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# **Veg. Oil Monthly Research Report**

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## **Outlook and Review:**

### **Domestic Front**

*Edible oil basket featured mixed tone during the month under review. Soy oil and sunflower oil closed higher while palm oil, rapeseed oil, groundnut oil and coconut oil closed lower.*

*Groundnut oil (Rajkot) was the worst performer among the edible oil complex tracking weak demand and firm supply in the cash market. Sunflower oil (Chennai) was the best performer tracking firm demand.*

*We expect soy oil and palm oil to trade weak on weak fundamentals.*

### **Recommendation:**

*In NCDEX, market participants are advised to go short in RSO below 635 for a target of 610 and 605 with a stop loss at 645 on closing basis*

*In MCX, market participants are advised to go short in CPO below 500 for a target of 480 and 475 with a stop loss at 510 on closing basis.*

*Market Participants can buy refined soy oil in the cash markets at 590-600 for the target of 620-630 levels (Indore including taxes), if needed. Market Participants can buy CPO Kandla 5% in the cash markets at 490-500 for the target of 520-530 levels, if needed.*

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

*CBOT soy oil (July) is expected to stay in the range of 28 cents/lb to 34 cents/lb. CPO at BMD (August) is likely to stay in the range of 2300-2800 ringgits per ton. Focus during the coming days will be firm ringgit, weak Chinese and Indian demand, lower exports biodiesel in Argentina, higher stocks of soy oil in US and Argentina, higher planting of soybean in US, higher stocks of palm oil in Malaysia, higher stocks of soy oil in US, low crude oil prices and firm dollar.*

*Malaysia's May palm oil exports rose 15.4 percent to 1,310,320 tons compared to 1,135,340 tons in last month. Top buyers were India at 283,820 tons (175,300 tons), European Union at 280,215 tons (278,643 tons), China at 105,090 tons (137,450 tons), Pakistan at 60,000 tons (37,000 tons) and United States at 60,607 tons (59,465 tons). Values in brackets are figures of last month: SGS*

*On the international front, higher soy oil stocks in US, higher planting of soybean in US, lower exports of biodiesel from Argentina, higher production of soy oil in Argentina, higher stocks of soy oil in Argentina, weak crude oil prices and firm dollar on expected FED rate hike are bearish for the soy complex in the coming days.*

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

## Soy oil: Domestic Market Fundamentals

➤ Refined soybean oil prices featured uptrend at its benchmark market at Indore during the month in review on rise in prices in international markets. Average prices of refined soy oil fell in May. Prices of refined soy oil rose across board in major centers in India. CDSO prices rose at Kandla/Mudra and JNPT.

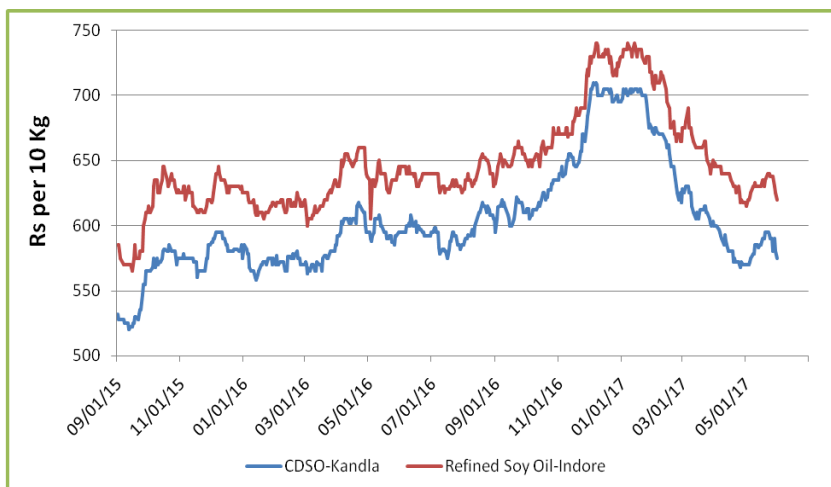
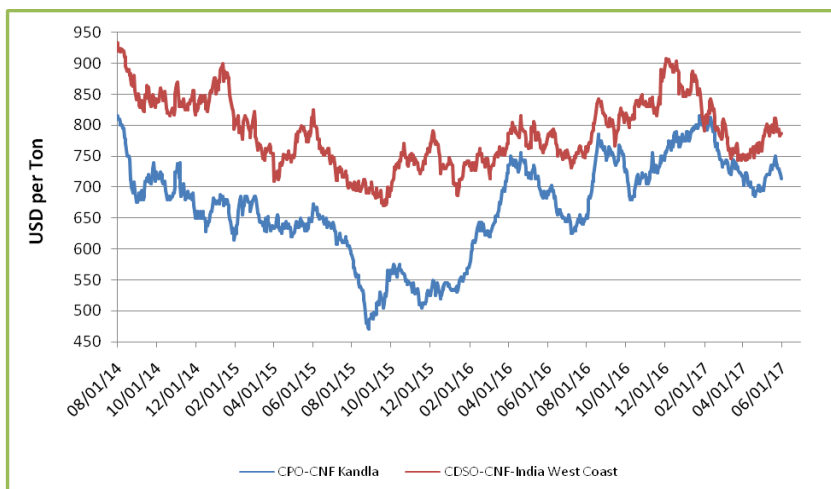
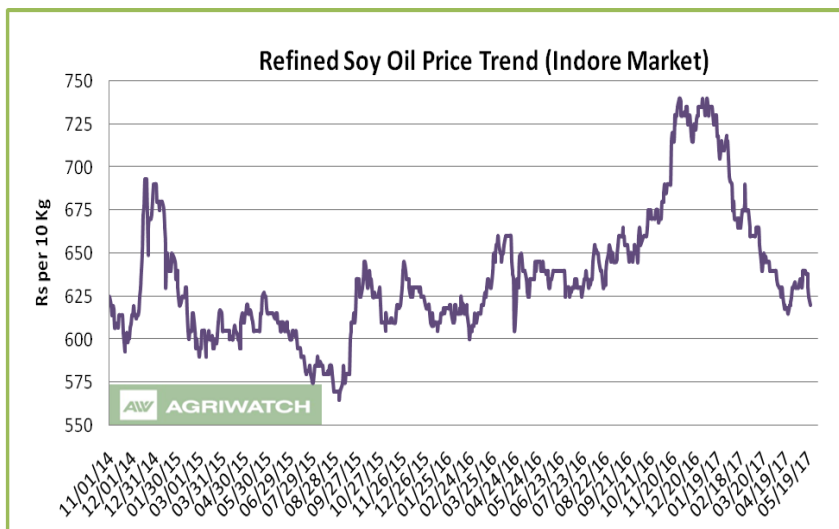
➤ Agriwatch view—Soy oil prices witnessed uptrend in month of May on rise in prices of soy oil in international markets.

Prices rose in domestic market marginally while it rose more at CNF markets indicating weak demand at high seas. Domestic CDSO prices rose less while CDSO CNF rose more indicating weak demand at high seas.

Refined soy oil premium over CPO has decreased to Rs 107 (Rs 113 last month) per 10 Kg which will support prices. Imports will rise on low CDSO premium over CPO at USD 75 (USD 82) per ton for June delivery.

Refined soy oil premium over RBD palmolein increased to Rs 75 (Rs 70 last month) per 10 Kg, which is low and may support soy oil prices in domestic markets.

Refined soy oil premium over CDSO high seas is at Rs 45 (Rs 40) per 10 kg indicating firmer refined soy oil demand in domestic markets compared to high seas.



Appreciation of rupee has made soy oil imports dearer which will induce demand of imported soy oil.

Landed cost and refining margins have turned to disparity.

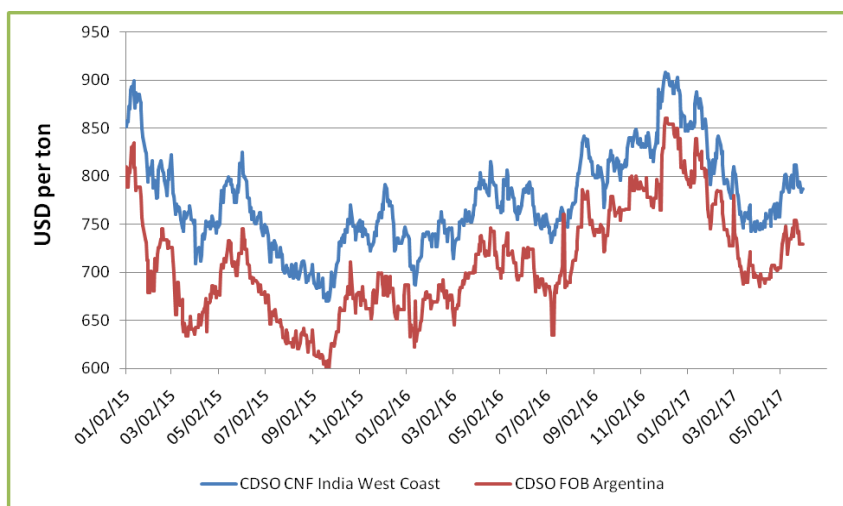
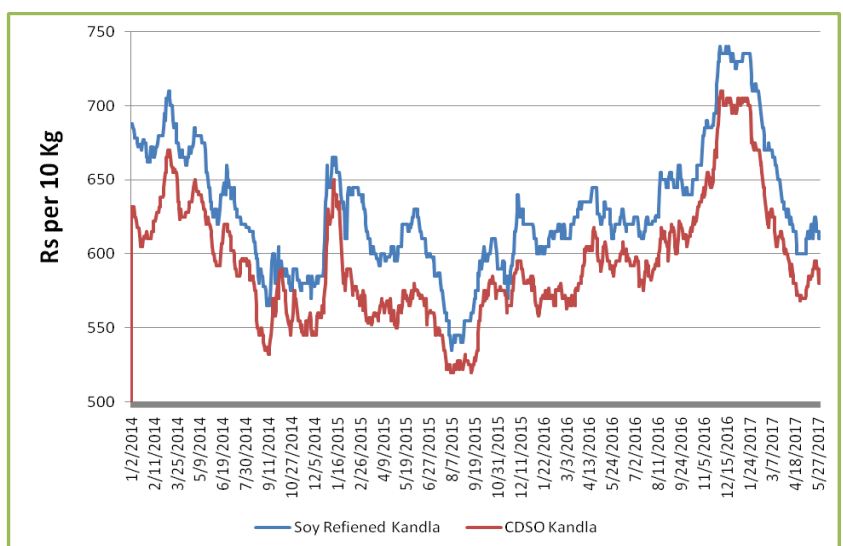
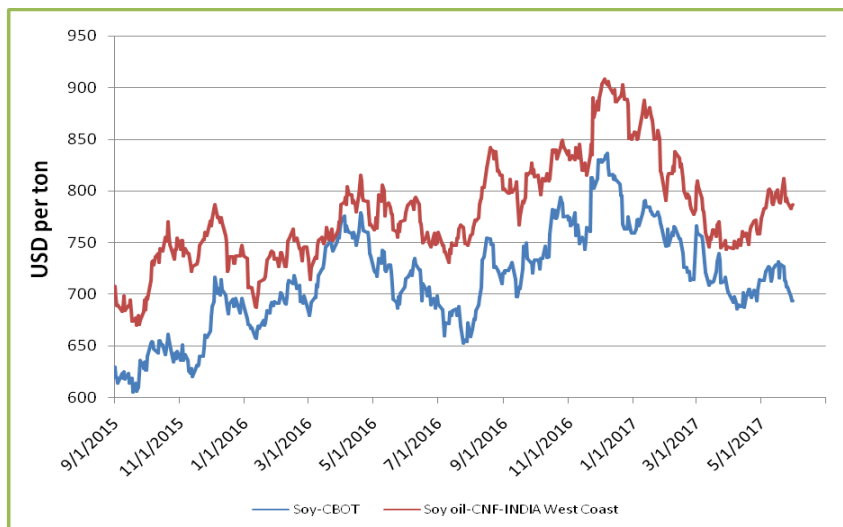
Fourth chart from top shows difference between CDSO-CNF-India West coast and Soy oil CBOT. Difference increased between CDSO-CNF-India West coast and Soy oil CBOT due to increase in basis (spot prices – futures prices).

