



---

# **Veg. Oil Monthly Research Report**

---

## **Contents**

- ❖ **Outlook and Review**
- ❖ **Recommendations**
- ❖ **AW Edible Oil Index**
- ❖ **International Veg. Oil Market Summary**
- ❖ **Domestic Market Fundamentals**
- ❖ **Technical Analysis (Spot Market)**
- ❖ **Technical Analysis (Futures Market)**
- ❖ **Monthly spot price comparison**

## **Outlook and Review:**

### **Domestic Front**

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

*Coconut oil (Kangayam) was the best performer among the edible oil complex tracking weak supply in the cash market.*

*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 735 for a target of 715 and 710 with a stop loss at 745 on closing basis. In MCX, Market participants are advised to go short in CPO below 575 for a target of 555 and 550 with a stop loss at 585 on closing basis.*

*Market Participants can buy refined soy oil in the cash markets at 710-720 for the target of 730-740 levels (Indore including taxes), if needed. Market Participants can buy CPO Kandla 5% in the cash markets at 560-570 for the target of 590-600 levels, if needed.*

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

*CBOT soy oil (Jan) is expected to stay in the range of 30 cents/lb to 37 cents/lb. CPO at BMD (Jan) is likely to stay in the range of 2300-2800 ringgits per ton. Focus during the coming days will be firm ringgit, firm Brazil and US soybean crop, weak demand of biodiesel in US, weak Indian palm oil and soy oil demand, increasing stocks of soy oil in US and growth of stocks of palm oil in Malaysia.*

*Malaysia's October palm oil stocks rose 8.39 percent to 21.90 lakh tons compared to 20.20 lakh tons in September. Production of palm oil in October rose 12.96 percent to 20.09 lakh tons compared to 17.80 lakh tons in September. Exports of palm oil in October rose 2.04 percent to 15.49 lakh tons compared to 15.18 lakh tons in September. Imports of palm oil in October fell 67.26 percent to 0.13 lakh tons compared to 0.41 lakh tons in September. Rise in palm oil end stocks in October was below trade estimates: MPOB*

*On the international front, low demand of soy oil based biodiesel demand, increasing stocks of soy oil in US, higher soybean crop in Brazil and US and weak demand of soy oil from India is bearish for the soy complex in the coming days.*

*Weak demand of palm oil from India and China, firm ringgit, rise in end stocks of palm oil in Malaysia and weak competitive oils is bearish for palm oil prices in the near term.*

