of soy oil.

Soy oil premium over palm oil has decreased to Rs 127 (Rs 140 last month) per 10 Kg which will support prices. Imports will rise on low CDSO premium over CPO at USD 25 (USD 64) per ton for January delivery.

Both landed cost and refining margins are in parity.

Third chart from top 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 decreased due to decrease in basis (spot prices – futures prices).



Refiners can buy their consignment as bases have decreased with improvement of supplies and record soybean crop in South America 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.

Firm export demand of soy meal has led to higher crushing and higher production of soy oil leading to lower prices of soy oil.

Export demand of soy meal has improved in 2016/17 from India due to higher crop of soybean.

Fall in Indian markets were also supported by BMD Malaysia.

CDSO demand was weak at CNF markets as fall in CDSO CNF compared to last month was higher than fall in CDSO FOB Argentina compared to last month.

CDSO demand was firm at high seas compared to CNF markets as fall in CNF markets were higher than fall in high seas indicating firm demand in domestic markets.

Imports of soy oil increased in December compared to November while it was lower than December 2015 while stocks at ports and pipelines increased in December indicating firm supply.

Demand will increase in February due to winters which will support demand.

Prices of soy oil are expected to be firm on firm demand on winters, seasonal uptrend of prices and low premium of soy oil over palm oil.

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

- Soy oil import scenario – According to SEA, India imported 2.32 lakh tons of soy oil in December 2016 v/s 4.90 lakh tons in December 2015, down 52.7 percent y-o-y.
- According to Solvent Extractors Association (SEA), India's December edible oil imports fell 16.7 percent y-o-y to 11.74 lakh tons from 14.09 lakh tons in December 2015. Palm oil imports fell 8.6 percent y-o-y to 7.23 lakh tons y-o-y from 7.91 lakh tons in December 2015. CPO Imports fell 14.2 percent y-o-y to 4.73 lakh tons from 5.51 lakh tons in December 2015. RBD palmolein imports rose 6 percent y-o-y to 2.46 lakh tons from 2.32 lakh tons in December 2015. Soy oil imports fell 52.7 percent y-o-y to 2.32 lakh tons from 4.90 lakh tons in December 2015. Sunflower oil imports rose 44.3 percent y-o-y to 1.85 lakh tons from 1.03 lakh ton in December 2015. Rapeseed (Canola) oil imports rose 27 percent y-o-y to 0.33 lakh tons from 0.26 lakh tons in December 2015.
- According to Solvent Extractors Association (SEA), India's December edible oil stocks at ports and pipelines rose 1.1 m-o-m to 18.45 lakh tons from 18.25 lakh tons in November 2016. Stocks of edible oil at ports rose to 695,000 tons (655,000 tons last month) which includes (CPO 240,000 tons, RBD Palmolein 145,000 tons, Degummed Soybean Oil 210,000 tons, Crude Sunflower Oil 90,000 tons and 10,000 tons of Rapeseed (Canola) Oil) and about 1,150,000 tons in pipelines (stocks in pipelines were at 1,170,000 tons in November). India is presently holding 34 days of edible oil requirement on 1st January, 2016 at 18.45 lakh tons compared to 33 days of requirements last month. India's monthly edible oil requirement is 16.5 lakh tons.

- According to United States Department of Agriculture (USDA) January estimate, India's 2016/17 soy oil end stocks is estimated to rise to 0.45 MMT compared to 0.37 MMT in December estimate. Opening stocks are increased to 0.53 MMT from 0.45 MMT in January estimate. Production of soy oil is increased to 1.62 MMT from 1.51 MMT. Imports were unchanged at 3.8 MMT. Domestic consumption is increased to 5.5 MMT from 5.4 MMT. Higher end stocks are due to higher opening stocks and higher partially set off by higher domestic consumption.
- India's soy meal and its other value added products (HS Code 2304) during December 2016 is 2,41,256 tons compared to 28,870 tons in December 2015 showing an increase of 735.6% over the corresponding period of last year. On a financial year basis, the export during April'2016 to December'2016 stood at 4,46,130 tons as compared to 3,02,304 tons in the corresponding period of previous year showing an increase of 47.58%. During current Oil year, (October – September), total exports during October 2016 to December, 2016 is 3,70,398 tons as against 1,00,776 tons last year, showing an increase by 267.55%. France (87150 MT), Bangladesh (80300 MT), Japan (39459.48 MT), Myanmar (21686 MT) and Oman (5705 MT) were the key buyers of Indian origin meal in December.
- Imported crude soy oil CIF at West coast port is offered at USD 820 (USD 854) per ton for February delivery. March delivery is offered at USD 820 per ton and April delivery is offered at USD 810 per ton as on February 3, 2017. CIF CDSO November average price was USD 854.08 (USD 884.56) per ton. Values in brackets are figure of December, 2016
- On the parity front, margins were in disparity during the month and we expect margins to improve in the coming days. Currently refiners lose USD 5-10 per ton (January average) v/s loss of USD 50-55 per ton (December 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 – Fall in RIN (Renewable Identification Numbers) which is used to set prices of bio-fuel fell to one-year low on Trumps administration to delay EPA (U.S. Environmental Protection Agency) decision. A set of 30 regulations finalized by Obama administration implementation led to steady fall in prices of soy oil on expectation that Trump administration will relax requirements and place it with quota system. Appointment of Carl Icahn as special advisor of regulation in US and head of EPA by Trump administration and who is critic of soy based biodiesel will underpin prices in medium term.

Soy oil is used in advance biodiesel production in US and more than 50 percent of feedstock is from soy oil. Most of the biodiesel is imported by Argentina which now must seek other markets. This will weaken soy oil prices as there is still oversupply of soy oil in medium term.

Prices of soy oil will remain weak as there is no trigger of shortage of soy oil in international markets.

NOPA reported higher stocks of soy oil in US in December on higher recovery of soy oil from soybean which led to higher soy oil production. Crush of soybean was higher in December. Soybean crush was higher than corresponding period last year. Production of soy oil was higher than corresponding period last year. Soy oil

stocks were lower than corresponding period last year. Soy oil production and stocks are expected to fall in January on lower crush of soybean due to lower demand from feed mills. Lower stocks of soy oil will support soy oil prices in medium term.

USDA increased US 2016/17 soy oil end stocks of US in its January estimate on higher production of soy oil on higher crush of soybean and higher extraction rate.

Supply of palm oil in 2017 will improve and most of the lost production of palm oil due to El Nino in 2016 will be recovered in 2017. Recovery of production of palm oil in 2017, record production of soy oil, record production of sunflower oil in Russia and record production of canola will underpin soy oil with oversupply of edible oils in international markets.

Argentina production of soy oil increased 8.5 percent in first 11 months of 2016 indicating higher crushing of soybean in Argentina which led to higher production of soy based biodiesel. Higher production of soy oil was due to President Mauricio Macri cutting of export duties of soy products.

However, with Trump administration backing on biodiesel imports on 30 regulation drafted by Obama administration will lead to higher end stocks of soy oil in Argentina.

Soybean crop condition in Argentina is in good condition with losses limited as crop losses were less than estimate. Soybean areas in some provinces which were dry have received beneficial rains. Replanting has been done in areas where there were crop losses and the crop is in good condition in these areas. Good weather is expected in soybean areas. With better crops in Argentina yields will be reported higher which will increase crop. Argentina government will revise soybean crop higher in coming months.

USDA kept Argentina soybean crop estimate at 57 MMT. However, USDA is expected to decrease soybean crop in Argentina in its February estimate.

Brazil has stated harvesting soybean crop with pace of harvest has slowed down as rains in some areas slowed harvest in early first half of January. However, no crop losses were recorded. Weather is expected to be conducive for harvest and crop will be record in current marketing year.

All the major forecasting agencies have revised soybean crop higher. USDA is expected to report higher soybean crop in its February estimate.

With higher crops in Brazil exports of soybean from Brazil is expected to touch record levels at 60 MMT and soybean crop is expected between 103-106 MMT, according to USDA and various agencies.

In US, crushers are not crushing at the pace compared to corresponding period last year despite record crop in 2016/17. Demand from feed mills is low compared to corresponding period as they expect lower prices of soy meal. This will lead to lower crush of soybean which will lead to lower production of soy oil leading to lower stocks of soy oil in December and January.

Soybean exports from US are expected to be steady in January due to higher buying by China on demand for Chinese New Year. However, US trade war with China and US backing for TPP (Trans Pacific Partnership) can lead to lower buying from China in coming months which will lead lower exports from US. This will lead to higher end stocks of soybean in US in 2016/17.

Demand of soy oil from India is expected to be firm in January due to lower soy oil premium over palm oil.

Competitive oils will underpin prices in near term.

Rise in crude oil prices in February will support soy oil prices in medium term.

Soy oil prices are in a range.