Refiners can wait to buy their consignment as basis can correct on record soybean crop in South America, higher supply from Argentina and expectation of record soybean crop in US.

Export demand of soy meal has fallen due to appreciation of Rupee which has resulted in lower crushing of soybean. However, government removed trade barriers on export of edible oils in bulk on expectation of lower crushing. This step will decrease end stocks of soybean and improve pressure on domestic soy oil.

Export demand of soy meal had improved in 2016/17 from India due to higher crop of soybean. However, due to more than 10 percent appreciation of rupee, Indian soy meal is now uncompetitive in international markets compared to peers.

Fall in Indian markets were also supported by fall in BMD Malaysia.



CDSO demand was firm at CNF markets as CDSO CNF rose more than CDSO-FOB compared to last month indicating firm demand at CNF markets.

CDSO demand was weak at high seas compared to CNF markets as prices rose more at CNF markets while it rose less in high seas indicating weak demand on high seas.

Imports of soy oil increased in April compared to March while it was lower than April 2016 while stocks at ports and pipelines increased in April.

Higher imports of soy oil are being stocked at ports where stocks were lower than its average.

Prices are expected to trade sideways to weak in medium term on weak demand, higher carry out of soy oil and fall in competitive oils.

- Soy oil import scenario – According to SEA, India imported 3.05 lakh tons of soy oil in April 2017 v/s 3.48 lakh tons in April 2016, down 12.36 percent y-o-y. India imported 13.50 lakh tons of soy oil in the period (November 2016-April 2017) compared to 22.41 lakh tons in the corresponding period last oil year, lower by 39.75 percent y-o-y.
- According to Solvent Extractors Association (SEA), India's April edible oil imports rose 7.1 percent y-o-y to 13.24 lakh tons from 12.36 lakh tons in April 2016. Palm oil imports in April rose 2.3 percent y-o-y to 7.52 lakh tons from 7.35 lakh tons in April 2016. CPO Imports rose 28 percent y-o-y to 5.11 lakh tons from 3.99 lakh tons in April 2016. RBD palmolein imports fell 28.5 percent y-o-y to 2.32 lakh tons from 3.26 lakh tons in April 2016. Soy oil imports fell 12.36 percent y-o-y to 3.05 lakh tons from 3.48 lakh tons in April 2016. Sunflower oil imports rose 135 percent y-o-y to 2.35 lakh tons from 1.00 lakh ton in April 2016. Rapeseed (Canola) oil fell to 0.32 lakh tons in April compared to from 0.51 lakh tons in April 2016.
- According to Solvent Extractors Association (SEA), India's April edible oil stocks at ports and pipelines rose 10.8 Percent m-o-m to 21.20 lakh tons from 19.13 lakh tons in March 2017. Stocks of edible oil at ports rose to 785,000 tons (CPO 210,000 tons, RBD Palmolein 140,000 tons, Degummed Soybean Oil 210,000 tons, Crude Sunflower Oil 210,000 tons and 15,000 tons of Rapeseed (Canola) Oil) and about 1,335,000 tons in pipelines (stocks at ports were 688,000 and in pipelines were at 1,225,000 tons in March 2017). The total stock on 1st May, 2017 has increased 207,000 tons v/s 1st Apr., 2017. India is presently holding 39 days of edible oil requirement as on 1st May, 2017 at 21.20 lakh tons compared to 35 days of requirements last month. India's monthly edible oil requirement is 16.5 lakh tons.
- According to United States Department of Agriculture (USDA) May estimate, India's soy oil imports are reduced 1 lakh tons to 3.7 MMT from 3.8 MMT in its April estimate. Domestic consumption is reduced 1 lakh tons to 5.4 MMT from 5.5 MMT in its April estimate. End stocks are reduced to 4.31 lakh tons from 4.51 lakh tons in its April estimate.
- India's soy meal and its other value added products (HS Code 2304) during April 2017 is 1,11,800 tons compared to 12,195 tons in April 2016 showing an increase of 809.3% over the corresponding period of last year. During current Oil year, (October – September), total exports during October 2016 to April 2017 is 10,26,223 tons as against 1,98,065 tons last year, showing an increase by 418.12%, as reported by SOPA.

Bangladesh (29,400 Tons), France (25,861 Tons), Germany (25,351.33 Tons), Indonesia (11,851 Tons) and Vietnam (7,279.77 Tons) remained the top buyers of the soy meal of Indian origin during the month of April 2017.

- Imported crude soy oil CIF at West coast port is offered at USD 785 (USD 785) per ton for June delivery. July delivery is offered at USD 778 (USD 770) per ton and August delivery is offered at USD 773 per ton as on June 2, 2017. Values in brackets are figures of last month. Last month, CIF CDSO May average price was USD 790.78 (USD 756.5 per ton in April 2017) per ton.
- On the parity front, margins fell during the month and we expect margins to improve in the coming days. Currently refiners lose USD 35-40 per ton (May average) v/s gain of USD 5-10 per ton (April 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 – Soybean planting reached 83 percent on date ended 4 June, more than 5-year average in corresponding period and higher than corresponding period last year. Planting of soybean accelerated due to dry conditions in US Midwest, which improved planting. Dry weather is expected in days ahead which will support planting of soybean in US Midwest. Soybean crop condition is weaker than last year in corresponding period and 5-year average.

Weather in US is going to play major role in soybean complex prices in to medium term.

China is expected to buy lesser quantity of soybeans in medium term due to negative crush margins. Soybean shipments are either cancelled or are diverted. If China losses steam then the prices of soy complex will head south.

Soy oil stocks in US decreased in April as reported by NOPA due to lower production of soy oil due to lower crush of soy oil is bullish for soy oil prices in medium term. Stocks were lower by 11 percent compared to corresponding period last year.

USDA decreased soy oil end stocks in US in 2016/17 due to higher exports will support prices in medium term. However, lower production was reported, which is fully set-off by lower feed, food and other industrial use. USDA has decreased soybean crop in US in 2017/18, due to lower average yields on historical trends despite record soybean area in 2017/18.

Depreciation of Brazilian Real has led to higher farmer release and higher booking of cargoes to take advantage of prices. Depreciation of Real brought down prices of soybean in international markets.

USDA decreased Brazil 2017/18 soybean crop on lower yields on lines of historical yields. USDA kept Brazil 2016/17 soybean crop estimate unchanged in its May report.

Argentina soybean crop condition is in good condition and harvest is almost over.

Argentina's agriculture ministry forecasted soybean crop of Argentina at 58 MMT in its first monthly estimate.

Decision by United States trade commission to investigate allegation of dumping of soy oil based biodiesel from Argentina, which will result in punitive tariffs, will support soy oil prices in medium term. This decision

comes in wake of US Commerce Department voted to conduct allegation of dumping and unfair subsidies by Argentina. The commission has said that dumping has caused harm to US producers.

Recommendation by National Biodiesel Board (NBB) to Trump Administration to impose anti dumping duty on imports of soy oil from Argentina and Indonesia for two years has affected sentiment in soy oil markets. Both Argentina and Indonesia biodiesels producers has denied such accusations. US produces 2 billion gallons and imports 0.9 million gallons from Argentina, Indonesia and Canada. Two thirds of imports are from Argentina. Argentina exports soy oil based biodiesel and Indonesia exports crude palm oil based biodiesel. Imports of biodiesel from Argentina and Indonesia rose 464 percent from 2014 to 2016.

Trump administration has decided to delay set of 30 regulations of biodiesel prepared by Obama administration. Some Republican Senators has moved a proposal to introduce tax credit on biodiesel, which expired last year, which will support soy oil demand if approved.

Soy oil end stocks fell by 4.96 percent in April in US as reported by NOPA due to lower production of soy oil on lower crush of soybean, which is bullish for soy oil in medium term. Soy oil stocks are expected to fall in May, which will support soy oil prices in medium term.

Record area estimate of soybean in US due to higher returns in US and higher soybean stocks will underpin soy oil prices in medium term. Fall in area was more than estimate at 89.48 million acres compared to 83.4 million acres in 2016.

Argentina crop is in very good condition and harvest is over. Buenos Aires Grains Exchange has increased their estimate of soybean crop to 57.5 MMT from 56.5 MMT.

USDA retained soybean crop of Argentina at 56.5 MMT. Informa has reduced estimate of Argentina soybean crop at 56.5 MMT from 57.7 MMT.

Oversupply of edible oils in 2017 due to record of soybean in US, Brazil and Argentina coupled with record production of sunflower, rapeseed and recovery in production of palm oil after severe El Nino in 2015 and 2016 will underpin soy oil prices in medium term.

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 Ukraine and Russia and record production of canola will underpin soy oil prices.

Competitive oils will underpin prices in medium term.

Fall in crude oil prices and dollar appreciation due to faster than expected FED rate hike in 2017 may underpin soy oil prices.

Prices of soy oil are in a range.

- According to United States Department of Agriculture (USDA) May estimate, U.S 2016/17 ending stocks of soy oil is fell 2.83 percent to 2,062 million lbs from 2,122 million lbs in March estimate. Opening stocks were unchanged at 1,687 million lbs. Production of soy oil in 2016/17 is decreased to 22,350 million lbs from 22,560 million lbs. Imports in 2016/17 are kept unchanged at 325 million lbs. Biodiesel use in 2016/17 was unchanged at 6,200 million lbs. Food, feed and other industrial use in 2016/17 is decreased to 13,800 million lbs compared to 14,000 million lbs in its April estimate. Exports in 2016/17 are increased to 2,300 million lbs at 2,240 million lbs. Average price range estimate ended the year 2016/17 at 31.75 cents/lbs compared to 29.86 cents/lbs in its 2015/16. Fall in end stock is due to higher exports of soy oil. Lower production was fully set-off by lower feed, food and other industrial use.



- According to National Oilseed Processors Association (NOPA), U.S. April soybean crush fell 9.0 percent to 139.134 million bushels from 153.060 million bushels in March 2017. Crush of soybean in April 2016 was 147.614 million bushels. Production of soy oil in U.S. in April rose to 1.627 billion lbs from 1.789 billion lbs in March 2017. Production in April 2016 was 1.729 billion lbs. Soy oil stocks in U.S. at the end of April fell 4.96 percent to 1.725 billion lbs compared to 1.815 billion lbs in March 2017. Stocks of soy oil in April were lower by 11.2 percent compared to April 2016, which was reported at 1.943 billion lbs. Yield was unchanged at 1.69 lbs/bushel in April compared to March. Yield in April 2016 was reported at 11.72 lbs/bushel.
- US soybean planting is 83% complete as on 4 June 2017, which is more 82% in the corresponding period last year above 5-year average of 79%. Soybean emergence is reported at 58%, which is less from 62% during the corresponding period last year and below from 5-year average of 59%.
- Buenos Aires Grains Exchange raised 2016/17 soybean crop estimate to 57.5 MMT from its previous estimate of 56.5 MMT. Higher soybean crop is due to high yields brought by wet weather as the primary reason for the rise.
- Brazil's agriculture statistics agency (CONAB) has raised Brazil's 2016/17 soybean crop estimate to 113 MMT from its previous estimate of 110.2 MMT. This is fifth raise in its estimate for 2016/17. Higher soybean crop is due to 18.4 percent rise in productivity and rise in planted area.
- Argentina's state statistics agency INDEC, Argentina's first quarter (Jan-March 2017) output fell 4 percent to 177,950 tons compared to corresponding period last year. Argentina is in dispute with US over allegation of dumping of biodiesel by Argentina. If anti dumping duties are imposed then it will destroy domestic biodiesel industry.
- According to Argentina's agriculture ministry, Argentina is estimated to produce 58 MMT soybeans in 2016/17. This was first monthly estimate by the government in 2016/17.
- According to Safras & Mercado, Brazil is expected to export soybean 61 MMT of soybean in 2017/18 (Feb/Jan) which is above 17 percent compared to 2016/17. The forecast is in line with Abiove estimates. Exports are expected to consume the rise in production. Production is expected at 116.156 MMT in 2017/18. Total soybean demand will be higher by 10 percent to 105.1 MMT.
- According to oilseeds industry group Abiove, Brazil's soybean production in 2016/17 is estimated at 112.5, rise of 1.6 percent from its earlier estimate. It raised soybean export estimate by 2.3 percent at 61.7 MMT.
- According to China's General Administration of Customs (GACC), China's imports of edible vegetable oil in April rose 24.4 percent to 5.6 lakh tons compared to 4.5 lakh tons in February. Imports rose 40 percent compared to last year which was reported at 4.0 lakh tons. Year to date imports of edible vegetable oil rose 6.4 percent to 19.7 lakh tons.
- According to Energy Administration Agency (EIA), U.S. produced 116 million gallons in March compared to 94 million gallons in February, higher by 23 percent m-o-m. Soy oil was the largest feedstock with 369 million lbs in March which is 43 percent of total use. Production in February soy oil use was 369 million lbs.