## Soy oil: Domestic Market Fundamentals

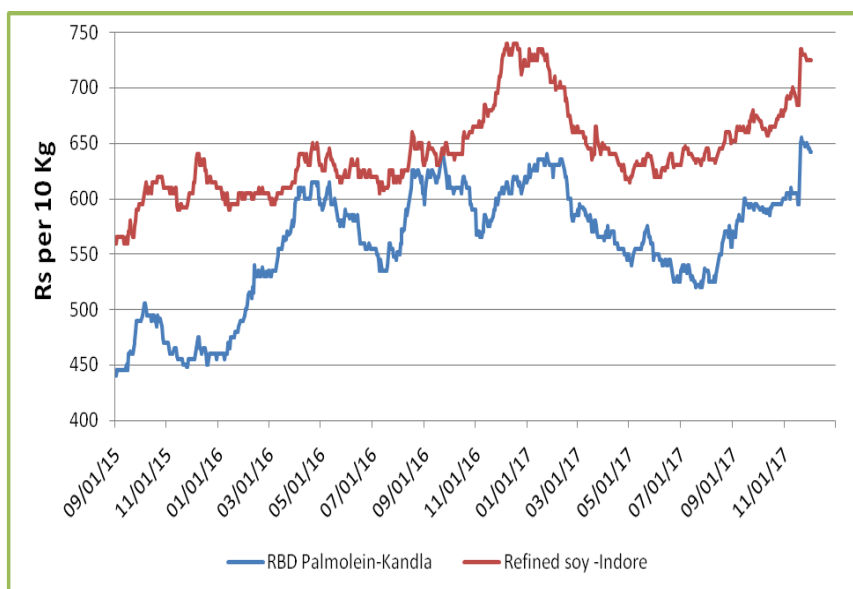
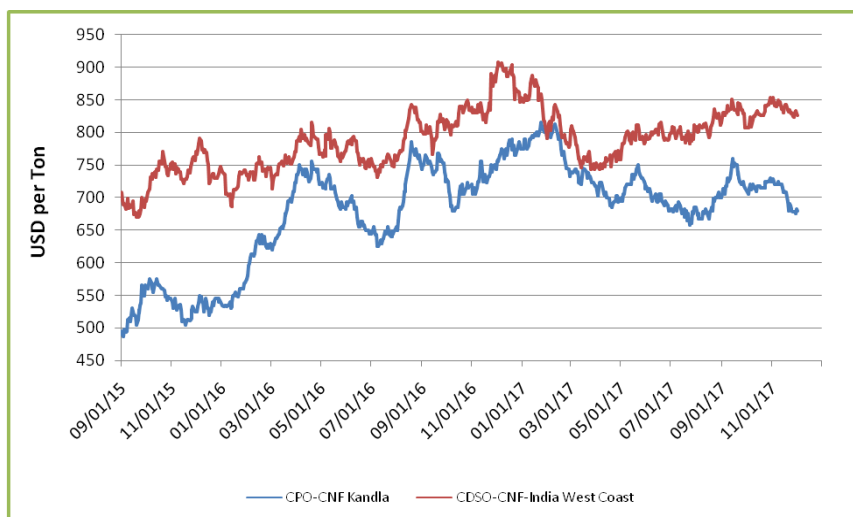
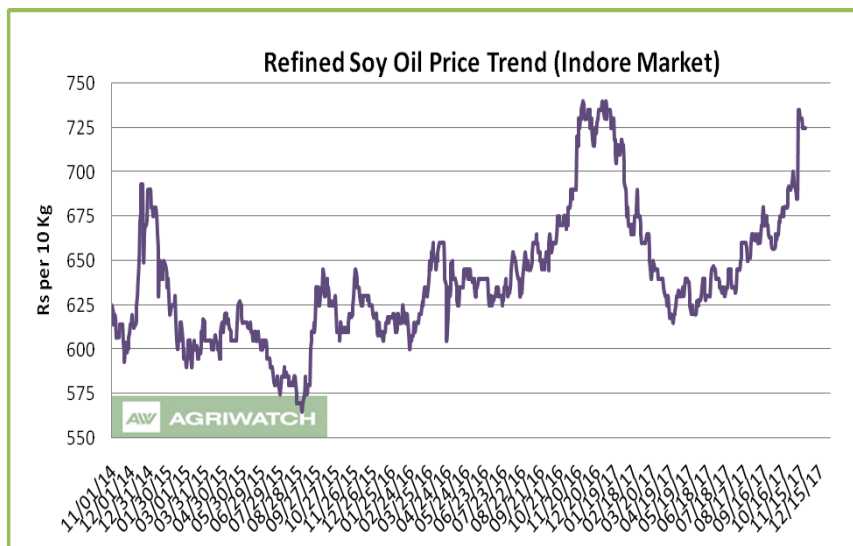
- Refined soybean oil prices featured uptrend at its benchmark market at Indore during the month in review on increase in import duty on soy oil. Average prices of refined soy oil increased in November. Prices of refined soy oil showed higher prices in major centers in India. CDSO prices rose at JNPT and Kandla/Mudra.
- Agriwatch view—Soy oil prices witnessed uptrend in month of November in Indore on increase on import duty on imports of soy oil.

Prices of CDSO rose at high seas while CDSO CIF prices fell compared to last month indicating firm demand.