- According to United States Department of Agriculture (USDA) January estimate, U.S 2016/17 ending stocks of soy oil is estimated to rise to 1,652 million lbs from 1,522 million lbs in January estimate. Opening stocks were unchanged at 1,687 million lbs. Production of soy oil in 2016/17 is estimated to rise to 22390 million lbs from 22,290 million lbs. Imports in 2016/17 are unchanged at 275 million lbs. Biodiesel use in 2016/17 was unchanged at 6,200 million lbs. Food, feed and other industrial use in 2016/17 were unchanged at 14,350 million lbs. Exports in 2016/17 are kept unchanged at 2,150 million lbs. Average price range estimate is increased to 34 - 37 cents/lbs from 34.5-37.5 cents/lbs in January estimate. Rise in end stock is due to higher production of soy oil on higher recovery of soy oil from soybean.
- According to National Oilseed Processors Association (NOPA), U.S. November soybean crush fell to 160.742 million bushels from 164.641 million bushels in October, up by 2.4 percent m-o-m. Crush of soybean in November 2015 was 156.134 million bushels. Production of soy oil in U.S. in November fell to 1.856 billion lbs from 1.911 billion lbs in October 2016. Production in November 2015 was 1.802 billion lbs. Soy oil stocks in U.S. at the end of November fell marginally to 1.339 billion lbs compared to 1.343 billion lbs in October 2016. Stocks of soy oil in November were lower by 9.3 percent compared to November 2015, which was reported at 1.477 million lbs. Yield fell to 11.55 lbs/bushel in October from 11.61 lbs/bushel in November. Yield in November 2015 was reported at 11.54 lbs/bushel.
- In the monthly report, Informa has raised Brazil's 2016/17 soybean to 106.5 million tons, up 105 million in its previous estimate in December. It has kept Argentina's 2016/17 soybean production unchanged at 55.0 million tons. The rise in production is attributed to favorable weather which has boosted the yield potential mainly in Midwest and Southeast. The harvest in Mato Grosso is expected to stand at 30.06 million tons, 9% above previous season. In the state of Parana it is expected at 17.8 million tons, up 7%. In Rio Grande do Sul, the harvest is likely to reach 16.5 million tons, up 1% from 2015/16. Informa Economics has raised its Brazil's 2016/17 soybean crop and kept the Argentina's production estimate unchanged.
- INTL FC Stone has raised its estimate of Brazil's 2016/17 soybean production to 104.1 million tons which is up from 102.8 million estimated in the January. Better yield is attributed to the higher production estimate. The consultancy has not reduced the planted area estimate while increased the productivity to 3.1 tons per hectares compared to 3.06 tons per hectares in January.
- Dry weather has improved the Argentina's 2016/17 soybean crop development. This is despite recent flood. The overall Argentine crop is in good condition.
- European Union's 2016/17 soybean imports, by 31 Jan. 2017, have fallen by 6% to 7.6 million tonnes from 8.1 million tons registered at the corresponding period last year. Besides, the EU 2016/17 soy meal imports, by 31 Jan. 2017, are down by 14% at 10.7 million tons from 12.4 million previous year.
- The gains in the CBOT soybean was limited on the estimated record Brazilian soybean production and improving weather in Argentina after heavy rains previously. The lined up vessels at the Brazilian ports points that about 4.39 million tons of soy is expected to be shipped to the foreign buyers which is about 97% more than the corresponding period last year, data released by shipping agency Wilson Sons compiled by Reuters.

- China's December 2016 soybean imports stood at 9 million tons, highest in a year, to meet fresh additional winter demand. The imports are up 14.8% from 7.84 million tons imported in November. China's total soybean imports in 2016 stood at 83.9 million tons which is up 2.7% from 2015. This was the smallest growth registered in years due to slowdown in China's economy and rise in country's own soybean production and sales from state inventories.
- After AgRural and Conab, Agroconsult has raised the Brazil's 2016/17 soybean production projection to 104.4 million tons from 102.6 million tons estimated in November. The raise is attributed to favorable weather conditions which helped to boost the yield potential. Brazil's 2015/16 soybean production fell due to the unfavorable weather condition and the country could harvest only 96.3 million tons of soybean.
- Conab, the Brazilian government agency, has raised the Brazil's 2016/17 soybean production forecast to 103.8 million tons from its December forecast of 102.45 million tons. The raise is attributed to the favorable weather which has boosted the yield. Brazil's 2015/16 soybean production stood at 95.4 million tons, when the production was hit due to the dry weather conditions. Further Brazil is likely to export 57 million tons of soybean in 2016/17 compared to 51.6 million tons in 2015/16.
- The lined up vessels at the Brazilian ports, points that about 4.39 million tons of soy is expected to be shipped to the foreign buyers which is about 97% more than the corresponding period last year, data released by shipping agency Wilson Sons compiled by Reuters. This clearly indicates strong global soy demand.
- According to China's General Administration of Customs (CNGOIC), China's imports of edible vegetable oil in December rose 49 percent to 7.6 lakh tons compared to 5.1 lakh tons in November. Imports fell 1.3 percent from December 2015 which was at 7.7 lakh tons. Year to date imports of edible vegetable oil fell 18.3 percent to 55.30 lakh tons.
- Argentina's soybean planting is 46% (9 million hectares) complete of the 19.6 million hectares projected to be planted with soybean in 2016/17. The planting is lagging by 8.4% from the corresponding period last year. Further, the weather is favorable for the soybean after recent rainfall which has increased the soil moisture, reported by Buenos Aires Grains Exchange.
- According to China's General Administration of Customs (CNGOIC), China's imports of edible vegetable oil in October fell 40.4 percent to 3.10 lakh tons compared to 5.20 lakh tons in September. Imports fell 35.4 percent from October 2015 which was at 4.80 lakh tons. Year to date imports of edible vegetable oil fell 21.4 percent to 42.50 lakh tons.
- US 2016 biodiesel production rose 28.6 percent to 1.8 million gallons compared to 1.4 billion gallons in 2015, according to National Biodiesel Board. Demand of biodiesel and renewable diesel in 2016 rose to record of 2.9 billion gallons, higher by 40 percent. Imports increased 1 billion gallons in 2016, higher by 50 percent y-o-y.
- USDA WASDE Oilseeds Highlights: The 2016/17 U.S. season-average farm price forecast for soybeans is projected at \$9.00 to \$10.00 per bushel, from \$8.70 to \$10.20, up 5 cents at the midpoint. The soybean meal price forecast is unchanged at \$305 to \$345 per short ton. The soybean oil price forecast of 34 to 37 cents per pound is lowered 0.5 cents at the midpoint.

Price Outlook: We expect Ref. soy oil with VAT to trade in the price band of Rs 660-760 per 10 Kg.

Balance Sheet (Quarterly)- Soy Oil, India

Fig. in lakh tons

	2015-2016	2016-17-F	Nov-Jan-F	Feb-Apr-F	May-July-F	Aug-Oct-F
Opening Stock	5.58	6.55	6.55	8.55	7.85	6.75
Production (Domestic)	12.75	19.80	9.11	2.38	2.38	5.94
Imports	42.35	42.00	10.08	10.50	10.08	11.34
Imported oil processing	41.21	40.87	9.81	10.22	9.81	11.03
Total Production (Domestic production and imported oil production)	53.96	60.67	18.92	12.59	12.18	16.97
Total Supply	59.54	67.22	25.46	21.14	20.04	23.72
Consumption	52.99	60.41	16.91	13.29	13.29	16.91
Exports	0.00	0.00	0.00	0.00	0.00	0.00
Ending Stock	6.55	6.81	8.55	7.85	6.75	6.81

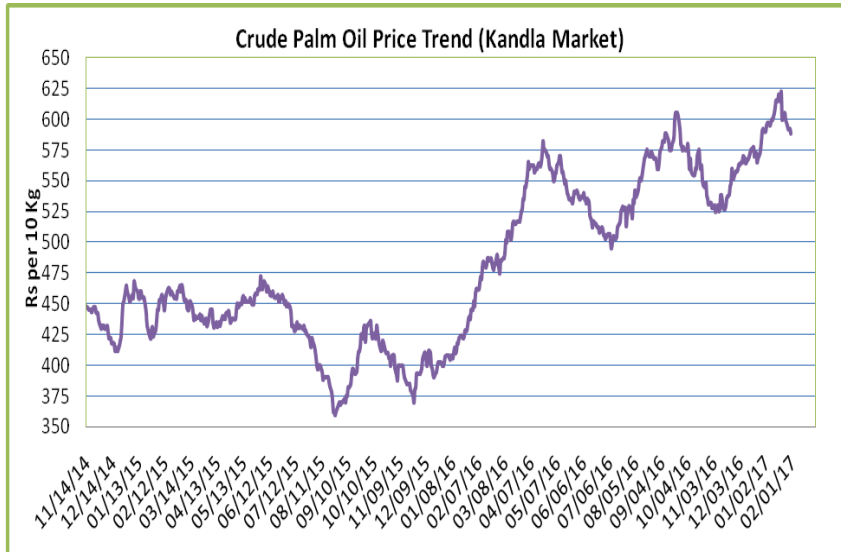
Source: AW estimates
Oil year- November-October

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 quarter of oil year 2016-17 is higher compared to last three quarter.
- Higher carry out in Nov-Jan is high due to higher domestic production.
- Carryout stocks of oil year 2015-16 is 6.55 lakh tons on higher soy oil imports.
- Carry out of oil 2016-17 is 6.81 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 January at its benchmark market at Kandla on weak demand. CPO prices rose in Kakinada. RBD palmolein prices rose across board in India. Superolein prices were unchanged in Kandla and Mumbai. CPO-CNF and RBD palmolein-CNF India prices rose in January.
- Agriwatch view – Crude palm oil prices fell in Kandla on weak demand.



CPO prices in India are struggling as RBD palmolein is available at cost below CPO. Raw material is available at the cost of finished goods which has shifted demand towards imports of RBD palmolein compared to CPO. Idle capacities of plants have increased due to availability of lower priced RBD palmolein. Inverted export duty structure in Malaysia is the reason of higher imports of RBD palmolein. RBD palmolein a CNF is selling below CPO CNF.

Palm oil industry is bleeding as duty differential of refined palm oil vs crude palm oil is just 7.5 percent whereas industry is asking for 15 percent differential. However, due to inverted duty structure in Malaysia higher duty differential is necessary.

Demand of RBD palmolein was firm in domestic markets in January compared to CNF markets as rise in prices RBD palmolein at high seas was higher than rise in CNF markets. Superolein prices remained unchanged while Vanaspati prices rose more in domestic markets compared to CPO and RBD palmolein indicating firm demand.

Prices of CPO fell in India while it rose in BMD CPO.

Prices of CPO in India CNF rose more than CPO FOB Indonesia indicating firm demand at CNF markets while RBD palmolein rose more in CNF markets compared to FOB markets indicating weaker demand compared to CPO.

CPO prices rose less than RBD palmolein prices at Rs 40 (Rs 25 last month) per 10 kg indicating weak demand of CPO compared to RBD palmolein.

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. Fall in ringgit has supported the rise. This led to lower CPO imports in India and higher imports of RBD palmolein.

RBD palmolein rose more at high seas compared to CNF markets indicating firm demand. RBD palmolein prices rose across board in India.

Prices of CPO rose more at CNF-Kandla compared to Indonesia FOB indicating firm demand.

RBD palmolein rose less in India CNF-Kandla compared to Malaysia FOB indicating weaker demand at CNF markets. However, rise in CPO CNF was more than RBD palmolein CNF-Kandla at Rs 40 (Rs 25 last month).

CPO imports fell in December compared to November while stocks at ports and pipelines rose indicating weak demand in India. RBD palmolein imports rose in December compared to November while stocks at ports and pipelines fell indicating firm demand in India. However, on y-o-y basis in December both CPO imports decreased while RBD palmolein imports rose. Rise in imports of RBD palmolein in December was marginally higher than December 2016.