- USDA WASDE Oilseeds Highlights: The 2017/18 U.S. season-average soybean price range is forecast at \$8.30 to \$10.30 per bushel compared with \$9.55 per bushel in 2016/17. Soybean meal prices are forecast at \$295 to \$335 per short ton, compared with \$320 per ton for 2016/17. Soybean oil prices are forecast at 30.0 to 34.0 cents per pound compared with 31.75 cents for 2016/17.

**Price Outlook:** We expect Ref. soy oil with VAT to trade in the price band of Rs 580-680 per 10 Kg.

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

*Fig. in lakh tons*

	2015-2016	2016-17-F	Nov-Jan	Feb-Apr	May-July-F	Aug-Oct-F
Opening Stock	5.58	6.55	6.55	4.97	4.73	5.61
Production (Domestic)	12.75	19.80	9.11	2.38	2.38	5.94
Imports	42.35	36.00	5.76	8.28	11.16	10.80
Imported oil processing	41.21	35.03	5.60	8.06	10.86	10.51
Total Production (Domestic production and imported oil production)	53.96	54.83	14.71	10.43	13.23	16.45
Total Supply	59.54	61.38	21.26	15.41	17.97	22.06
Consumption	52.99	56.17	16.29	10.67	12.36	16.85
Exports	0.00	0.00	0.00	0.00	0.00	0.00
Ending Stock	6.55	5.21	4.97	4.73	5.61	5.21

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.
- Lower carry out in Nov-Jan is high due to lower imports.
- Carryout stocks of oil year 2015-16 is 6.55 lakh tons on higher soy oil imports.
- Carry out of oil 2016-17 is 5.21 lakh tons
- Carryout of 2016-17 is lower than 2015-16 due to lower imports.

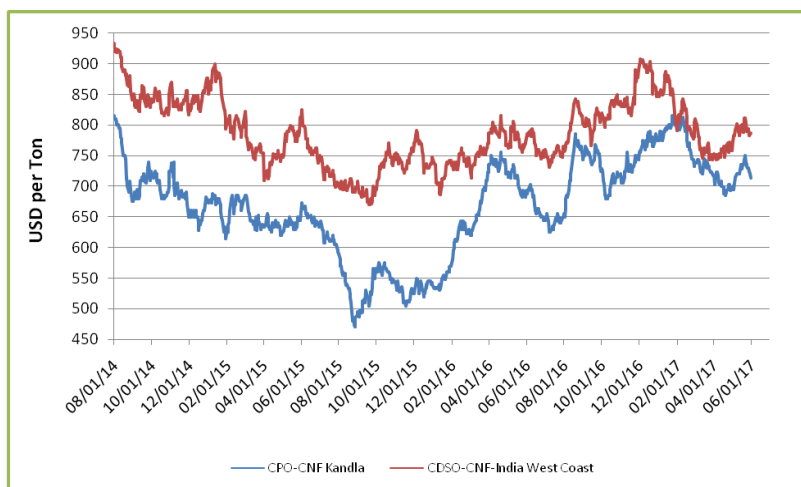
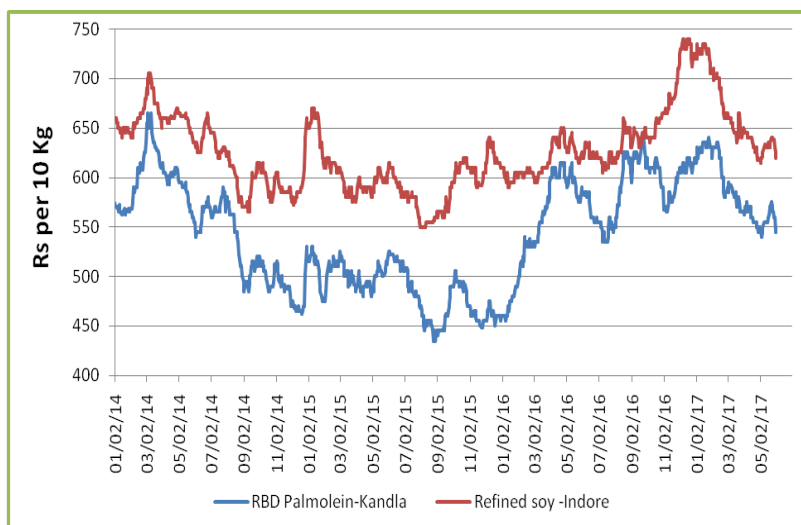
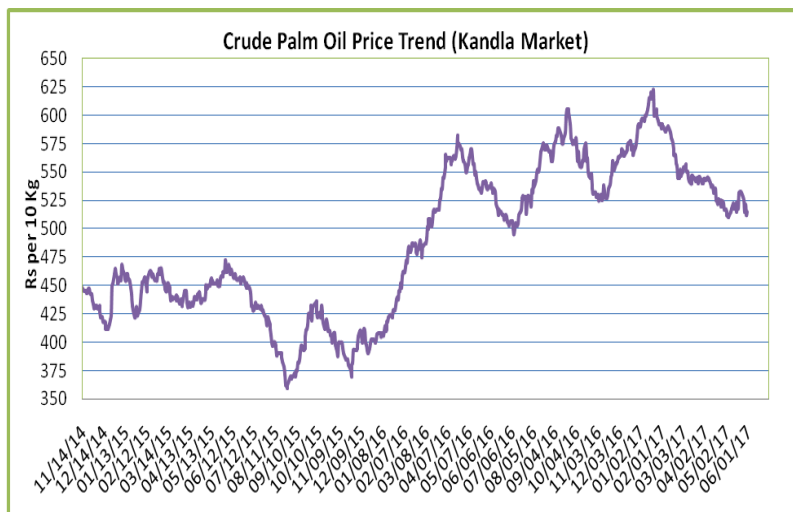
## Palm oil: Domestic Market Fundamentals

- CPO prices witnessed weak tone in the month of May 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 India prices rose in May.
- Agriwatch view – Crude palm oil prices fell in Kandla on weak demand. Fall in BMD Malaysia on bearish cues on expected higher production of palm oil in Malaysia supported the fall in domestic markets.

CPO prices fell at high seas compared to CNF markets which rose indicating weak demand in domestic market.

CPO demand in India is weak as RBD palmolein is available at cost of CPO. Raw material is available at price 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 weak in domestic markets in May compared to CNF markets as prices of RBD palmolein at high seas was unchanged while it rose in CNF markets. Supeolein prices increased lower while Vanaspati prices saw a fall in domestic markets compared to CPO and RBD palmolein indicating weak demand.

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

RBD palmolein premium over CPO increased to Rs 40 (Rs 35 last month) per 10 kg indicating firm demand of RBD palmolein compared to CPO in domestic market.

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

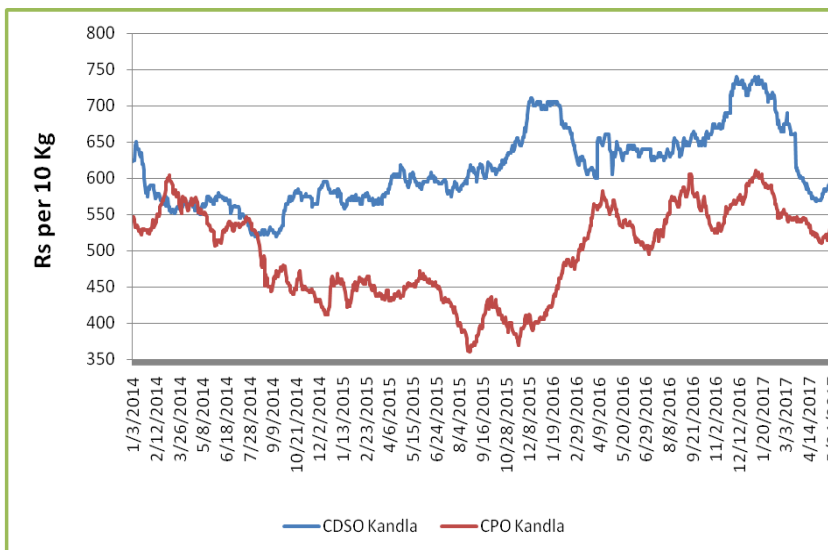
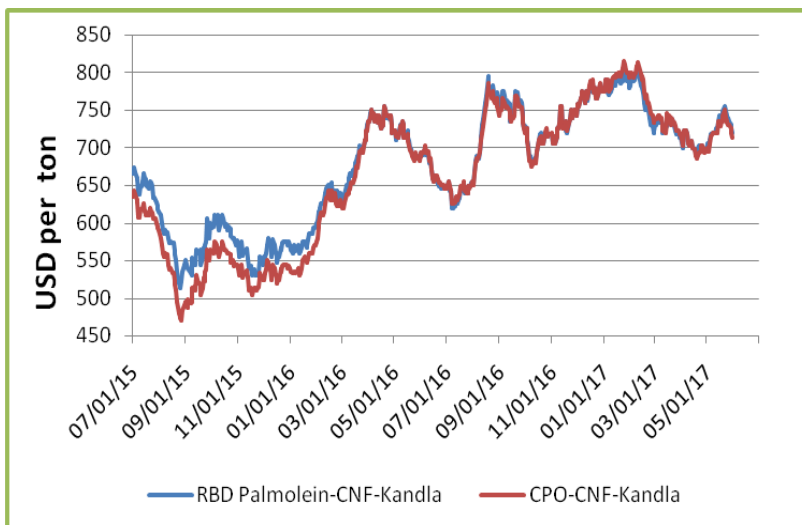
Malaysia. Fall in ringgit has supported the rise. This led to lower CPO imports in India and higher imports of RBD palmolein.

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

CPO imports rose in April compared to March while it was higher compared to April 2016 and stocks at ports and pipelines fell indicating firm demand in India. RBD palmolein imports rose in April compared to March and April 2016 while stocks at ports and pipelines fell indicating firm demand in India.

Low premium of CNF RBD palmolein over CNF CPO has resulted in higher imports of RBD palmolein imports in oil year 2016-17 and slowdown of CPO imports.

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



The second chart indicates that RBD palmolein-CNF prices were trading at low premium to CPO-CNF and CPO CNF prices traded lower than RBD palmolein which bucked their trend after four months.

Decreasing soy oil premium over palm oil which is hovering at Rs 112 (Rs 113 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 increased in April at CNF markets USD 75 (USD 89) per ton which will increase 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 7.52 lakh tons of palm oil in April 2017 v/s 7.35 lakh tons in April 2016, higher by 2.3 percent y-o-y. Import of palm oil in the period (November 2016-April 2017) was at 43.02 lakh tons compared to 43.41 lakh tons in the corresponding period in last oil year, marginally lower in the corresponding period.