Refined soy oil premium over CPO has increased to Rs 145 (Rs 134 last month) per 10 Kg which will weaken soy oil prices. Imports will decrease on rising CDSO premium over CPO at USD 152 (USD 124 last month) per ton for December delivery which weaken prices of soy oil.

Refined soy oil premium over RBD palmolein was at Rs 90 (Rs 80 last month) per 10 Kg, which is high and may weaken soy oil prices in domestic markets.

Refined soy oil premium over CDSO high seas is at Rs 28 (Rs 33) per 10 kg indicating weak 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 are in disparity which will discourage imports.

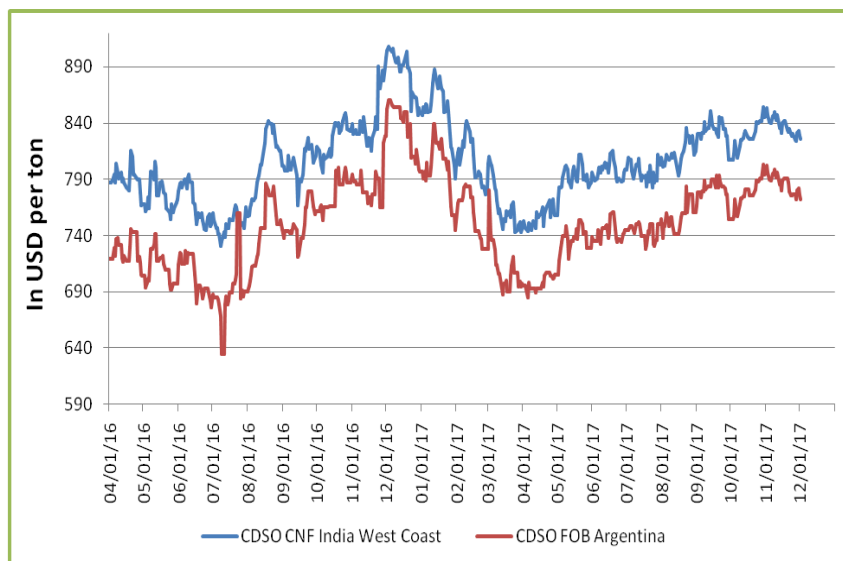
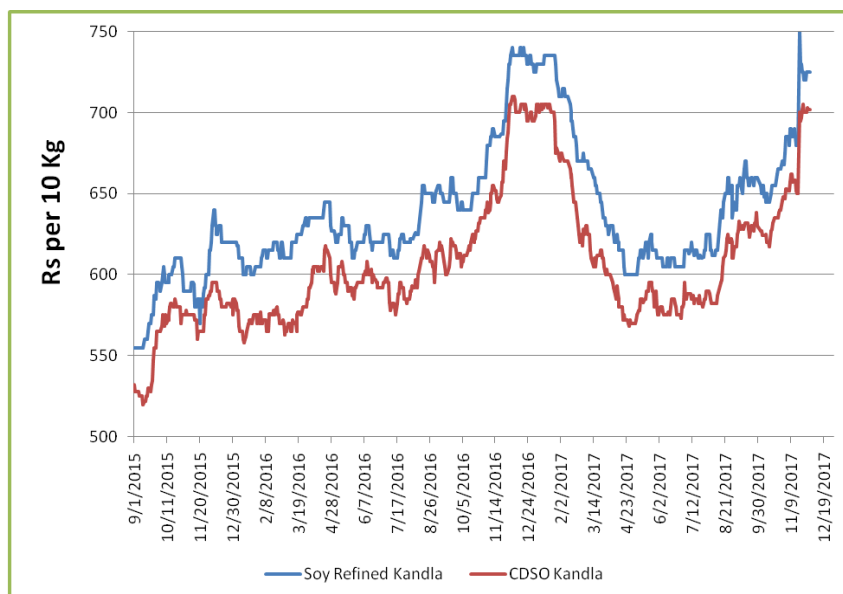
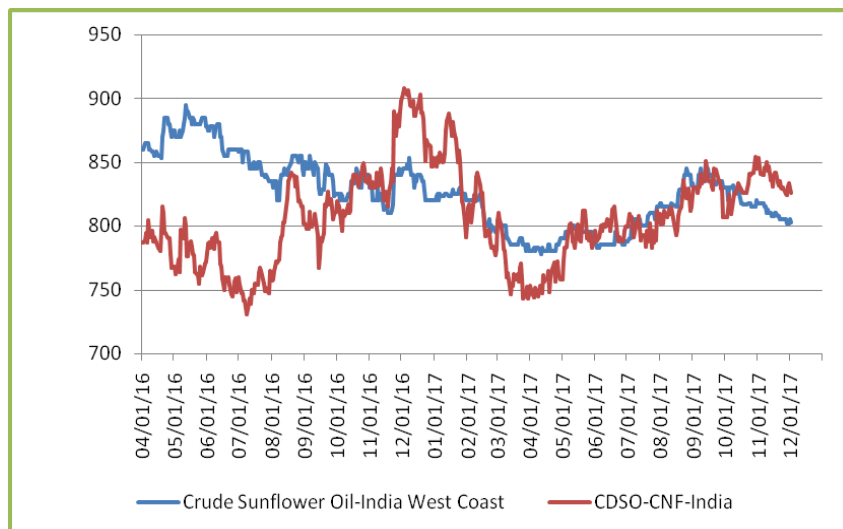
Difference between CDSO-CNF-India West coast and Soy oil CBOT increased in November. Difference increased between CDSO-CNF-India West coast and Soy oil CBOT due to increase in basis (spot prices – futures prices).