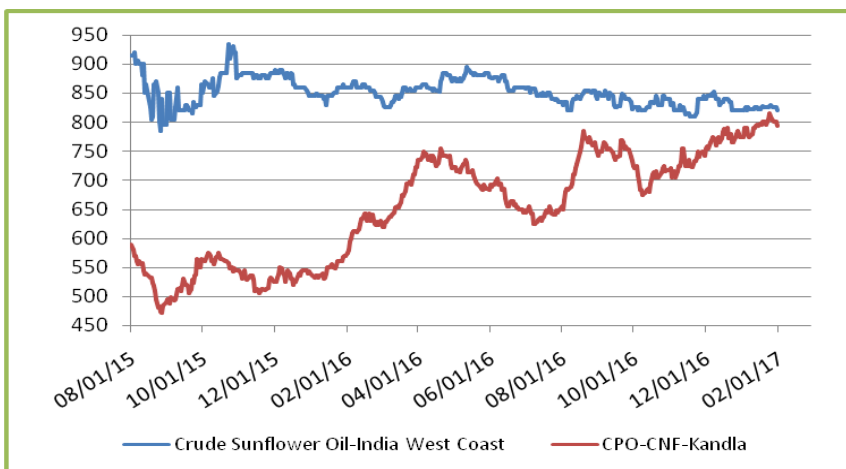
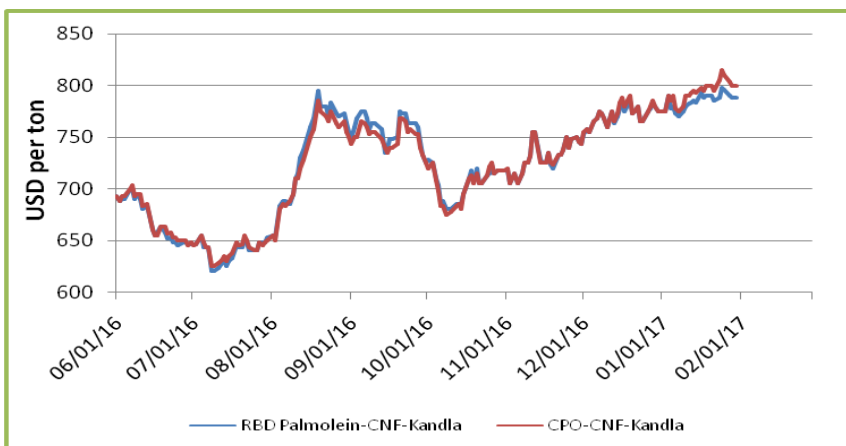
Lower price differential of CNF RBD palmolein and CNF CPO has resulted in higher imports of RBD palmolein imports in oil year 2015-16 and slowdown of CPO imports.

CPO and RBD palmolein landed was in disparity while refining margins are positive. Positive refining margins will support imports.

The second chart indicates that RBD palmolein-CNF has fallen below CPO-CNF and this trend is continuing from last month.

Decreasing soy oil premium over palm oil which is hovering at Rs 127 (Rs 140 last month) per 10 Kg will decrease demand of palm oil and decrease imports.

Previous chart in soy oil section shows that premium of soy oil over palm oil has decreased in December at CNF markets USD 25 (USD 64) per ton which will decrease imports. Low premium of crude sunflower CNF India West coast and CPO CNF will cap gains of CPO and RBD palmolein imports in medium term. Low premium of CSFO-India West coast over CPO-CNF indicates higher demand of CPO at CNF markets



compared to CSFO-CNF. Low premium of sunflower oil over palm oil will weaken CPO demand in medium term.

Positive refining margins will increase imports.

Prices of palm oil will fall in medium term on weak demand.

- Palm oil import scenario – According to SEA, India imported 7.23 lakh tons of palm oil in December 2016 v/s 7.91 lakh tons in December 2015, down 8.6 percent y-o-y. CPO imports slowed to 4.73 lakh tons in December compared to 5.51 lakh tons in December 2015, lower by 14.2 percent y-o-y. RBD palmolein imports rose 6 percent in December to 2.46 lakh tons from 2.32 lakh tons in December 2015.
- On the trade front, CNF CPO (Indonesian origin) at Indian port is quoted at USD 795 (USD 792.5) per ton for February delivery. March delivery is quoted at USD 785 per ton. Moreover, RBD palmolein (Malaysian origin) CNF at Indian port is offered at USD 790 (USD 792.5) per ton for February delivery. March delivery is quoted at USD 777.50 per ton. CPO duty paid prices ready lift quoted at Rs 588 (Rs 595) per 10 Kg and February delivery is offered at Rs 586 (Rs 593) per 10 Kg on February 3, 2017. Values in bracket depict December, 2016 quotes.
- Palm oil imports will decrease in near term owing to lower CIF soybean oil premium versus CIF crude palm oil, which is hovering at USD 25 per ton (USD 64 per ton last month).
- On the parity front, margins improved during the month of January on higher price of palm oil imports and lower price of palm products in Indian markets and we expect margins to improve in coming days. Currently refiners lose USD 0-5/ton (January average) v/s loss of USD 20-25/ton (December average) margin in processing the imported CPO but on the imports of ready to use palmolein fetch USD 20-25/ton (January average) v/s loss of USD 10-15 (December average).
- We expect palm oil to trade sideways to firm tone in medium term.

International Market Fundamentals

- Agriwatch view – Palm oil end stocks in Malaysia in January is expected to show marginal fall on falling production and rise in exports. Palm oil end stocks showed marginal rise in December due to low production. Production fell 8 percent in December.

Production is expected to fall in January in Malaysia on lagged effect of El Nino and flooding in eastern part to Malaysia. However, with good rains in Malaysia and Indonesia yields will improve in medium term.

Malaysia and Indonesia lost 5-6 MMT of palm oil 2016 and is expected to show 4-5 MMT rise in 2017. Loss of production in 2016 due to El Nino will be completely reversed with La Nina phenomena in 2016-17.

However, various weather forecasting agencies models suggest that La Nina will be over by March. Neutral phenomena will happen in 2017 which will increase yields and rise in production.

Indonesia palm production will gain on plants planted until 2013 which will show incremental production.

Exports from Malaysia in January showed increase of 4-8 percent due to rise in imports from EU and unknown destinations. Imports from India and China were weak.

India imports showed decrease on weak demand in domestic market despite low stocks at ports and pipelines. And low premium of soy oil over palm oil. Higher oilseed crop in India also contributed to lower imports of palm oil.

China showed lower palm oil exports as stocking ahead of Chinese New Year was wrapped by mid of January. Fresh demand from China is expected only when prices decrease and stocks decrease in China.

BMD CPO fell 1.3 percent in January on weak demand from India and

China and weak cues from CBOT soy oil and RBD palmolein DALIAN towards the end of January. Prices in BMD CPO have stretched to far and some retracement was due.

RBD palmolein Malaysia prices fell 1.6 percent in January in Dollar terms on weak demand from India and China and fall in CBOT soy oil.

Ringgit is expected to appreciate in February which will underpin palm oil exports from Malaysia. Ringgit have been the key support of rally of palm oil which fell to record lows.

Moreover, prices were supported by higher crude oil prices.

Exports from Malaysia improved in last 10 days showing marked decrease which will affect palm oil exports from Malaysia in February. Top destinations will buy less in first 10 days of February

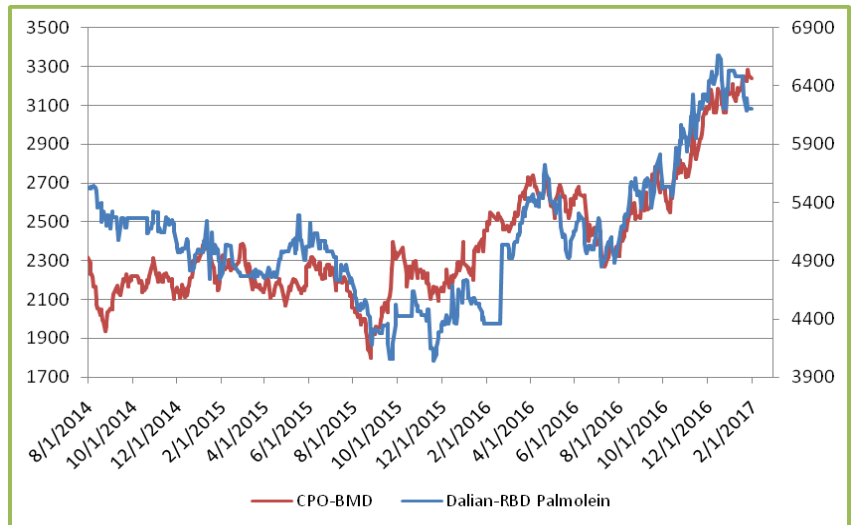
However, exports will remain weak until March due to seasonal downtrend of demand.

Production will stay weak in Malaysia in January and will only improve in second quarter of 2017 due to lagged effect of El Nino.

Prices of palm oil will be supported on rise in soy oil CBOT and RBD palmolein DALIAN. Below chart shows very high correlation between RBD DALIAN and BMD CPO.

Higher palm oil prices in China have direct effect on exports from Malaysia as China purchases more RBD palmolein from Malaysia. Recent data from CNGOIC show higher purchase of palm oil from Malaysia in December especially from Malaysia.

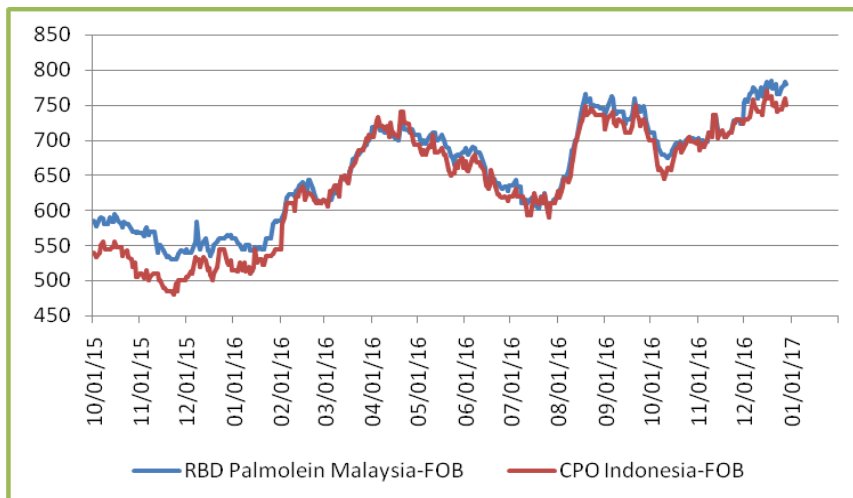
Exports from Malaysia are higher due to aggressive pricing of Malaysian RBD palmolein compared to Indonesia CPO which erodes stocks from Malaysia and support prices. Ringgit depreciation has supported



aggressive palm oil prices. However, Indonesia has lost its competition from Malaysia due to levy of USD 50 imposed by Indonesia and above that imports duty of US 18 have been imposed. Below Chart shows how competitive RBD palmolein prices from Malaysia and Indonesia CPO have fared which has led to loss of market share by Malaysia.