CPO imports increased to 5.11 lakh tons in April compared to 3.99 lakh tons in April 2016, higher by 28 percent y-o-y. Import of CPO in the period (November 2016-April 2017) was at 29.02 lakh tons compared to 29.59 lakh tons in the corresponding period last oil year, lower by 1.9 percent

RBD palmolein imports fell 28.8 percent in April to 2.32 lakh tons from 3.26 lakh tons in April 2016. Import of RBD palmolein in the period (November 2016-April 2017) was at 13.68 lakh tons compared to 13.26 lakh tons in corresponding period last oil year, higher by 3.2 percent.

- According to United States Department of Agriculture (USDA) May estimate, India's palm oil imports are reduced 2.17 percent to 9 MMT from 9.25 MMT in its April estimate. Domestic consumption is reduced by 5 lakh tons to 9.25 MMT from 9.75 MMT in its April estimate. End stocks estimate is reduced 1 lakh tons to 4.46 lakh tons from 5.46 lakh tons in its April estimate.
- On the trade front, CNF CPO (Indonesian origin) at Indian port is quoted at USD 720 (USD 710) per ton for May delivery. June delivery is quoted at USD 710 (USD 690) per ton. Moreover, RBD palmolein (Malaysian origin) CNF at Indian port is offered at USD 725.5 (USD 715) per ton for May delivery. June delivery is quoted at USD 715 (USD 695) per ton. CPO duty paid prices ready lift quoted at Rs 513 (Rs 512) per 10 Kg and May delivery is offered at Rs 510 (Rs 510) per 10 Kg on June 2, 2017. Values in bracket depict April 2017 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 75 per ton (USD 82 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 fetch USD 10-15/ton (May average) v/s gain of USD 25-30/ton (April average) margin in processing

the imported CPO but on the imports of ready to use palmolein fetch USD 25-30/ton (May average) v/s gain of USD 30-35 (April average).

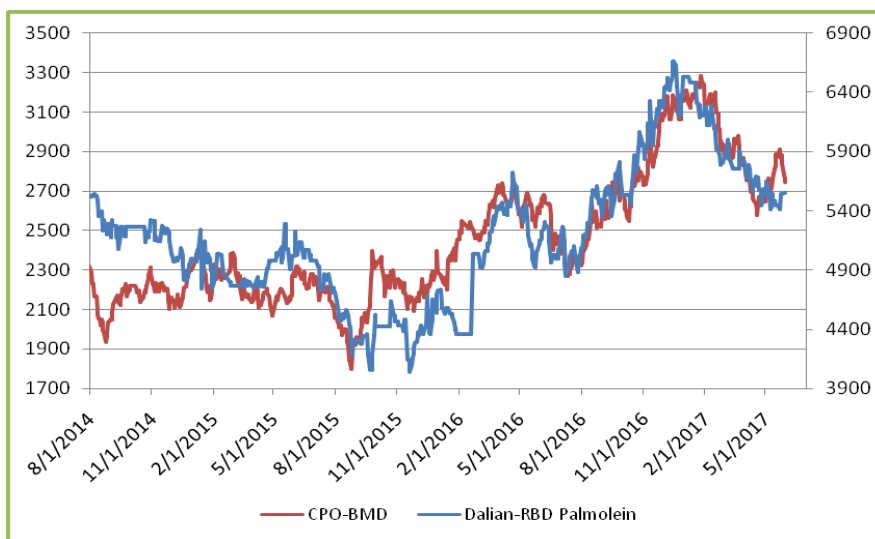
- We expect palm oil to trade sideways to weak tone in medium term.

### International Market Fundamentals

- Agriwatch view – Palm oil end stocks in Malaysia in May is expected to report marginal rise in stocks due to higher exports and lower rate of growth of production. However, production will see strong rise in coming months as conducive environment prevails in the subcontinent.

Palm oil end stocks in April rose 3.02 percent due to lower rise in production and higher rise in exports. Production rose on seasonal uptrend of production.

Palm oil exports rose 15-16 percent from Malaysia in May on demand ahead of Ramadan. However, stocks are covered for Ramadan and support to prices will depend upon fresh demand from top importing destinations. India, Pakistan and Middle East led the surge in demand ahead of Ramadan. India is buying



more ahead of demand season and fill the deficit in ports and pipelines which was running at very low levels.

Demand of China from Malaysia has remained weak as it is importing more from Indonesia since they are offering competitive prices. China is using more domestically crushed soy and canola oil. Demand from China has not firmed since Chinese New Year, which has led to low stocks at ports in the country. Primary reason of Chinese demand is low prices of soy oil in the country and negative crush margins in soybean which has led to fall in soy oil which reached 5 year lows.

Production in Malaysia will rise on seasonal uptrend of production and fading effect of El Nino. Palm oil production will help Malaysia and Indonesia recover all the losses due to El Nino in 2017.

Exports of palm oil are expected to weaken after Ramadan which will weigh on prices. Prices will find support on fresh triggers in medium term. Exports to India are still weak on weak demand in domestic market. Low soy oil premium over palm oil has led to weak demand from India. Stocks at ports and pipelines are less and may increase demand of palm oil in medium term.

However, palm oil prices are still high and both India and China are looking for bargains to purchase. Inventory of palm oil in India and China at ports is very weak which will support demand in medium term. However, low premium of soy oil over palm oil will decrease demand in medium term.

Palm oil prices are dragged due to fall in CBOT soy oil and DALIAN RBD palmolein. Record area of soybean and record crops of soybean has led to fall in CBOT soy oil, which has supported palm oil prices to fall. Other competitive oil has also dragged palm oil.

However, palm oil stocks will rise slowly compared to rise in production.

Palm oil production loss in 2016

will recover completely in 2017 with Malaysia producing 19-20 MMT and Indonesia at 35-36 MMT.

With higher production, stocks of palm oil from Malaysia will increase.

Strong ringgit will weigh on exports of palm oil from Malaysia.

Decision of Malaysia to increase imports of crude palm oil from Indonesia is bearish for palm oil. Both, Indonesia and Malaysia agreed in 2015 to reduce imports of CPO from Indonesia to support prices.

Production is expected to improve from May and will gradually accelerate as the year progresses.

Palm oil prices are expected to correct as expectation of higher production builds stocks in Malaysia for rest of the year.

Palm oil prices are expected to be weak in medium term in India on low premium of soy oil and sunflower oil over palm oil. India is a price sensitive country, which may shift demand away from palm oil. India is importing more RBD palmolein from Malaysia, as RBD palmolein prices quoted on India ports is lower than Indonesia CPO. India is world's largest importer of soy and palm oil. Higher oilseed crop in India in 2016-17 will increase production of edible oil in its domestic market and slow imports.

Production of palm oil in Indonesia lost in 2016 will be fully recovered in 2017. GAPKI estimates palm oil production to exceed 35 MMT in 2017. New planting in 2013 will support palm oil production in Indonesia.

MPOB expects improvement of palm oil production in Malaysia to pre El Nino levels.

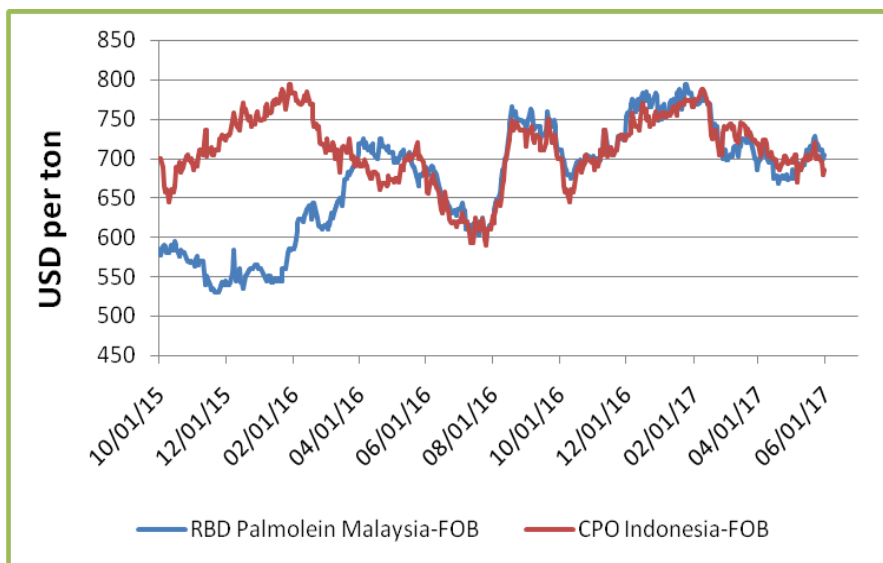
Aggressive pricing of RBD palmolein compared to Indonesia CPO has helped exports from Malaysia, reduced stocks of palm oil in Malaysia, and supported prices.

Prices of palm oil have stretched too far and demand from top importing destinations is weak, which will help in retracement of prices.

Palm oil is seen falling due to weak competitive oil markets like DALIAN RBD palmolein and CBOT soy oil in near term.

Malaysia reduced palm oil export duty to 6 percent for June, as Malaysian government feels that rise in export duty will hurt their competitiveness from Indonesia.

Indonesia has decreased palm export duties to zero as it expects palm oil prices to miss certain thresholds. Indonesia biodiesel mandate will consume incremental production in medium term in 2017.





Fall in crude oil prices will underpin palm oil prices in near term. Prices are in range.

- According to Malaysia Palm Oil Board (MPOB), Malaysia's April palm oil end stocks rose 3.02 percent to 16 lakh tons compared to 15.53 lakh tons in March. Production of palm oil in April rose 5.74 percent to 15.48 lakh tons compared to 14.64 lakh tons in March. Exports rose 1.39 percent to 12.83 lakh tons compared to 12.65 lakh tons in March. Imports of palm oil in April fell 46.57 percent to 0.54 lakh tons compared to 1.02 lakh tons in March. Stocks came below market expectations on lower than expected rise in production.
- According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's May palm oil exports rose 15.4 percent to 1,310,320 tons compared to 1,135,340 tons in last month. Top buyers were India at 283,820 tons (175,300 tons), European Union at 280,215 tons (278,643 tons), China at 105,090 tons (137,450 tons), Pakistan at 60,000 tons (37,000 tons) and United States at 60,607 tons (59,465 tons). Values in brackets are figures of last month.
- According to cargo surveyor Intertek Testing Services (ITS), Malaysia's May palm oil exports rose 16 percent to 1,306,374 tons v/s 1,125,942 tons in last month. Top buyers were India & subcontinent at 360,400 tons (224,600 tons), European Union at 233,570 tons (217,513 tons) and China at 114,290 tons (149,811 tons). Values in brackets are figures of last month.
- According to Indonesia Palm Oil Association (GAPKI), Indonesia's April palm and palm kernel oil exports rose 4 percent to 2.57 MMT compared to 2.47 MMT in March. Exports rose 23 percent compared to April 2016. Exports in the period January-April rose 23 percent to 10.7 MMT compared to 8.7 MMT in the corresponding period last year.
- According to Indonesia Palm Oil Association (GAPKI), Indonesia's palm oil end stocks at the end of April fell to 0.89 MMT from 1.4 MMT in April, lower by 36.6 percent m-o-m. Stocks of palm oil at the end of 2016 stood at 3.75 MMT. Stocks fell due to strong demand compared to production. Production of palm oil rose 14 percent to 11.4 MMT in the period January-April in the corresponding period last year.
- According to China's General Administration of Customs (CNGOIC), China's April palm oil imports rose 54.6 percent to 4.24 lakh tons compared to April 2016. Year to date imports of palm oil rose 16.91 percent to 16.76 lakh tons compared to corresponding period last year. Imports from Indonesia in April rose 117.02 percent to 2.94 lakh tons compared to April 2016. Year to date imports of palm oil from Indonesia rose 13.7 percent to 11.36 lakh tons compared to corresponding period last year. Imports from Malaysia in April rose 2.8 percent to 1.30 lakh tons compared to April 2016. Year to date imports rose 25.71 percent from Malaysia to 5.39 lakh tons compared to corresponding period last year.
- Policy update: According to Malaysia Palm Oil Board (MPOB), Malaysia reduced May crude palm oil export duty to 7 percent from 7.5 percent in April. Tax is calculated at reference price of 3,008.09 ringgit (\$680.41) per ton. Tax is calculated above 2,250 ringgit starting from 4.5 percent to a maximum of 8.5 percent.