Refiners should wait to purchase their consignment as prices of soy oil are high. However, basis will decrease on higher than expected soybean crop in US and South America.

Export demand of soy meal has fallen due to appreciation of Rupee which had resulted in lower crushing of soybean. Soy meal exports remained subdued despite hike in import duty on edible oils and fall in soy meal prices. Crushing will increase on increase in import duty on soy oil. This step will decrease end stocks of soybean and pressurize domestic soy oil.

Upward support of Rupee will continue which might make crush of soybean unviable and decrease crushing of soybean and will decrease soy oil supply in domestic markets.

CDSO demand was regular at CNF



markets as CDSO CNF and CDSO-FOB rose equally compared to last month indicating regular demand at CNF markets.

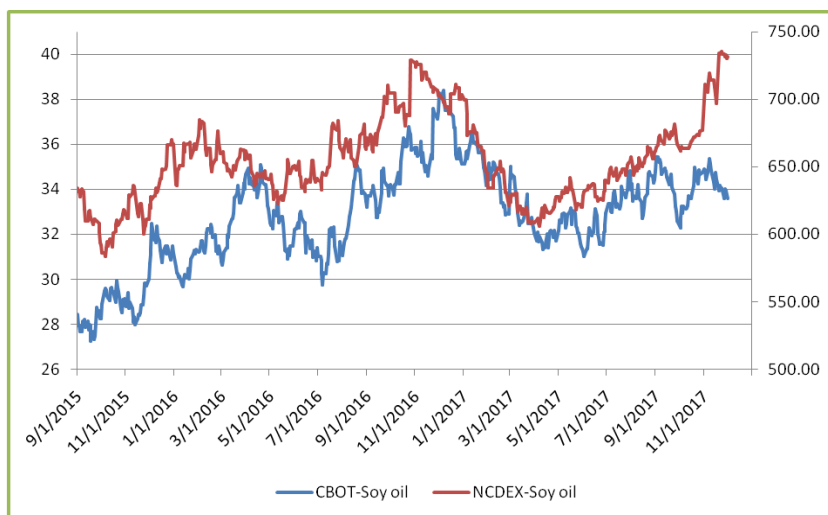
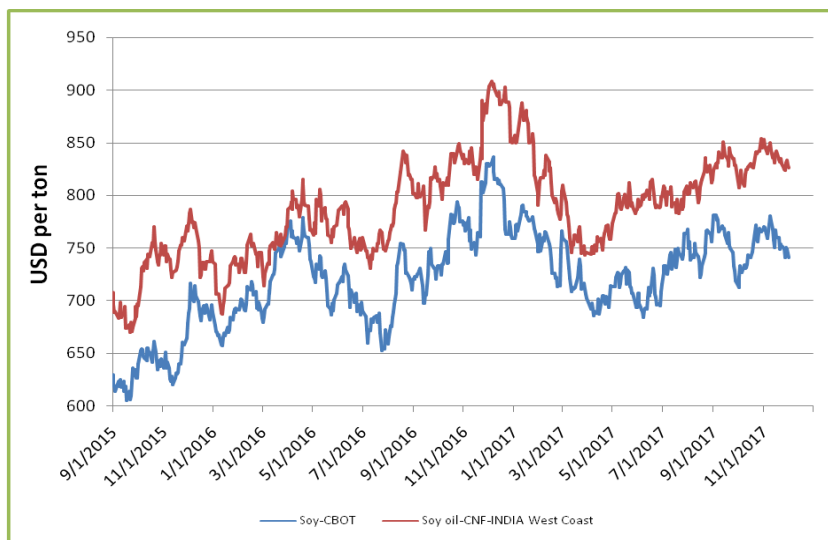
Imports of soy oil fell in October compared to September and below October 2016. Stocks at ports and pipelines fell in October indicating weak supply of CDSO compared to September 2017. Stocks at ports and pipeline weakened in October as importers liquidated stocks.