Indonesia imposed crude palm oil export duty of USD 18 in the range of USD 750-850 per ton over and above levy of USD 50 per ton on export of crude palm oil.

Higher duty on crude palm oil in Indonesia will attract buyers to sell crude palm oil to domestic buyers, according to GAPKI. Higher tax will be uncompetitive for domestic planters to export, according to GAPKI. However, higher export tax



on crude palm oil will make exports uncompetitive as export duty of USD 18 per ton will be charged apart from levy of USD 50 per ton. It will amount to asking planters not to export. Lower exports of crude palm oil from Indonesia will shift demand towards Malaysia which will lead to lower end stocks in Malaysia and support crude palm oil prices.

Malaysia increased CPO exports duty from 7 percent to 7.5 percent. Inverted duty structure in Malaysia is leading to drawdown of palm oil stocks from Malaysia and supported prices.

Demand from India and China will improve post March as demand season kicks in 2017. However, any major correction in palm oil prices will improve exports from top importing destinations.

Parity of palm oils in India 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 February from Malaysia.

Palm oil discount with crude degummed soy oil (CDSO) has decreased and will weaken exports to top exporting destinations.

Indonesia biodiesel mandate will consume incremental production in medium term in 2017 as spared between Gasoline and palm oil based biodiesel which will support palm oil prices. Crude oil prices are expected to rise which will decrease spread with palm oil and more palm oil will be used for production of palm oil.

Rise in crude oil prices will support palm oil prices in medium term.

Therefore, prices of palm oil are in a range.

- According to Malaysia Palm Oil Board (MPOB), Malaysia's December palm oil end stocks rose 0.2 percent to 16.65 lakh tons compared to 15.63 lakh tons in November. Market expectation was fall of end stocks. Production dropped 6.43 percent in December to 14.74 lakh tons compared to 15.75 lakh tons in November. Exports in December fell 7.48 to 12.64 lakh tons compared to November exports at 13.70 lakh tons. Imports in December fell 35.79 percent to 0.36 lakh ton compared to 0.57 lakh tons in November.

- According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's January palm oil exports rose 4.3 percent to 1,157,288 tons compared to 1,109,606 tons in December 2016. Top buyers were European Union at 213,950 tons (257,808 tons), China at 145,510 tons (176,477 tons), India at 140,550 tons (154,525 tons), United States at 50,350 tons (43,620 tons) and Pakistan at 31,500 tons (46,150 tons). Values in brackets are figures of December 2016.
- According to cargo surveyor Intertek Testing Services (ITS), Malaysia's January palm oil exports rose 8.1 percent to 1,174,893 tons compared to 1,086,523 tons in December 2016. Top buyers were European Union at 287,476 tons (308,802 tons), India & subcontinent at 222,100 tons (214,025 tons) and China at 151,710 tons (196,985 tons). Values in brackets are figures of December 2016.
- According to Indonesia Palm Oil Association, Indonesia's December 2016 palm and palm kernel oil exports fell 5.6 percent to 2.68 MMT from 2.84 MMT in November 2016. Exports rose 6.8 percent from December 2015 when exports were 2.51 MMT. Exports in November 2016 rose 17.8 percent compared to October 2016. Exports in October 2016 were 2.41 MMT.
- According to Indonesia Palm Oil Association, Indonesia's 2017 crude palm oil production is estimated to rise 12.7 percent to 35.5 MMT compared to 31.1 MMT in 2016. Heavy rains in 2016 will support palm oil production and growth in plantation in 2013 will bear fruit in 2017.
- Policy development- According to Malaysia Palm Oil Board (MPOB), Malaysia increased February palm oil export duty to 7.5 percent from 7 percent. Tax is calculated at reference prices of 3,279.76 ringgit (\$734.71). Prices above 2,250 are taxed from 4.5 percent to maximum of 8.5 percent. Malaysia increased January palm oil export duty from 6 percent to 7 percent in December.

According to Indonesia's trade ministry, Indonesia set February crude palm oil export duty at USD 18 per ton which will be triggered above USD 800 per ton. Export duty will be charged between USD 800-850 per ton. Tax will be calculated at a reference price of USD 815.5 per ton for February.

Higher duty on crude palm oil will attract buyers to sell crude palm oil to domestic buyers, according to GAPKI. Higher tax will be uncompetitive for domestic planters to export, according to GAPKI. However, higher export tax on crude palm oil will make exports uncompetitive as export duty of USD 18 per ton will be charged apart from USD 50 per ton. It will amount to asking planters not to export. Lower exports of crude palm oil from Indonesia will shift demand towards Malaysia which will lead to lower end stocks in Malaysia and support crude palm oil prices.

- According to China's General Administration of Customs (CNGOIC), China's December palm oil imports rose 1.77 percent to 6.80 lakh tons. Year to date imports fell 24.22 percent to 44.78 lakh tons. Imports from Indonesia in December fell 16.21 percent to 4.74 lakh tons while year to date imports fell 23.35 percent to 26.44 lakh tons. Imports from Malaysia in December rose 100.98 percent to 2.05 lakh tons while year to date imports fell 25.37 percent to 18.29 lakh tons.
- According to Malaysia Palm Oil Board (MPOB), Malaysia's palm oil production in 2017 is estimated to rise 12 percent to 19.4 MMT from 17.4 MMT in 2016. Exports of palm oil in 2017 from Malaysia will increase 11.2

percent to 17.85 MMT from 16.05 MMT in 2016. CPO prices are expected to remain firm in 2017, according to the board.

- **Price Outlook:** We expect CPO Kandla 5% to trade in the price band of Rs 540-620 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
Opening Stock	1.74	1.11	1.11	1.28	1.27	1.16
Production	0.20	0.20	0.05	0.05	0.05	0.05
Imports	8.44	9.28	2.32	2.14	2.23	2.60
Total Supply	10.38	10.59	3.48	3.47	3.55	3.81
Consumption	9.27	9.55	2.20	2.20	2.39	2.77
Ending Stocks	1.11	1.04	1.28	1.27	1.16	1.04

Source: AW estimates

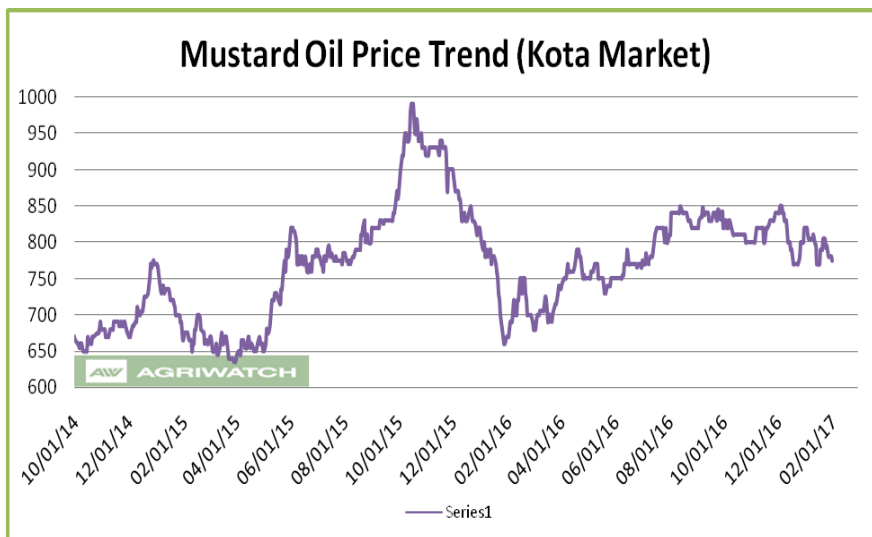
Oil year- November-October

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 improve compared to last year on lower imports duty compared to other edible oils.
- Carryout stocks of oil year 2015-16 are 1.10 million tons on lower imports.
- Carryout of 2016-17 is lower than 2015-16 due to higher imports of palm oil.
- Carry out of first quarter of oil year 2016-17 will be higher 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 January on fall in prices of rapeseed. Prices of expeller mustard oil fell across board in India. Kacchi ghani prices fell across board in India. Rapeseed (Canola) oil prices remained unchanged in January.
- Agriwatch view: Rapeseed oil prices traded lower in the month of January in various markets in India on fall in prices of rapeseed.



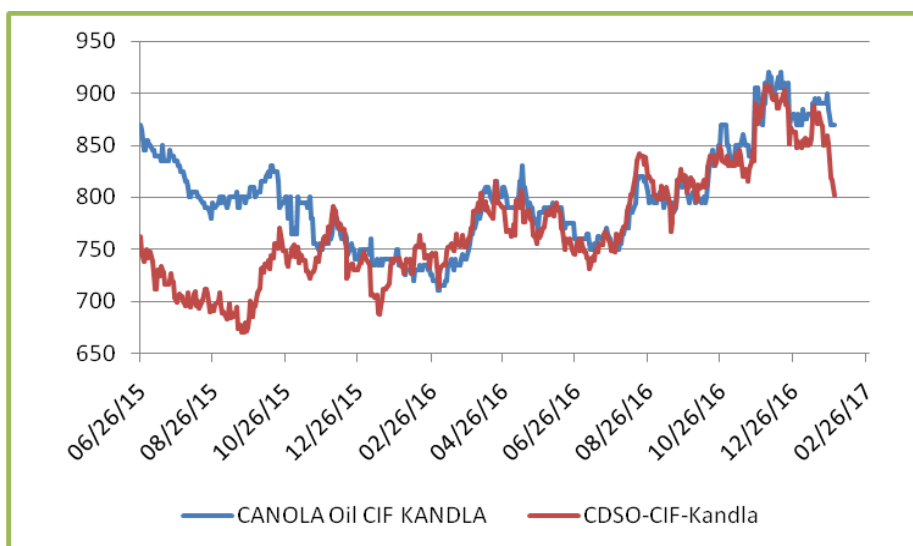
Weak rapeseed-mustard prices impacted prices of rapeseed oil. Rapeseed supplies improved in January with diminishing effect of demonetization.