Indonesia removed export duty on crude palm oil for May from USD 3 per ton in April.

- **Price Outlook:** We expect CPO Kandla 5% to trade in the price band of Rs 470-570 per 10 Kg.

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

	2014-15	2015-16	2016-17-F	Nov-Jan	Feb-Apr	May-July-F	July-Oct-F
<b>Opening Stock</b>	<b>1.20</b>	<b>1.74</b>	<b>1.11</b>	<b>1.11</b>	<b>1.10</b>	<b>1.36</b>	<b>1.26</b>
<b>Production</b>	<b>0.18</b>	<b>0.20</b>	<b>0.20</b>	<b>0.05</b>	<b>0.05</b>	<b>0.05</b>	<b>0.05</b>
<b>Imports</b>	<b>9.54</b>	<b>8.44</b>	<b>9.28</b>	<b>2.14</b>	<b>2.41</b>	<b>2.23</b>	<b>2.51</b>
<b>Total Supply</b>	<b>10.92</b>	<b>10.38</b>	<b>10.59</b>	<b>3.29</b>	<b>3.56</b>	<b>3.64</b>	<b>3.81</b>
<b>Consumption</b>	<b>9.18</b>	<b>9.27</b>	<b>9.55</b>	<b>2.20</b>	<b>2.20</b>	<b>2.39</b>	<b>2.77</b>
<b>Ending Stocks</b>	<b>1.74</b>	<b>1.11</b>	<b>1.04</b>	<b>1.10</b>	<b>1.36</b>	<b>1.26</b>	<b>1.04</b>

Source: AW estimates

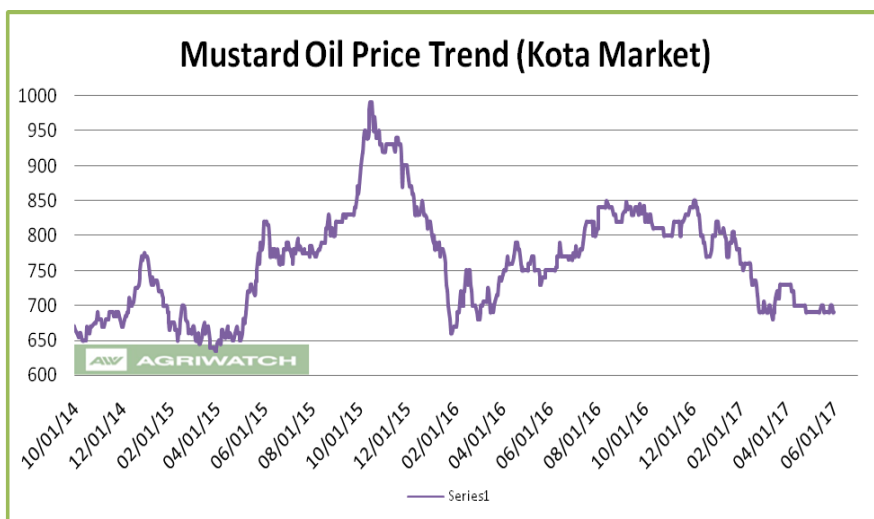
Oil year- November-October

**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 1.04 million tons on lower imports.
- Carryout of 2016-17 is lower than 2015-16 due to higher imports of palm oil.
- Carry out of second quarter of oil year 2016-17 will be higher than first quarter of oil year 2016-17.

## Rapeseed oil: Domestic Market Fundamentals

- Rapeseed oil featured downtrend at various markets on higher crushing of rapeseed and weak prices of rapeseed during the month of May. Prices of expeller mustard oil remained unchanged at benchmark market of Kota while it fell in Jaipur, Neewai Ganganagar, Mumbai, Kolkata and New Delhi while it rose in Gujarat and Hapur. Kacchi Ghani fell in Ganganagar, Kota, Jaipur, Neewai, Hapur while it rose in Bharatpur and Agra. Rapeseed (Canola) oil prices fell in May.

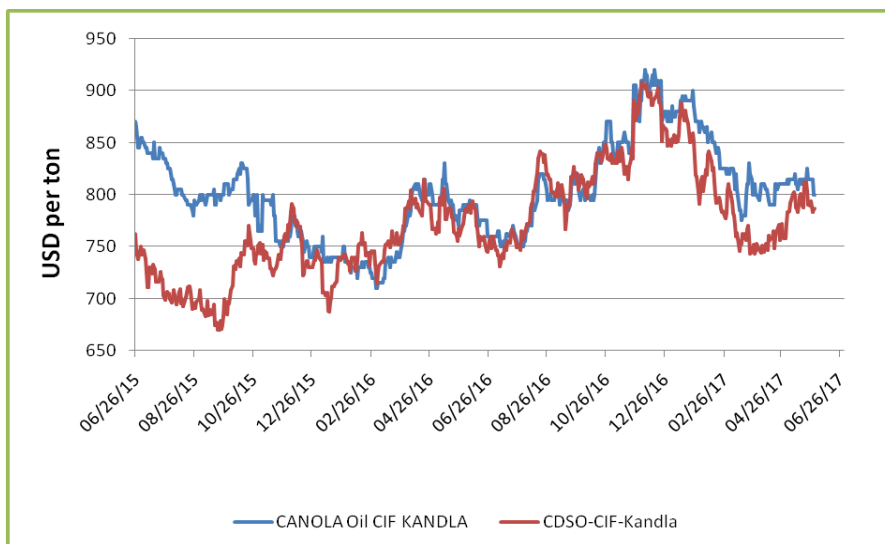


- Agriwatch view: Rapeseed oil prices traded mostly lower in the month of May in various markets in India on fall in prices of rapeseed and higher crushing of rapeseed.

Weak rapeseed-mustard prices impacted prices of rapeseed oil. Very good rapeseed-mustard crop in current oil year will improve supplies of rapeseed in long run.

Stockists and traders have increased offtake in expectation of higher prices of rapeseed oil.

Agriwatch expected rapeseed-mustard oil crop at 6.9-7.0 MMT on higher sowing of rapeseed in MY 2017-18.



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

Prices fell on lower palm oil prices.

Demand is weak. Traders are adequately stocked.

Stockists and traders are adequately stocked. Rapeseed (Canola) oil prices fell in May.

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 which

Prices of rapeseed oil are expected to trade sideways to firm buying at lower quotes, seasonal uptrend of prices and rise in rapeseed prices.

- Rapeseed (Canola) oil import scenario – India imports 0.32 lakh tons of rapeseed (Canola) oil imports in April 2017 v/s 0.51 lakh tons in April 2016. Imports were 1.52 lakh tons in the period (November 2016-April 2017) compared to 1.53 lakh tons in corresponding period last oil year: SEA
- CIF Canola oil premium over soybean oil is hovering at USD 0 (USD 23 last month) as on 2 June, 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 675 (Rs 680) per 10 Kg and at Kota market is quoted around Rs 690 (Rs 690) per 10 kg as on June 2, 2017. 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 640-750 per 10 Kg.

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

*Fig. in lakh tons*

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17-F
	1.32	1.49	1.73	3.86	1.39	1.41
<b>Production</b>	22.68	25.02	26.78	20.16	21.24	25.08
<b>Imports</b>	0.91	0.13	2.00	3.70	3.50	4.00
<b>Total Supply</b>	24.91	26.64	30.52	27.72	26.13	30.49
<b>Exports</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>Consumption</b>	23.41	24.91	26.66	26.33	24.72	28.66
<b>Ending Stocks</b>	1.49	1.73	3.86	1.39	1.41	1.83

Source: AW estimates

Oil year- November-October

#### ➤ **Highlights**

- Prices of rapeseed oil in 2016-17 are expected to be weak on higher carryout in oil year 2015-16.
- Rapeseed oil production is higher in oil year 2016-17 on higher rapeseed crop.
- Higher oil production in 2016-17 is due to higher marketable surplus of rapeseed resulting in higher crush.
- Carryout stocks of oil year 2015-16 is 1.41 lakh tons on lower rapeseed oil production.
- Carryout of 2016-17 is higher than 2015-16 due to higher production and import of rapeseed oil.

### Sunflower oil: Domestic Market Fundamentals

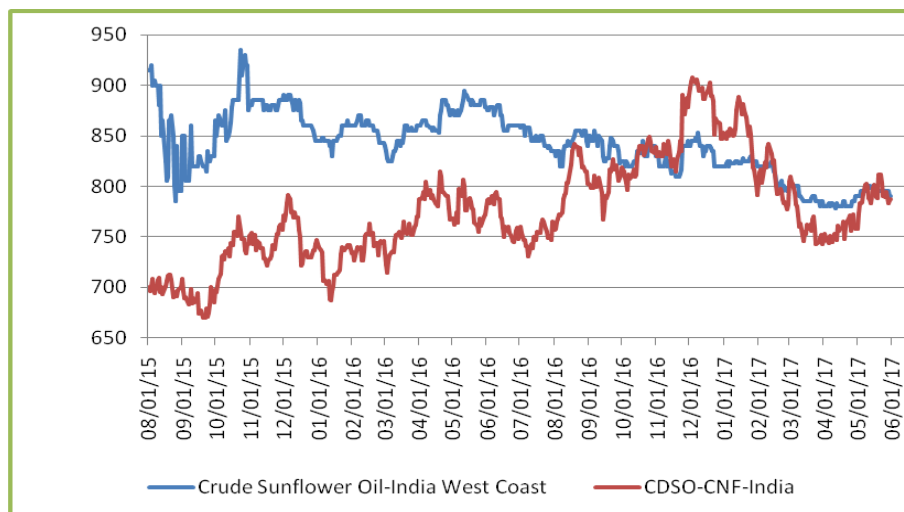
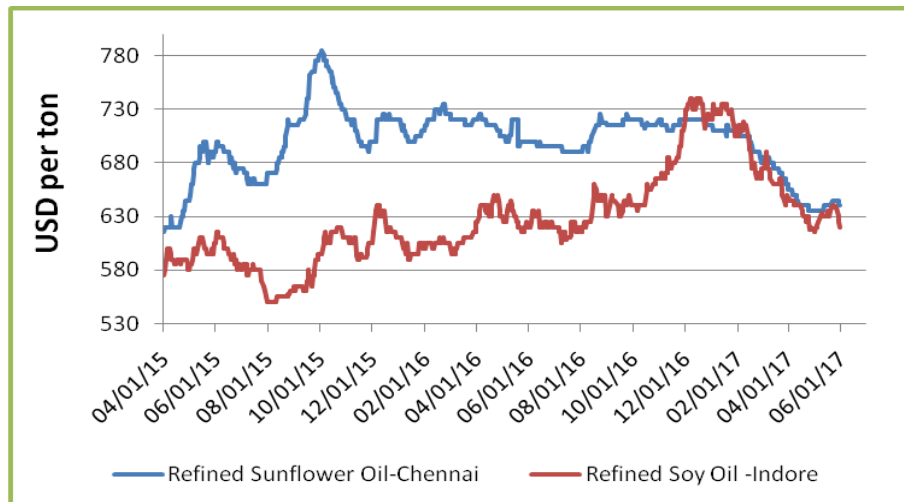
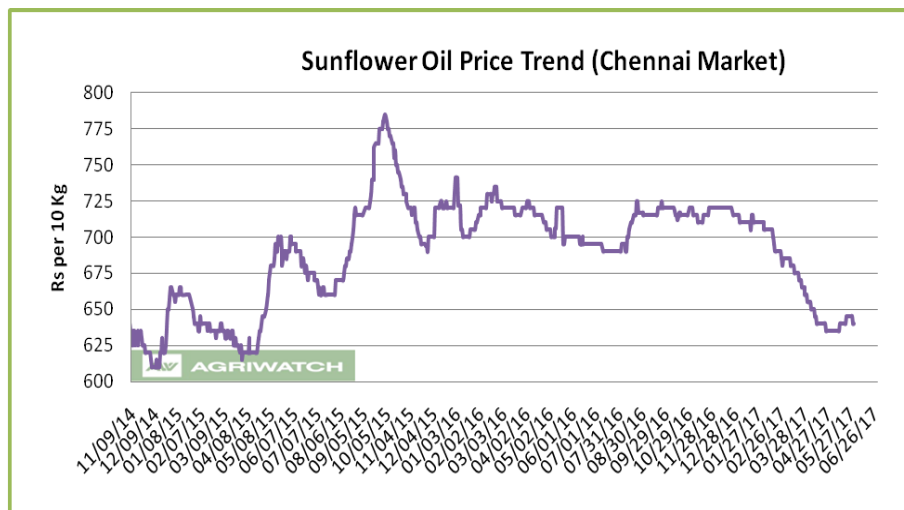
➤ Sunflower oil featured downtrend at its benchmark market in Chennai during the month of May on firm demand. Prices closed unchanged in Hyderabad while it rose in Kakinada at the end of month. Prices rose in Mumbai and Kandla/Mudra. Sunflower expeller prices rose in Erode and Latur while was unchanged in Latur.