Prices are expected to trade sideways to weak in medium term on weak demand, soy oil premium over sunflower oil seasonal downtrend of prices and fall in competitive oils.

- Government of India (GOI) hiked import duty on imports of various edible oils to check surge in imports of edible oils and support domestic crushing industry, which has been reeling due to lower priced imports of

edible oils. Domestic farmers are losing interest in farming of oilseed due to cheap imports of edible oils, which has led to lower realization on oilseeds farming. Import duty on crude palm oil (CPO) was hiked from 15 percent to 30 percent while import duty on RBD palmolein was hiked from 25 percent to 40 percent. Import duty on crude soy oil was hiked from 17.5 percent to 30 percent while refined soy oil import duty is hiked from 20 percent to 35 percent. Import duty on crude rapeseed oil was hiked from 12.5 percent to 25 percent while refined rapeseed oil will be charged import duty of 35 percent from 20 percent earlier. Import duty on sunflower from 12.5 percent to 25 percent while import duty on refined sunflower oil was raised from 20 percent to 35 percent.

- Soy oil import scenario – According to SEA, India imported 2.20 lakh tons of soy oil in October 2017 v/s 2.78 lakh tons in October 2016, down 20.8 percent y-o-y. India imported 33.16 lakh tons of soy oil in the period (November 2016-October 2017) compared to 42.35 lakh tons in the corresponding period last oil year, lower by 21.7 percent y-o-y.
- According to Solvent Extractors Association (SEA), India's October edible oil imports fell 2.0 percent y-o-y to 11.34 lakh tons from 11.58 lakh tons in October 2016. Palm oil imports in October rose 1.2 percent y-o-y to 7.47 lakh tons from 7.38 lakh tons in October 2016. CPO Imports rose 16.1 percent y-o-y to 5.97 lakh tons



from 5.14 lakh tons in October 2016. RBD palmolein imports fell 33.5 percent y-o-y to 1.47 lakh tons from 2.21 lakh tons in October 2016. Soy oil imports fell 20.9 percent y-o-y to 2.20 lakh tons from 2.78 lakh tons in October 2016. Sunflower oil imports rose 32.99 percent y-o-y to 1.29 lakh tons from 0.97 lakh tons in October 2016. Rapeseed (canola) oil imports in October fell 15.9 percent to 0.37 lakh tons compared 0.44 lakh tons in October 2016.