Very good rapeseed-mustard crop is expected in current oil year which will improve supplies of rapeseed.

Agriwatch expected rapeseed-mustard oil crop at 6.8-6.9 MMT on higher sowing of rapeseed in MY 2017-18.

Prices fell on seasonal downtrend of prices.

Rapeseed oil prices were adversely affected by higher sowing of rapeseed-mustard.



Demand was weak. Traders are adequately stocked to support demand.

Winter demand is expected to rise until February which will support prices. Stockists and traders are adequately stocked as winters will be over in few weeks. Fresh demand of rapeseed oil arises ahead of holi festival in March. Till then prices will be lower. Rapeseed (Canola) oil prices remained unchanged in January.

Above chart shows prices of canola oil at CNF markets are closely following soy oil-CNF so weakness in soy oil will drag canola oil lower in CNF markets.

Prices of rapeseed oil are expected to trade sideways to weak on seasonal downtrend of prices, weak demand, fall in rapeseed prices and higher imports of canola oil.

- India imported 0.33 lakh tons of rapeseed (Canola) oil in December 2016 v/s 0.26 lakh tons in December 2015, lower by 27 percent y-o-y: SEA
- All India sowing of rapeseed has reached 70.56 lakh hectares as on 3 February 2017, compared to 64.53 lakh hectares in the corresponding period last year.
- CIF Canola oil premium over soybean oil is hovering at USD 30 (USD 20 last month) as on 2 February, 2017. 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 775 (Rs 820) per 10 Kg and at Kota market is quoted around Rs 760 (Rs 800) per 10 kg as on February 2, 2017. Values in brackets are figures of last month.
- We expect RM seed oil prices to trade sideways to weak tone in the coming days.

Price Outlook: We expect Rapeseed oil (Kota) to trade in the price band of Rs 700-800 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
Opening Stocks	1.71	1.32	1.49	1.73	3.86	1.39
Production	24.48	22.68	25.02	26.78	20.16	21.24
Imports	0.11	0.91	0.13	2.00	3.70	3.50
Total Supply	26.30	24.91	26.64	30.52	27.72	26.13
Exports	0.00	0.00	0.00	0.00	0.00	0.00
Consumption	24.99	23.41	24.91	26.66	26.33	24.72
Ending Stocks	1.32	1.49	1.73	3.86	1.39	1.41

Source: AW estimates

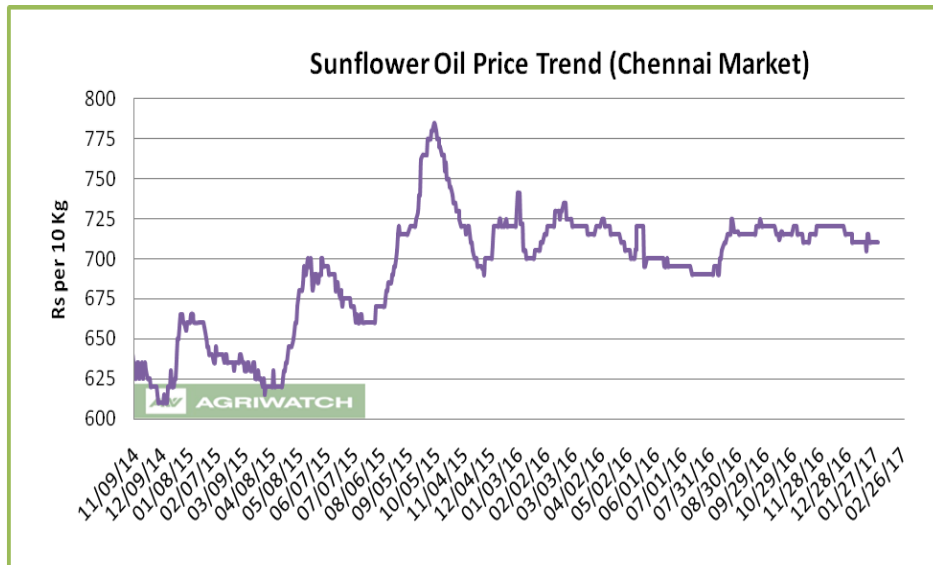
Oil year- November-October

➤ **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 downtrend at its benchmark market in Chennai during the month of November on firm supply and weak demand. Prices closed lower in Hyderabad and Kakinada at the end of month. Prices fell in Mumbai and Kandla/Mudra. Sunflower expeller prices fell in Erode, Hyderabad, Chellakere while prices remained unchanged in Latur.



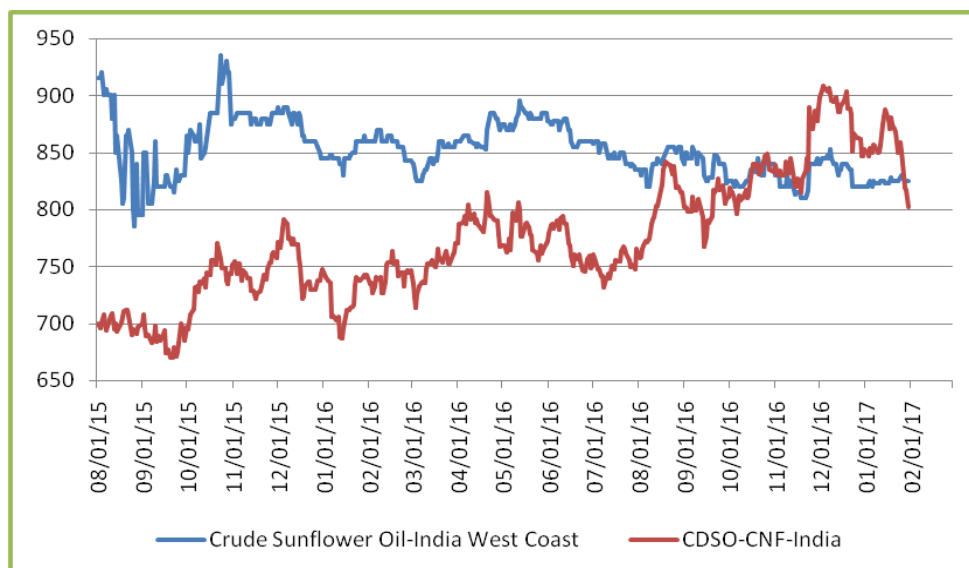
➤ Agriwatch view: Sunflower prices fell in month of January at its benchmark market of Chennai on firm supply.

Prices of sunflower oil fell in domestic market despite flat prices at CNF markets indicating weak demand.

Sunflower oil imports in the month of December were significantly higher compared to December 2015 and November 2016 while stocks at ports and pipelines were marginally higher.

Low premium of crude sunflower over CDSO and low premium over CPO in CNF markets will support imports and prices in medium

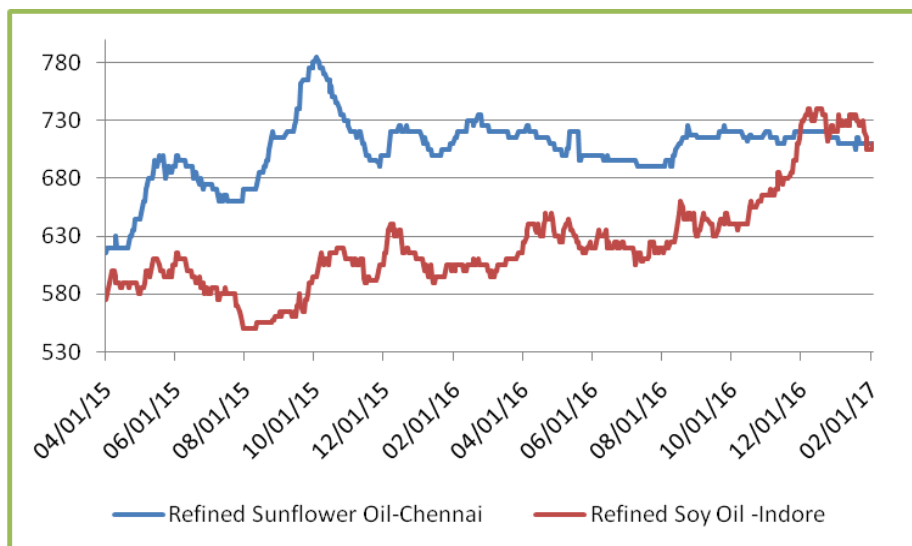
term. Imports are expected to be higher in January as crude sunflower oil premium over CDSO CNF is very low and over CPO CNF has decreased. Following chart shows Crude sunflower oil premium over CDSO has turned negative which will support imports.



Refiners and stockists are stocking as sunflower oil premium over soy oil is low at USD 0.0 (USD -31.5 last month).

Prices of sunflower oil in domestic markets are trading at discount to soy oil in domestic market at Rs 5 per 10 kg compared price Rs 15 per 10 kg in December. Below chart shows how soy oil has behave compared to sunflower oil.

Prices have remained in current range despite rise in prices of domestic soy and palm oil.



Prices fell on seasonal downtrend of prices and higher imports coupled with marginally higher stocks at ports and pipelines.

Higher prices of competitive oils have minimized losses of sunflower oil.

In domestic market, demand is expected to be firm in medium term as prices of soy oil selling at rate of sunflower oil despite sunflower oil being superior oil.

Sunflower oil prices are expected to correct on seasonal downtrend of prices in medium term.

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.

Prices are expected to remain in a range on seasonal downtrend of prices, higher soy and palm oil prices in domestic market and higher carryout in February-April period. Prices of sunflower oil are expected to remain in a range with lower bias in February.

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

- All India sowing of sunflower has reached 1.69 lakh hectares as on 3 February 2017, compared to 3.21 lakh hectares in the corresponding period last year.
- Sunflower oil import scenario – Sunflower oil import scenario – According to SEA, India imported 1.85 lakh tons of crude sunflower oil during December 2016 v/s 1.03 lakh tons in December 2015, higher by 44.3 percent y-o-y.
- According to APK-Inform, Ukraine exported record volumes of sunflower oil in December. Exports of sunflower oil were at 566.8 tshd tons, higher by 4 percent compared to November and 9 percent compared to December

2015. In the period (September-December), Ukraine exported 1.8 MMT of sunflower oil, higher by 23.5 percent compared to corresponding period last year. India was top importer with share of 40 percent in December.