➤ Agriwatch view: Sunflower prices rose in month of May at its benchmark market of Chennai on firm demand.

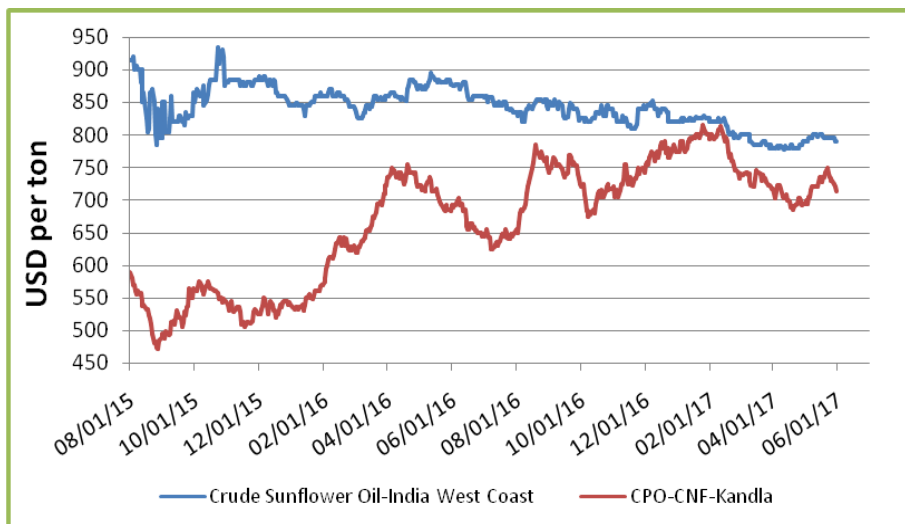
Prices of sunflower oil rose in domestic market while it fell at CNF markets indicating firm demand.

Sunflower oil imports in the month of April were higher compared to April 2016 while stocks at ports and pipelines rose. Stocks of sunflower rose consecutively for last two months. Despite firm demand sunflower oil is stocked at Indian ports to take advantage when prices of sunflower oil recovers as crude sunflower is trading at discount to CDSO at CNF markets.

Appreciation of Indian rupee has made imports of sunflower oil dearer in India, which will reflect in coming months.



Supply has improved in markets as imports rose 53 percent in November-April. Imports of sunflower oil will show steady rise in coming months due to low premium of sunflower oil over CDSO and CPO.



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 May as crude sunflower oil premium over CDSO CNF is very low. Third chart from above shows crude sunflower oil premium over CDSO is very low which will support imports and underpin prices.

Second chart from above shows that sunflower oil prices have correlated to soy oil after November 2016.

Prices rose on rise in prices of soy oil.

Refiners and stockists are stocking as sunflower oil premium over soy oil is low at USD -2.5 (USD 10 last month).

Prices of sunflower oil in domestic markets are trading at minor premium to soy oil in domestic market at Rs 20 per 10 kg compared price Rs 10 per 10 kg in April. Above chart shows how soy oil has behaved compared to sunflower oil.

Prices rose on seasonal uptrend of prices.

In domestic market, demand is expected to improve 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 improve on seasonal uptrend 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 low premium over soy oil and premium over palm oil will increase in medium term.

Reduction of import duty on sunflower seed is expected to increase crushing in India and underpin prices in medium term.

Prices are expected to improve on seasonal uptrend of prices, improvement in demand at lower prices, low premium of sunflower oil over soy oil and lower carryout in May-July period. Prices of sunflower oil are expected to remain in a range with upwards bias in June.



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

- Sunflower oil import scenario – According to SEA, India imported 2.35 lakh tons of crude sunflower oil during April 2017 v/s 1.00 lakh tons in April 2016, higher by 135 percent y-o-y. India imported 11.85 lakh tons of crude sunflower oil (November 2016-April 2017) compared to 7.71 lakh tons in corresponding period last oil year.
- According to State statistics of Ukraine, Ukraine produced 1.9 MMT of crude sunflower oil in January-April 2017, higher by 31 percent compared to corresponding period last year. In April, Ukraine produced 455 thousand tons of sunflower oil, lower by 12 percent compared to March 2017 and higher by 18 percent compared to April 2016.
- CIF sunflower oil prices (Ukraine origin) at west coast of India quoted around USD 782.5 (USD 795) per ton for June delivery and JAS delivery is offered at USD 785 (USD 800) per ton as on June 2, 2017. Last month, CIF sun oil (Ukraine origin) monthly average was around USD 795.59 (USD 781.87 in April 2017) per ton. Values in brackets are figures of last month.
- Prices are likely to stay in the range of USD 770-820 per ton in the medium term. CIF Sunflower oil-CNF premium against CDSO CNF had weakened from last month and is hovering at USD -2.5 per ton versus USD 10 previous month.
- Currently, refined sunflower oil at Chennai market is offered at Rs 640 (Rs 635) per 10 Kg, and at Hyderabad market, it is offered at Rs 641 (Rs 637) per 10 kg as on June 2, 2017. Values in brackets are figures of last month.
- We expect sunflower oil prices to trade sideways to firm tone in the coming days.

**Price Outlook:** We expect sunflower oil (Chennai) to trade in the price band of Rs 600-680 per 10 Kg.

**Balance Sheet- Sunflower Oil (quarterly), India**
*Fig. in lakh tons*

	2015-16	2016-17-F	Nov-Jan	Feb-Apr	May-July-F	Aug-Oct-F
<b>Opening Stock</b>	2.12	2.06	2.06	3.39	4.86	4.67
<b>Production</b>	1.42	1.55	0.28	0.23	0.52	0.52
<b>Imports</b>	15.16	19.71	5.52	5.72	4.14	4.34
<b>Total Supply</b>	18.70	23.32	7.86	9.33	9.52	9.52
<b>Exports</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>Consumption</b>	16.64	18.64	4.47	4.47	4.85	4.85
<b>Ending Stocks</b>	2.06	4.68	3.39	4.86	4.67	4.68

Source: AW estimates

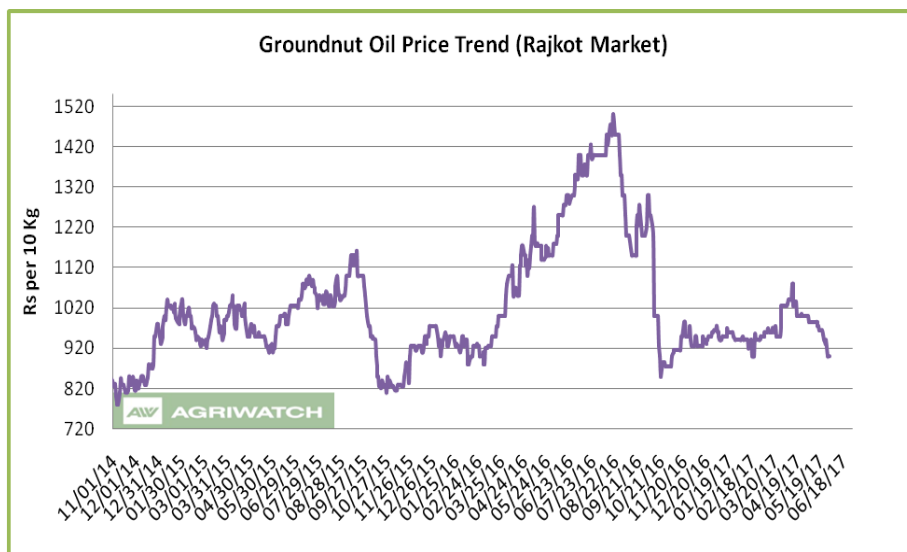
Oil year- November-October

**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.

### Groundnut oil: Domestic Market Fundamentals

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



- Agriwatch view: Groundnut oil prices decreased in May due to weak demand and firm supply.

Prices of groundnut decreased in month of May as farmers are releasing their produce as they fear that groundnut prices may fall below MSP as had happened in October. Lower prices of groundnut led to lower groundnut oil prices.

Prices have increased which resulted in weak retail demand, led to fall prices of groundnut oil.

Prices fell in weak buying at higher quotes.

Fall in prices of palm oil supported the fall.

Government decision to allow bulk exports of edible oil has little impact on exports as prices of Indian groundnut oil is higher compared to other countries. Exports were only allowed in 5 kg packs with minimum exports prices of USD 900 per ton.

Millers are getting higher volume of groundnut which has resulted in higher crushing, resulted in higher supply of groundnut oil supporting fall in prices.

Stockists and traders have decreased offtake as they are not confident of prices.

Prices are expected to trade weak on lower demand, fall in groundnut prices, fall in competitive oil prices, and weak activity in cash markets.

Prices are expected to trade sideways to weak on weak demand.

- On the price front, currently the groundnut oil prices in Rajkot is hovering near Rs 9,100 (9,850) per quintal and quoting at Rs 9,400 (Rs 10,600) 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 800-1000 per 10 Kg.

**Balance Sheet- Groundnut Oil (quarterly), India**
*Fig. in lakh tons*

	<b>2015-16</b>	<b>2016-17-F</b>	<b>Nov-Jan</b>	<b>Feb-Apr</b>	<b>May-July-F</b>	<b>Aug-Oct-F</b>
<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

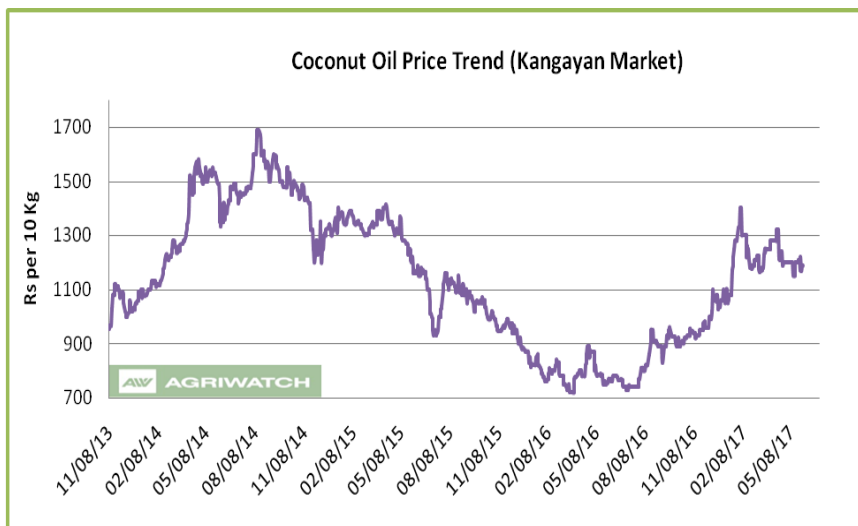
**Highlights**

- 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 downtrend at its benchmark market in Kangeyan on weak demand. Prices rose in Kochi at the end of the month.
- Agriwatch view: Prices of coconut oil fell in the month of May on weak demand.