- According to Solvent Extractors Association (SEA), India's October edible oil stocks at ports and pipelines fell 1.50 percent m-o-m to 25.50 lakh tons from 25.89 lakh tons in September 2017. Stocks of edible oil at ports fell to 884,000 tons (CPO 330,000 tons, RBD Palmolein 150,000 tons, Degummed Soybean Oil 275,000 tons, Crude Sunflower Oil 115,000 tons and 14,000 tons of Rapeseed (Canola) Oil) and about 1,460,000 tons in pipelines (stocks at ports were 979,000 and in pipelines were at 1,610,000 tons in September 2017). India is presently holding 39 days of edible oil requirement on 1st November, 2017 at 25.50 lakh tons compared to 44 days of requirements last month at 25.89 lakh tons. India's monthly edible oil requirement is 18.0 lakh tons.
- Imported crude soy oil CIF at West coast port is offered at USD 827 (USD 842) per ton for Dec delivery, Jan delivery is offered at USD 825 (USD 841) per ton and Feb delivery is quoted at USD 821 per ton as on November 3, 2017. Values in brackets are figures of last month. Last month, CIF CDSO November average price was USD 838.04 (USD 829.36 per ton in Oct 2017) per ton.
- On the parity front, margins are in disparity during the month and we expect margins to remain in disparity in the coming days. Currently refiners lose USD 60-65 per ton (October average) v/s loss of USD 65-70 per ton (Oct average) margin in processing the imported Soybean Oil (Argentina Origin).
- We expect soy oil to trade sideways to firm tone in the coming days.

### **International Market Fundamentals**

- Agriwatch view – Decision of US Environmental Protection Agency (EPA) to keep soy oil based soy oil 2018 production target at 2.1 billion gallons, unchanged from 2017 will underpin prices. This comes after EPA increased total biodiesel mandate marginally higher in 2018 compared to 2016.  
Rise in end stocks of soy oil in US in 2017/18 as reported by USDA on higher opening stocks will underpin soy oil prices in medium term.
- Fall in end stocks of soy oil in US due higher demand of soy oil in US as reported by NOPA despite increase in soy oil production and higher crush of soybean will support soy oil prices in medium term.  
End stocks of soybean in US in 2017/18 fell as reported by USDA despite on lower soybean production will support soy oil prices in medium term.  
Soybean harvest have been completed in normal time which indicates that soybean crop could be increased in 2017/18 in USDA December review.
- Soybean planting in Brazil is reaching completion while climate of soybean crop is good with adequate moisture. With good crop condition and yields will be increased leading to higher soybean crop in 2017/18. USDA is expected to increase soybean crop estimate in its December review from 108 MMT in its November review.