- CIF sunflower oil prices (Ukraine origin) at west coast of India quoted around USD 820 (USD 822.5) per ton for FM delivery and AMJ delivery is offered at USD 820 (USD 822.5) per ton as on February 3, 2017. Last month, CIF sun oil (Ukraine origin) monthly average was around USD 834.36 (USD 834.59 in December 2016) per ton. Values in brackets are figures of last month.
- Prices are likely to stay in the range of USD 790-860 per ton in the near term. CIF Sunflower oil-CNF premium against CDSO CNF had strengthened from last month and is hovering at USD 0.0 per ton versus USD -31.5 last month.
- Currently, refined sunflower oil at Chennai market is offered at Rs 710 (Rs 715) per 10 Kg, and at Hyderabad market, it is offered at Rs 722 (Rs 732) per 10 kg as on February 3, 2017. 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	Feb-Apr-F	May-July-F	Aug-Oct-F
Opening Stock	2.12	2.06	2.06	2.49	2.62	2.67
Production	1.42	1.55	0.28	0.23	0.52	0.52
Imports	15.16	16.676	4.42	4.17	4.17	3.92
Total Supply	18.70	20.29	6.76	6.89	7.30	7.11
Exports	0.00	0.00	0.00	0.00	0.00	0.00
Consumption	16.64	17.81	4.27	4.27	4.63	4.63
Ending Stocks	2.06	2.48	2.49	2.62	2.67	2.48

Source: AW estimates

Oil year- November-October

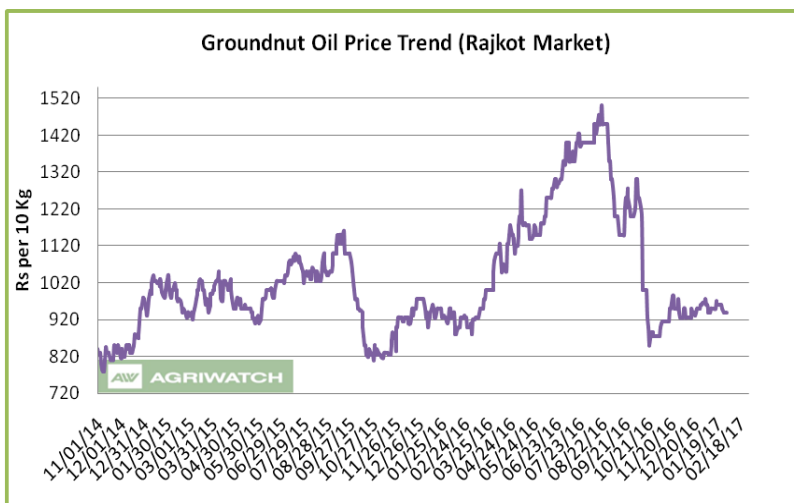
Highlights

- 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 higher in oil year 2016-17 on higher sunflower crop.
- Carryout stocks of oil year 2015-16 is 2.06 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 firm supply. Prices closed higher in Chennai while it closed lower in Hyderabad. Prices closed unchanged in New Delhi. Prices closed lower in Mumbai, Gondal and Jamnagar at the end of the month.
- Agriwatch view: Groundnut oil fell in the month of January on firm supply.

Fall in prices of groundnut supported the fall.



Prices have weakened as demand season is over and there is regular demand in the market. However, stocking will start for Holi in February which may support prices.

Prices have retraced from highs in January after falling below MSP in November which led to NAFED and Gujarat State cooperative societies and other government bodies to procure from market to support prices. Fall in groundnut prices is due to good crop in Kharif and higher sowing in Rabi season.

Farmers are releasing groundnut as new season groundnut will start to hit in second half of February.

So, millers are getting higher volume of groundnut and they are crushing to stock ahead of demand season starting March.

Prices fell on seasonal downtrend of prices.

Fall in prices of soy oil and rapeseed oil prices supported the fall.

USDA attaché in New Delhi increased the groundnut crop and has pegged groundnut production from 5.5 MMT to 6.4 MMT on higher Kharif crop and higher Rabi planting.

Stockists and traders are expected to stock in second half of February.

Prices are expected to trade firm in medium term on seasonal uptrend of prices, higher demand and steady activity in cash markets.

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

- All India sowing of groundnut has reached 6.16 lakh hectares as on 3 February 2017, compared to 5.96 lakh hectares in the corresponding period last year.
- On the price front, currently the groundnut oil prices in Rajkot is hovering near Rs 9,400 (9,650) per quintal and quoting at Rs 9,500 (Rs 9,300) per quintal in Chennai market.
- Groundnut oil prices are likely to trade with a sideways to firm tone in the coming days.

Price Outlook: We expect Groundnut oil (Rajkot) to trade in the price band of Rs 800-1050 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
Opening stocks	0.17	0.14	0.14	0.31	0.23	0.22
Oil availability (Production)	2.47	3.02	1.11	0.90	0.50	0.50
Imports	0	0	0	0	0	0
Total Supply	2.34	2.85	1.19	1.11	0.68	0.62
Exports	0.30	0.30	0.05	0.10	0.05	0.10
Consumption	2.20	2.69	0.89	0.89	0.46	0.46
End stocks	0.14	0.17	0.31	0.23	0.22	0.17

Source: AW estimates

Oil year- November-October

Highlights

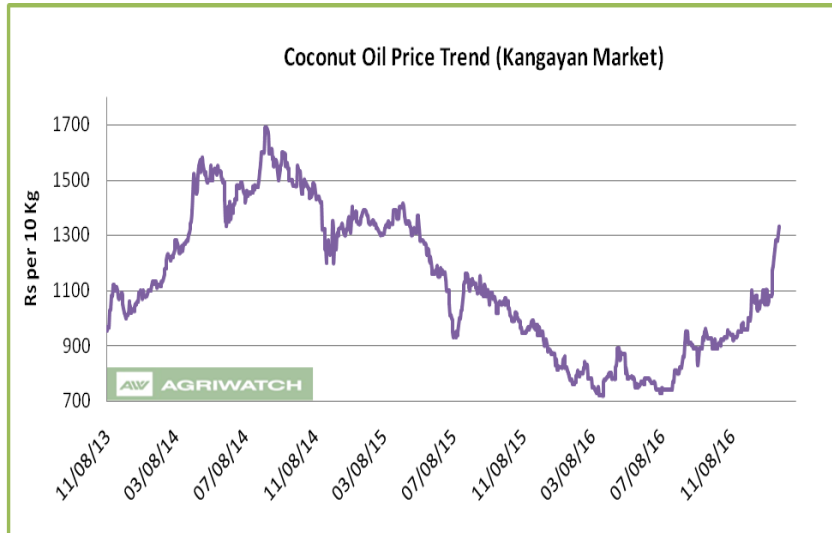
- Groundnut oil production is expected to be higher in oil year 2016-17 on higher groundnut crop.
- Higher oil production in 2016-17 is due to higher marketable surplus of groundnut seed resulting in higher crush.
- Carryout stocks of oil year 2015-16 is 0.14 lakh tons on higher groundnut oil production.
- 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 in Kangeyan on weak supply. In Trissur and Kochi rose at the end of the month.
- Agriwatch view: Prices of coconut oil rose in the month of January on weak supply and firm demand.

Surge in the prices of copra supported the rise in prices.

Demand from North India has waned due to winters.



Coconut production has slowed, as there has been severe shortage of rains in Kerala and some parts of Tamil Nadu, which has decreased production in medium term. There has been severe shortage of rains in Kerala.

Production of coconut is low as it is lean season of production.

Export demand has been robust which has supported prices of coconut oil.

Traders are holding copra on expectation of higher realization at higher prices. Weak supply of copra has led to weaker crushing and supported prices.

Millers are not able to get copra from traders, which have led to short supply of coconut oil supporting prices.

Millers are not holding oil as they are not confident of prices.

Traders and upcountry buyers are stocking in expectation of higher prices.

Therefore, weak supply of raw material and higher prices of copra has led to higher prices of coconut oil in the market.

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 oil 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, higher prices and low supply of palm kernel oil have helped shift in demand pattern towards coconut oil.

Corporate demand which contributes 80 percent of demand is firm. 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 January which may support prices in medium term.

Prices are expected to remain firm in February on demand from corporates, lower supply of copra, higher prices of copra, firm export demand of coconut oil and lower harvest of coconut. 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 14,000 (10,700) per quintal due to weak supply and firm demand of coconut oil, and quoting Rs 13,300 (9,600) per quintal in Erode market on January 31, 2017.
- Coconut oil prices may trade sideways to firm tone tracking firm demand and weak supply in ready markets.

Price Outlook: We expect coconut oil (Erode) to trade in the price band of Rs 1200-1500 per 10 Kg.