Rise in prices of copra was unchanged at the end of month after falling in the middle of the month.



Supply of copra has improved in month of May on higher harvest.

Traders are releasing copra to take advantage of prices after hike in MSP of copra.

Prices of coconut oil decreased on weak demand. Demand weakened on higher prices of coconut oil.

Fall in prices of palm oil supported the fall.

Prices fell on seasonal downtrend of prices.

Supply of coconut oil is firm while demand is weak.

Coconut oil is costliest domestic edible oil, which has weakened demand.

Demand from North India is weak.

Export demand has weakened due to higher prices of coconut oil which has made coconut oil uncompetitive in international markets. Moreover, appreciation of Rupee will dent export demand.

Traders are not holding copra on expectation of fall in prices. Firm supply of copra has led to higher crushing and firm supply of coconut oil which led to the fall in prices.

Millers are getting copra from traders, which have led to firm supply of coconut oil supporting fall.

Millers are not holding oil as they are not confident of prices and are depending on ready markets.

Traders and upcountry buyers are staying away from markets as they are not confident of prices.

Therefore, firm supply of raw material has led to lower prices of coconut oil in the market.

Higher prices of coconut oil for a long period will shift demand towards palm oil which will weaken demand of coconut oil in medium to long term. However, government measure to control adulteration of coconut oil has yielded positive results.

Moreover, lower prices and high supply of palm kernel oil have helped shift in demand pattern away from coconut oil.

Corporate demand which contributes 80 percent of demand is weak due to higher prices of coconut oil. Demand is expected to shift away from coconut oil to palm oil if prices of coconut oil do not correct.

Price momentum of coconut oil has turned negative which will lead to lower prices in medium term.

Markets are waiting for further cues as season is changing and trend will emerge after some time, until then prices are expected to remain sideways to weak.

Prices are expected to weaken in June on weak demand from corporates, seasonal downtrend of prices, lower prices of copra, weak demand at higher prices and lower prices of competitive oils. Prices are expected to trade sideways to weak in medium term.

- On the price front, currently the coconut oil prices in Kochi is hovering near Rs 12,800 (12,500) per quintal, and quoting Rs 11,900 (12,000) per quintal in Erode market on May 31, 2017.
- Coconut oil prices may trade sideways to weak tone tracking weak demand in ready markets.

**Price Outlook:** We expect coconut oil (Erode) to trade in the price band of Rs 1050-1300 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**

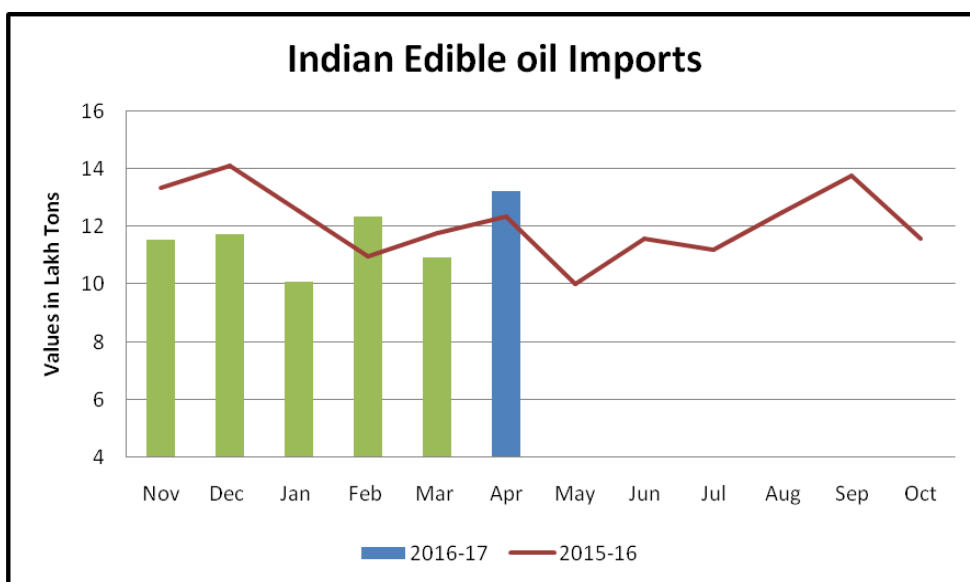
Month	Production (in lakh Tons)	Cumulative Production (in lakh Tons)
Jan-16	0.35	0.35
Feb-16	0.42	0.77
Mar-16	0.54	1.31
Apr-16	0.77	2.08
May-16	0.64	2.72
Jun-16	0.54	3.25
Jul-16	0.45	3.70
Aug-16	0.42	4.12
Sep-16	0.36	4.47
Oct-16	0.31	4.78
Nov-16	0.36	5.14
Dec-16	0.33	5.46

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
<b>Total</b>		<b>23378.35</b>	<b>24455.54</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 14.57 million tons 2015-16 (November 2015-October 2016). Edible oils (including CPO, CDSO, CSFO, and RBD Palmolein) imports for April is pegged at 13.24 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.

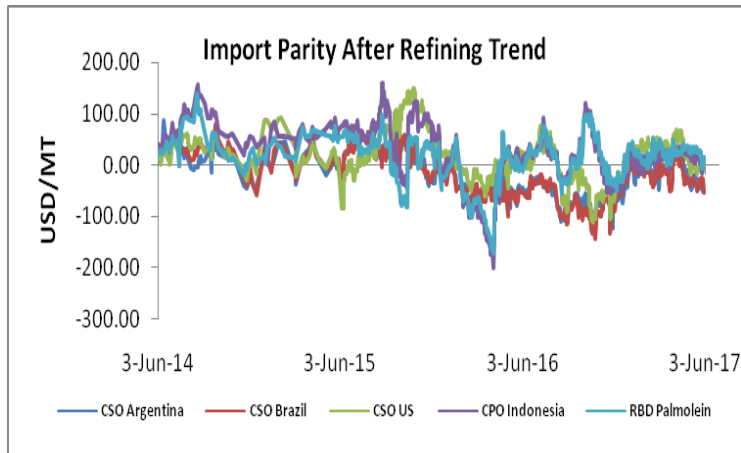
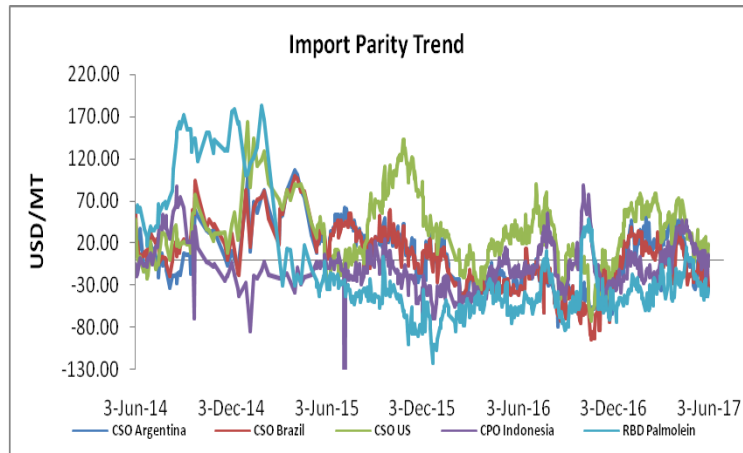
On the consumption side, India's edible oil consumption for 2016-17 oil year seen at 23.24 million tons, up 5 percent from last year. Ending stocks are projected higher compared to 2015-16 at 1.99 million tons.

**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**

<b>Landed Cost Calculation as on 1/06/2017</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	737	739	680	683	705
Freight (USD/MT)	60	55	62	25	20.0
C & F	797.0	794.0	742.0	708.0	725.0
Weight loss (0.25% of FOB)	1.84	1.85	1.70	1.71	1.76
Finance charges (0.4% on CNF)	3.19	3.18	2.97	2.83	2.90
Insurance (0.3% of C&F)	2.39	2.38	2.23	2.12	2.18
CIF (Indian Port - Kandla)	804	801	749	715	732
CVD	0	0	0	0	0
Duty (Values in USD per tons)	101.38	101.38	101.38	55.43	114.15
CVD value USD per ton	0	0	0	0	0
Cess (3% on duty) USD per ton	2.0275	2.0275	3.04125	1.1085	2.283
Exchange rate	64.47	64.47	64.47	64.47	64.47
Landed cost without customs duty in INR per ton	51861	51667	48281	46074	47182
Customs duty %	12.50%	12.50%	12.50%	7.50%	15.00%
Base import price	811	811	811	739	761
Fixed exchange rate by customs department	65.30	65.30	65.30	65.30	65.30
Duty component in INR per ton	6619.79	6619.79	6619.79	3619.25	7454.00
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	59881	59686	56301	51094	56036
Domestic Market price INR/ton Soy Degum Kandla/CPO Kandla/RBD Kandla	57500	57500	57500	51200	53500
Total landed cost USD per ton	929	926	873	793	869
Domestic Market price USD/tons Soy Degum Kandla/ CPO Kandla 5%	892	892	892	794	830
<b>Parity INR/MT (Domestic - Landed)</b>	<b>-2381</b>	<b>-2186</b>	<b>1199</b>	<b>106</b>	<b>-2536</b>
<b>Parity USD/MT (Domestic - Landed)</b>	<b>-36.93</b>	<b>-33.91</b>	<b>18.60</b>	<b>1.65</b>	<b>-39.33</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	65580.84	65386.40	62000.98	58593.61	58835.56
Soy/Palm oil imported Price (Including tax)	68859.88	68655.72	65101.03	61523.29	61777.34
Loose price of Soy/Palm in Indore and Delhi market	65100.00	65100.00	65100.00	62685.00	62685.00
<b>Parity after processing and Taxes (Rs per MT)</b>	<b>-3759.88</b>	<b>-3555.72</b>	<b>-1.03</b>	<b>1161.71</b>	<b>907.66</b>
<b>Parity after processing and Taxes (USD per MT)</b>	<b>-58.32</b>	<b>-55.15</b>	<b>-0.02</b>	<b>18.02</b>	<b>14.08</b>
Source: Agriwatch					

### Import Parity Trend

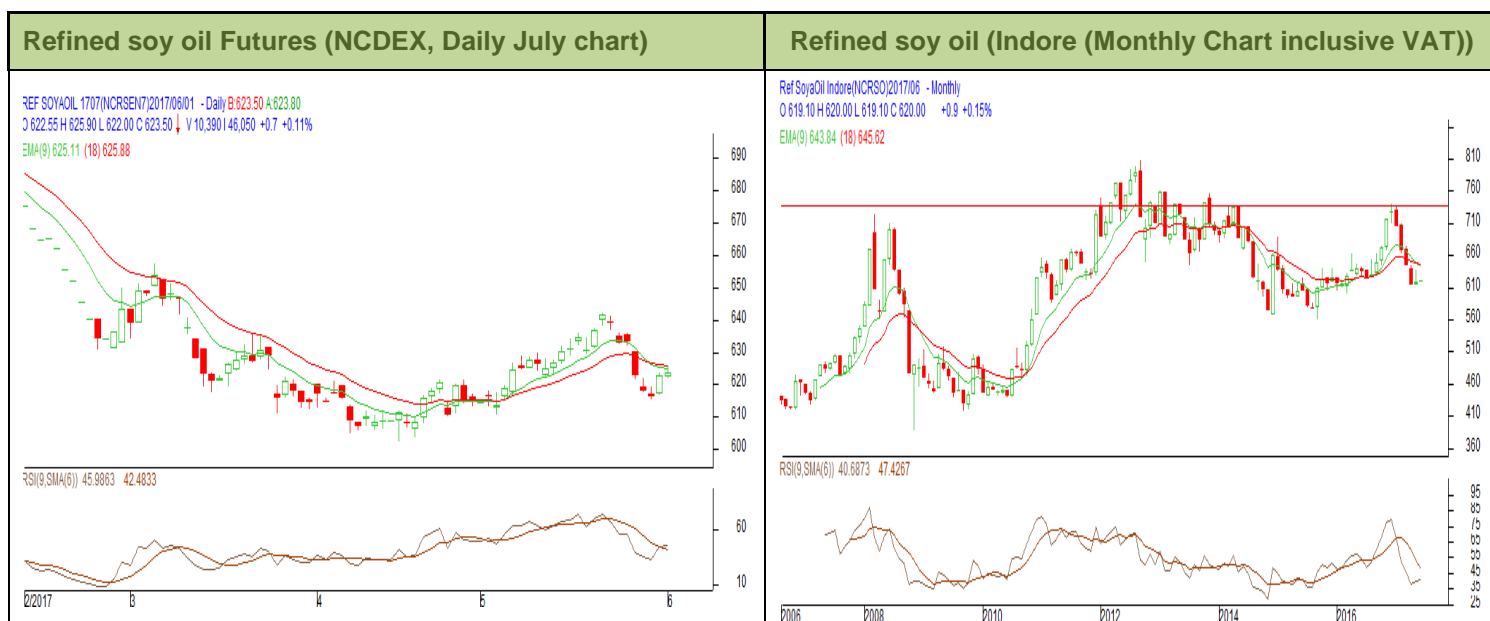


### Import Parity after Refining in US dollar per tons (Monthly Average)

	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
<b>Mar, 2017</b>	14.48	-15.56	29.41	15.58	26.41
<b>Apr, 2017</b>	7.03	-5.60	42.64	25.12	31.46
<b>May, 2017</b>	-37.47	-33.28	-1.10	12.52	25.02

### Outlook:-

Import parity for CDSO Argentina and CDSO Brazil are in disparity due to costly imports. We expect CDSO import parity to remain in disparity in June. 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 (July contract) on pullbacks.**

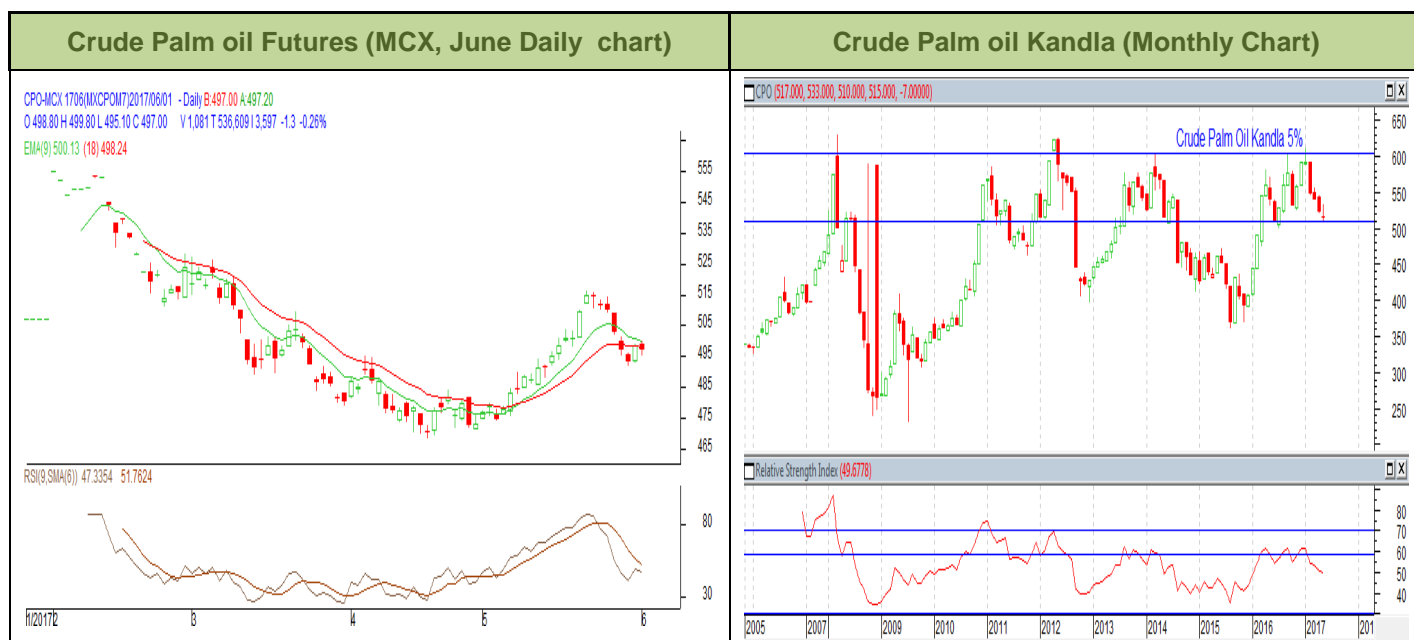
- Monthly chart of refined soy oil at NCDEX featured gains in the prices. We expect sideways to weak movement in the coming days.
- Any close below 620 in monthly chart will change the sentiment and bring prices to 600 levels.
- Expected price band for next month is 580-670 level in near to medium term. RSI, Stochastic and MACD are indicating downtrend at current levels.

**Strategy:** Market participants are advised to go short in RSO below 635 for a target of 610 and 605 with a stop loss at 645 on closing basis.

**RSO NCDEX**

Support and Resistance				
S2	S1	PCP	R1	R2
607.00	620.00	625.3	656.00	670.00

**Spot Market outlook:** Refined soy oil Indore (including VAT) is likely to stay in the range of 580-680 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 (June 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 480 in monthly chart might bring the prices to 460 levels.
- Expected price band for next month is 450-550 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 500 for a target of 480 and 475 with a stop loss at 510 on closing basis.

**CPO MCX**

Support and Resistance				
S2	S1	PCP	R1	R2
480.00	490.00	492.9	524.00	546.00

**Spot Market outlook:** Crude palm oil Kandla is likely to stay in the range of 470-570 per 10 Kg.





#### Monthly spot prices comparison

Commodity	Centre	Prices(Per 10 Kg)		Change
		31-May-17	29-Apr-17	
Refined Soybean Oil	Indore	620	618	2
	Indore (Soy Solvent Crude)	590	585	5
	Mumbai	635	620	15
	Mumbai (Soy Degum)	578	565	13
	Kandla/Mundra	610	600	10
	Kandla/Mundra (Soy Degum)	575	570	5
	Kolkata	610	600	10
	Delhi	630	630	Unch
	Nagpur	660	643	17
	Rajkot	600	595	5
	Kota	630	620	10
	Hyderabad	627	627	Unch
	Akola	662	630	32
	Amrawati	662	632	30
	Bundi	620	615	5
	Jalna	661	642	19
	Alwar	NA	NA	-
	Solapur	660	643	17
	Dhule	661	640	21
Palm Oil	Kandla (Crude Palm Oil)	513	517	-5
	Kandla (RBD Palm oil)	535	540	-5
	Kandla RBD Pamolein	550	550	Unch
	Kakinada (Crude Palm Oil)	520	470	50
	Kakinada RBD Pamolein	550	535	15
	Haldia Pamolein	560	545	15
	Chennai RBD Pamolein	555	540	15
	KPT (krishna patnam) Pamolein	545	530	15
	Mumbai RBD Pamolein	565	550	15
	Delhi	595	590	5
	Rajkot	545	545	Unch
	Hyderabad	518	499	19
	Mangalore RBD Pamolein	555	540	15
	PFAD (Kandla)	455	450	5
	Refined Palm Stearin (Kandla)	490	490	Unch
Refined Sunflower Oil	Chennai	640	635	5
	Mumbai	690	680	10
	Mumbai(Expeller Oil)	590	580	10
	Kandla	670	660	10
	Kandla/Mundra (Crude)	NA	NA	-
	Hyderabad (Ref)	651	641	10

	Latur (Expeller Oil)	670	635	35
	Chellakere (Expeller Oil)	590	590	Unch
	Erode (Expeller Oil)	675	665	10
Groundnut Oil	Rajkot	900	1000	-100
	Chennai	950	1050	-100
	Delhi	1100	1100	Unch
	Hyderabad *	1060	1070	-10
	Mumbai	960	1040	-80
	Gondal	900	1000	-100
	Jamnagar	900	1000	-100
Rapeseed Oil/Mustard Oil	Jaipur (Expeller Oil)	675	680	-5
	Jaipur (Kacchi Ghani Oil)	703	721	-18
	Kota (Expeller Oil)	690	690	Unch
	Kota (Kacchi Ghani Oil)	700	710	-10
	Neewai (Kacchi Ghani Oil)	671	695	-24
	Neewai (Expeller Oil)	691	705	-14
	Bharatpur (Kacchi Ghani Oil)	730	720	10
	Alwar (Kacchi Ghani Oil)	NA	NA	-
	Alwar (Expeller Oil)	NA	NA	-
	Sri-Ganga Nagar(Exp Oil)	660	680	-20
	Sri-Ganga Nagar (Kacchi Ghani Oil)	680	700	-20
	Mumbai (Expeller Oil)	680	710	-30
	Kolkata(Expeller Oil)	860	900	-40
	New Delhi (Expeller Oil)	700	702	-2
	Hapur (Expeller Oil)	760	750	10
	Hapur (Kacchi Ghani Oil)	820	840	-20
	Agra (Kacchi Ghani Oil)	735	725	10
Refined Cottonseed Oil	Rajkot	605	620	-15
	Hyderabad	600	600	Unch
	Mumbai	636	625	11
	New Delhi	610	600	10
Coconut Oil	Kangayan (Crude)	1190	1200	-10
	Cochin	1280	1250	30
	Trissur	NA	NA	-
Sesame Oil	New Delhi	770	800	-30
	Mumbai	730	735	-5
Kardi	Mumbai	740	740	Unch
Rice Bran Oil (40%)	New Delhi	520	560	-40
Rice Bran Oil (4%)	Punjab	590	590	Unch
Rice Bran Oil (4%)	Uttar Pradesh	590	590	Unch
Malaysia Palmolein USD/MT	FOB	705	675	30

	CNF India	720	695	25
Indonesia CPO USD/MT	FOB	685	673	12
	CNF India	713	695	18
RBD Palm oil (Malaysia Origin USD/MT)	FOB	700	675	25
RBD Palm Stearin (Malaysia Origin USD/MT)	FOB	628	603	25
RBD Palm Kernel Oil (Malaysia Origin USD/MT)	FOB	1130	1100	30
Palm Fatty Acid Distillate (Malaysia Origin USD/MT)	FOB	628	618	10
Crude palm Kernel Oil India (USD/MT)	CNF India	1180	1050	130
Ukraine Origin CSFO USD/MT Kandla	CIF	790	790	Unch
Rapeseed Oil Rotterdam Euro/MT	FOB	742	775	-33
<b>Argentina FOB (\$/MT)</b>		<b>30-May-17</b>	<b>28-Apr-17</b>	<b>Change</b>
Crude Soybean Oil Ship		726	700	26
Refined Soy Oil (Bulk) Ship		751	725	26
Sunflower Oil Ship		720	705	15
Cottonseed Oil Ship		706	680	26
Refined Linseed Oil (Bulk) Ship		746	720	26
* indicates including VAT				

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