Coconut oil production:

Fig. in tons

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

Source: Coconut Development Board

Production and exports of coconut oil:

Estimated Production of Coconut Oil

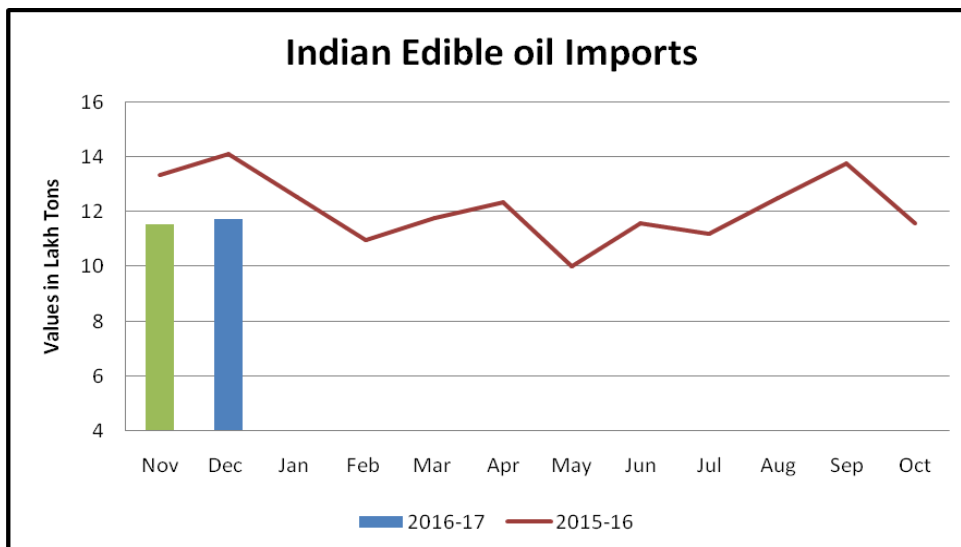
Month	Production (in lakh Tons)	Cumulative Production (in lakh Tons)
Jan-16	0.35	0.35
Feb-16	0.42	0.77
Mar-16	0.54	1.31
Apr-16	0.77	2.08
May-16	0.64	2.72
Jun-16	0.54	3.25
Jul-16	0.45	3.70
Aug-16	0.42	4.12
Sep-16	0.36	4.47
Oct-16	0.31	4.78
Nov-16	0.36	5.14
Dec-16	0.33	5.46

Source: Coconut Development Board

Export of Coconut Oil during April - October 2016-17

Sl. No.	Country	Quantity (in MT)	Value (Rs in lakhs)
1	Malaysia	11808.90	11031.01
2	Indonesia	3745.78	3332.40
3	United Arab Emirates	1596.98	2074.88
4	Sri Lanka	907.40	929.44
5	Myanmar	650.80	783.29
6	Saudi Arabia	578.38	753.71
7	Oman	305.10	375.05
8	Pakistan	289.69	462.80
9	United States	250.66	599.32
10	Qatar	246.03	362.85
11	Kuwait	183.67	238.11
12	Bahrain	142.14	196.57
13	Others	2672.82	3316.12
Total		23378.35	24455.54

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 14.57 million tons 2015-16 (November 2015-October 2016). Edible oils (including CPO, CDSO, CSFO, and RBD Palmolein) imports for December is pegged at 11.74 lakh tons.

Indian Supply and Demand Scenario:

Balance sheet of Indian Edible Oil	2014-15	2015-16	2016-17-F	% Change
Value in million tons				
Beginning Stock	1.49	2.77	1.98	-28.54
Production	7.55	6.78	8.24	21.63
Imports	14.42	14.57	15.01	3.00
Total Supply	23.46	24.12	25.23	4.61
Exports	0.01	0.01	0.01	0.00
Total Demand(Consumption)	20.68	22.13	23.24	5.00
Ending Stock	2.77	1.98	1.99	0.27

* 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 15.01 million tons for 2016/17 oil year v/s 14.57 million tons last year.

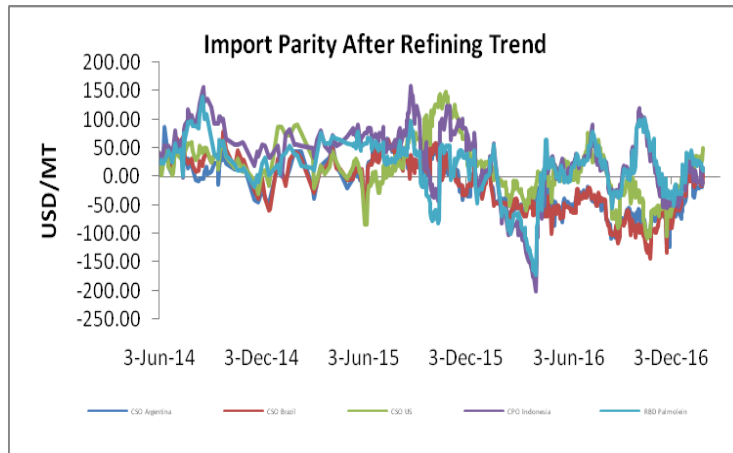
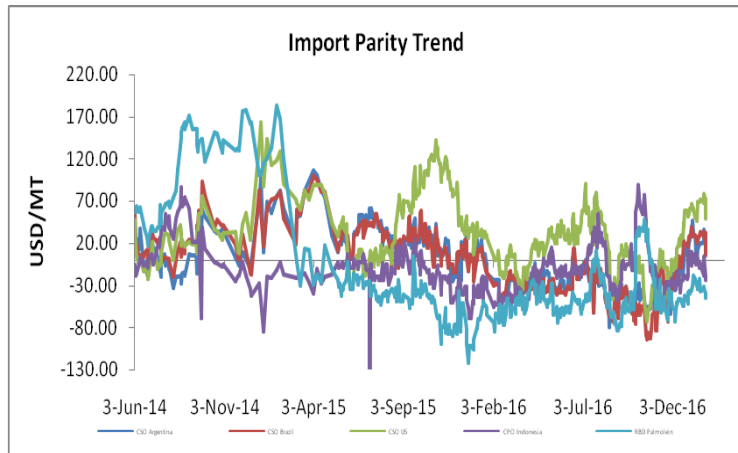
On the consumption side, India's edible oil consumption for 2016-17 oil year seen at 23.24 million tons, up 5 percent from last year. Ending stocks are projected higher compared to 2015-16 at 1.99 million tons.

Note - Values in Mln. Tons, Oil year (Nov.-Oct.) *Including Production of Groundnut, Soy, Mustard, Sunflower, Sesame, Niger, Safflower, Cottonseed, Copra, Rice bran Oils. ** 2015-16- SEA of India & 2016-17 Agriwatch Estimates, *** (USDA estimates).

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

Landed Cost Calculation as on 02/02/2017	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
FOB USD per ton	751	787	737	773	775
Freight (USD/MT)	60	55	62	25	20.0
Landing Charge 1%	8.11	8.42	7.99	7.98	7.95
C & F	811.0	842.0	799.0	798.0	795.0
Weight loss (0.25% of FOB)	1.88	1.97	1.84	1.93	1.94
Finance charges (0.4% on CNF)	3.24	3.37	3.20	3.19	3.18
Insurance (0.3% of C&F)	2.43	2.53	2.40	2.39	2.39
CIF (Indian Port - Kandla)	819	850	806	806	803
CVD	0	0	0	0	0
Duty (Values in USD per tons)	109.88	109.88	109.88	61.65	129.30
CVD value USD per ton	0	0	0	0	0
Cess (3% on duty) USD per ton	2.1975	2.1975	3.29625	1.233	2.586
Exchange rate	67.37	67.37	67.37	67.37	67.37
Landed cost without customs duty in INR per ton	55146	57255	54330	54268	54065
Customs duty %	12.50%	12.50%	12.50%	7.50%	15.00%
Base import price	879	879	879	822	862
Fixed exchange rate by customs department	68.40	68.40	68.40	68.40	68.40
Duty component in INR per ton	7515.45	7515.45	7515.45	4216.86	8844.12
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	64061	66171	63245	59885	64309
Domestic Market price INR/ton Soy Degum Kandla/CPO Kandla/RBD Kandla	67500	67500	67500	59000	61000
Total landed cost USD per ton	951	982	939	889	955
Domestic Market price USD/tons Soy Degum Kandla/ CPO Kandla 5%	1002	1002	1002	876	905
Parity INR/MT (Domestic - Landed)	3439	1329	4255	-885	-3309
Parity USD/MT (Domestic - Landed)	51.04	19.73	63.16	-13.13	-49.11
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	69761.47	71870.62	68945.01	67384.64	67108.71
Soy/Palm oil imported Price (Including tax)	73249.54	75464.15	72392.26	70753.87	70464.15
Loose price of Soy/Palm in Indore and Delhi market	75075.00	75075.00	75075.00	70875.00	70875.00
Parity after processing and Taxes (Rs per MT)	1825.46	-389.15	2682.74	121.13	410.85
Parity after processing and Taxes (USD per MT)	27.07	-5.77	39.78	1.80	6.09
Source: Agriwatch					

Import Parity Trend

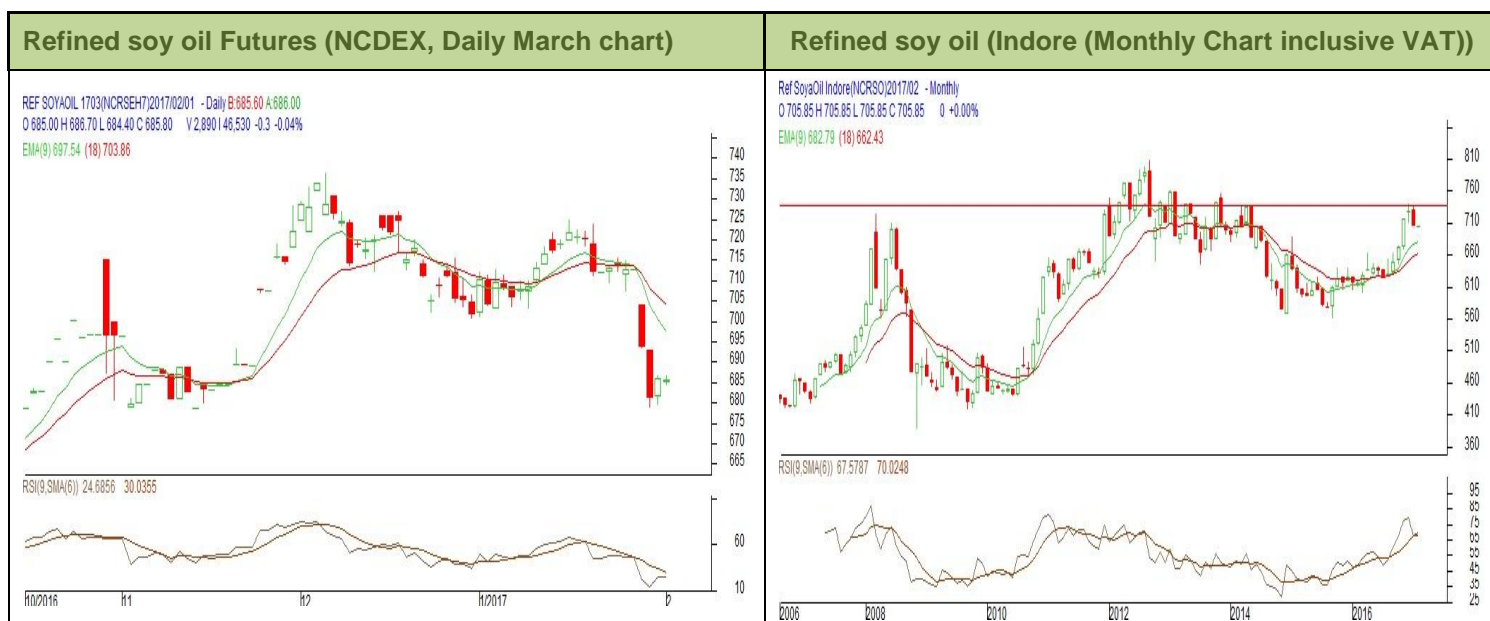


Import Parity after Refining in US dollar per tons (Monthly Average)

	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
Nov, 2016	-77.74	-81.04	-56.37	-23.77	-8.06
Dec, 2016	-54.66	-45.74	-19.32	-24.40	-15.05
Jan, 2016	-8.31	-7.38	31.24	1.15	22.76

Outlook:-

Import parity for CDSO Argentina and CDSO Brazil are in disparity due to costlier imports. We expect CDSO import parity to improve in February. 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 (March contract) on pullbacks.

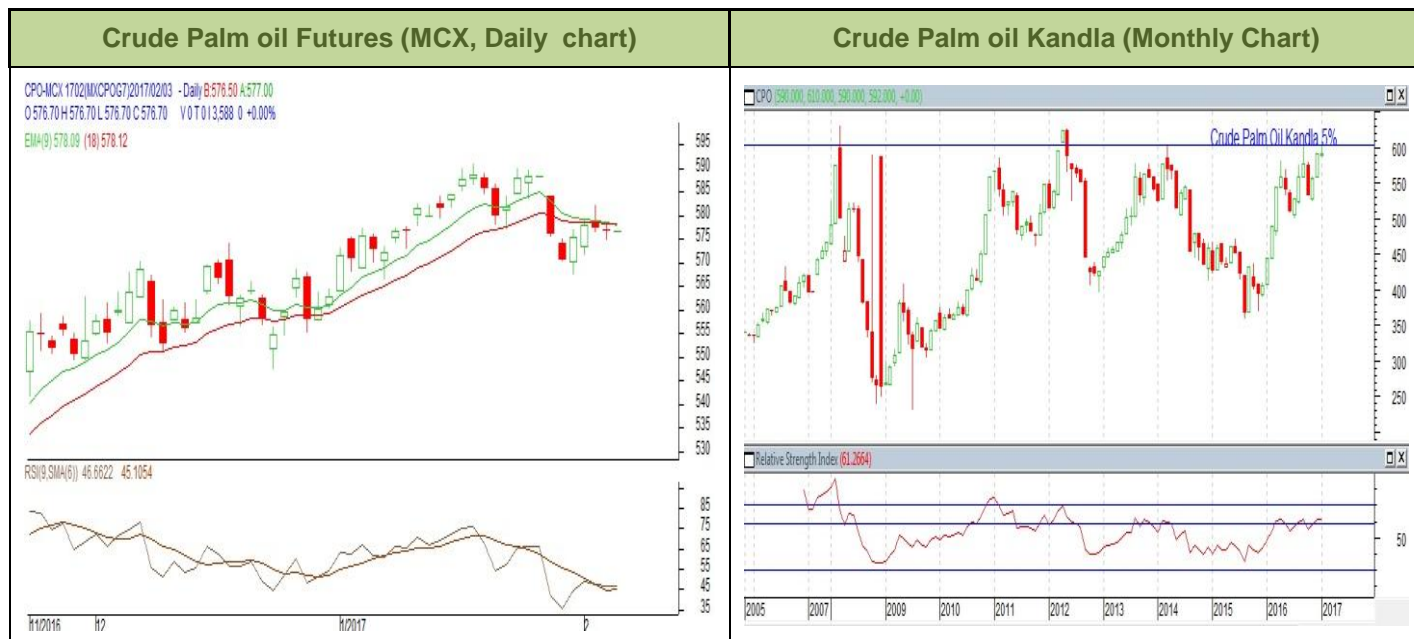
- Monthly chart of refined soy oil at NCDEX featured losses in the prices. We expect sideways to weak movement in the coming days.
- Any close below 700 in monthly chart will change the sentiment and bring prices to 660 levels.
- Expected price band for next month is 640-720 level in near to medium term. RSI, Stochastic and MACD are indicating downtrend at current levels.

Strategy: Market participants are advised to go short in RSO below 695 for a target of 675 and 670 with a stop loss at 705 on closing basis.

RSO NCDEX

Support and Resistance				
S2	S1	PCP	R1	R2
665.00	680.00	689.00	709.00	765.00

Spot Market outlook: Refined soy oil Indore (including VAT) is likely to stay in the range of 660-760 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 (February 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 560 in monthly chart might bring the prices to 540 levels.
- Expected price band for next month is 530-620 level in near to medium term. RSI along with Stochastic and MACD are indicating uptrend.

Strategy: Market participants are advised to go short in CPO below 585 for a target of 565 and 560 with a stop loss at 595 on closing basis.

CPO MCX

Support and Resistance				
S2	S1	PCP	R1	R2
539.00	551.00	578.00	600.00	620.00

Spot Market outlook: Crude palm oil Kandla is likely to stay in the range of 540-620 per 10 Kg.

Monthly spot prices comparison

Commodity	Centre	Prices(Per 10 Kg)		Change
		31-Jan-17	31-Dec-16	
Refined Soybean Oil	Indore	710	730	-20
	Indore (Soy Solvent Crude)	680	697	-17
	Mumbai	700	725	-25
	Mumbai (Soy Degum)	655	685	-30
	Kandla/Mundra	705	720	-15
	Kandla/Mundra (Soy Degum)	672	695	-23
	Kolkata	710	725	-15
	Delhi	730	780	-50
	Nagpur	700	720	-20
	Rajkot	700	720	-20
	Kota	730	740	-10
	Hyderabad	703	703	Unch
	Akola	738	759	-21
	Amrawati	739	760	-21
	Bundi	720	740	-20
	Jalna	748	NA	-
	Alwar	NA	NA	-
	Solapur	747	NA	-
	Dhule	747	NA	-
Palm Oil	Kandla (Crude Palm Oil)	588	590	-2
	Kandla (RBD Palm oil)	600	600	Unch
	Kandla RBD Pamolein	620	615	5
	Kakinada (Crude Palm Oil)	585	565	20
	Kakinada RBD Pamolein	620	612	8
	Haldia Pamolein	620	612	8
	Chennai RBD Pamolein	625	620	5
	KPT (krishna patnam) Pamolein	615	608	7
	Mumbai RBD Pamolein	630	625	5
	Delhi	670	685	-15
	Rajkot	625	610	15
	Hyderabad	599	618	-19
	Mangalore RBD Pamolein	625	620	5
	PFAD (Kandla)	460	465	-5
	Refined Palm Stearin (Kandla)	530	520	10
Refined Sunflower Oil	Chennai	710	715	-5
	Mumbai	710	725	-15
	Mumbai(Expeller Oil)	650	665	-15
	Kandla	725	735	-10
	Kandla/Mundra (Crude)	NA	NA	-



	Hyderabad (Ref)	722	732	-10
	Latur (Expeller Oil)	730	730	Unch
	Chellakere (Expeller Oil)	665	670	-5
	Erode (Expeller Oil)	735	745	-10
Groundnut Oil	Rajkot	940	965	-25
	Chennai	950	930	20
	Delhi	950	950	Unch
	Hyderabad *	990	1010	-20
	Mumbai	1000	1020	-20
	Gondal	940	960	-20
	Jamnagar	940	960	-20
Rapeseed Oil/Mustard Oil	Jaipur (Expeller Oil)	775	820	-45
	Jaipur (Kacchi Ghani Oil)	796	850	-54
	Kota (Expeller Oil)	760	800	-40
	Kota (Kacchi Ghani Oil)	805	855	-50
	Neewai (Kacchi Ghani Oil)	760	785	-25
	Neewai (Expeller Oil)	775	830	-55
	Bharatpur (Kacchi Ghani Oil)	790	880	-90
	Alwar (Kacchi Ghani Oil)	NA	NA	-
	Alwar (Expeller Oil)	NA	NA	-
	Sri-Ganga Nagar(Exp Oil)	770	818	-48
	Sri-Ganga Nagar (Kacchi Ghani Oil)	800	845	-45
	Mumbai (Expeller Oil)	770	800	-30
	Kolkata(Expeller Oil)	960	1010	-50
	New Delhi (Expeller Oil)	810	860	-50
	Hapur (Expeller Oil)	885	Closed	-
	Hapur (Kacchi Ghani Oil)	990	Closed	-
	Agra (Kacchi Ghani Oil)	795	885	-90
Refined Cottonseed Oil	Rajkot	710	685	25
	Hyderabad	675	678	-3
	Mumbai	690	695	-5
	New Delhi	695	693	2
Coconut Oil	Kangayan (Crude)	1330	1060	270
	Cochin	1130	1050	80
	Trissur	1400	1070	330
Sesame Oil	New Delhi	780	780	Unch
	Mumbai	730	730	Unch
Kardi	Mumbai	730	830	-100
Rice Bran Oil (40%)	New Delhi	540	525	15
Rice Bran Oil (4%)	Punjab	595	610	-15
Rice Bran Oil (4%)	Uttar Pradesh	595	610	-15

Malaysia Palmolein USD/MT	FOB	765	753	12
	CNF India	780	775	5
Indonesia CPO USD/MT	FOB	773	750	23
	CNF India	793	775	18
RBD Palm oil (Malaysia Origin USD/MT)	FOB	763	748	15
RBD Palm Stearin (Malaysia Origin USD/MT)	FOB	755	760	-5
RBD Palm Kernel Oil (Malaysia Origin USD/MT)	FOB	2010	1770	240
Palm Fatty Acid Distillate (Malaysia Origin USD/MT)	FOB	705	695	10
Crude palm Kernel Oil India (USD/MT)	CNF India	1900	1675	225
Ukraine Origin CSFO USD/MT Kandla	CIF	820	820	Unch
Rapeseed Oil Rotterdam Euro/MT	FOB	NA	NA	-
Argentina FOB (\$/MT)		30-Jan-17	30-Dec-16	Change
Crude Soybean Oil Ship		765	807	-42
Refined Soy Oil (Bulk) Ship		792	835	-43
Sunflower Oil Ship		748	755	-7
Cottonseed Oil Ship		745	787	-42
Refined Linseed Oil (Bulk) Ship		Unq	Unq	-
<i>* indicates including VAT</i>				

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