- Argentina is expected to plant lower soybean crop in 2017/18 earlier flood conditions in soybean producing regions. Around 16.3 million hectares will be planted compared to earlier estimate of 18.1 million hectares last year area of 20.1 million hectares. Dry conditions have been reported in Argentina which will hurt yields in medium term. This will reduce soybean crop in the country. Argentina has forecast soybean production at 53 MMT in 2017/18. However, USDA kept soybean crop of Argentina in 2017/18 unchanged at 57 MMT. USDA will revise soybean crop in Argentina in 2017/18 in it December estimate.
- Environmental Protection Agency of US (EPA) reported that biodiesel imports from Argentina and Indonesia hurt US producers. US slapped anti dumping duties on imports of soy oil based biodiesel from Argentina and Indonesia.
- Exports of soybean from Brazil are reported at record levels since last 8 months especially to China.
- China reported weak imports of soybean in October after firm September, has led to weak supply of soybean which led to halting of crushing by big crushers. However, crushers started operations as soybean supplies came back.  
Demand from China is expected to remain firm in 2017/18, which will soak incremental supply of US and Brazil in 2017/18.
- Competitive oils will underpin prices in medium term.  
Prices of soy oil are in a range.
- According to United States Department of Agriculture (USDA) November estimate, U.S 2017/18 ending stock of soy oil is rose 5.1 percent to 1,711 million lbs from 1,632 million lbs in October estimate. Opening stocks are increased to 1,711 million lbs from 1,632 million lbs. Production of soy oil in 2017/18 is unchanged at 22,505 million lbs. Imports in 2017/18 were unchanged at 300 million lbs in October estimate. Biodiesel use in 2017/18 is was unchanged at 7,000 million lbs. Food, feed and other industrial use in 2017/18 was unchanged at 13,800 lbs. Exports in 2017/18 were kept unchanged at to 2,100 million lbs. Average price range estimate is kept unchanged in 2017/18 at 32.5-36.5 cents/lbs. Rise in end stock in 2017/18 is due to higher opening stocks.
- According to National Oilseed Processors Association (NOPA), U.S. October soybean crush rose 20.4 percent to 164.242 million bushels from 136.419 million bushels in September 2017. Crush of soybean in October 2016 was 164.641 million bushels. Soy oil stocks in U.S. at the end of October fell 6.0 percent to 1.224 billion lbs compared to 1.302 billion lbs in end September 2017. Stocks of soy oil in end September was lower by 8.9 percent compared to end October 2016, which was reported at 1.410 million lbs
- Forecast of below-average rainfall in the first two weeks of December is likely to affect soybean planting in Argentina's central grain belts according to meteorologists. The southern hemisphere spring which began in September has brought lower than normal precipitation in Argentina. This is likely to affect soybean 2017 -18 harvest. As on 23 November 2017, farmers had planted 34 percent of the 18.1 million hectares they are expected to sow under soybean in 2017 -18.
- Brazilian analysts are likely to increase their soybean crop forecast this season after unfavorable climatic conditions have waned and the crop is developing well in the growing regions. According to an average of forecasts compiled in a recent poll, Brazil is expected to harvest 109.43 MMT soybean in the 2017/18 season.

- According to a latest long –term crop forecast report released by the USDA, soybean acreage in 2018 is forecast at a record 91.0 million acres compared to 90.2 million acres in 2017. It will be another year of bumper soybean supply assuming weather remains favourable in the growing regions.
- According to Argentine Ministry of Agriculture, soybean acreage in 2017/18 is likely to decline to 16.8 million hectares in 2017/18 compared to 18 million hectares previous season.
- According to Anec, cereal exporters association, soybean exports in Brazil in 2018 are estimated between 66 - 67 MMT compared to previous estimates of 66 MMT released in early November.
- According to Agroconsult, Brazilian soybean output is estimated at 111 MMT in 2017/18, maintaining the same forecast released in September. Soybean acreage is likely to increase by 3 per cent to a record 35 million hectares this season as farmers have shifted from corn to soybean. If climatic conditions remain favourable, soybean output could touch 115 MMT. Previous year's soybean output was estimated at 114.7 MMT according to Conab.
- According to the General Administration of Customs, China imported 5.86 MMT of soybeans in October 2017, a decline of 28 per cent compared to previous month. However, imports were higher compared to 5.21 MMT during the corresponding period previous year. Imports were lower amid delayed shipments and it is expected to increase in the months of November and December.
- According to the country's Agriculture Ministry, China increased its soybean imports estimates to 95.97 MMT in 2017/18 crop year compared to previous estimates of 94.5 MMT. China will crush 94.38 MMT of soybean during the period compared to the previous estimates of 93.08 MMT.
- The U.S. Department of Agriculture's monthly supply and demand report for the month of November forecasts U.S. soybean production at 4,425 million bushels, down 5 million bushels due to a fractionally lower yield compared to previous month's estimates. Total U.S. oilseed production for 2017/18 is projected at 132.1 MMT, down 0.1 MMT from previous month amid lower soybean and peanut production. Soybean production for Brazil is increased 1 MMT to 108 MMT on higher reported area for Parana and Rio Grande do Sul. Peanut production has increased for India on higher yields for the state of Gujarat. Sunflower seed production is lower for Ukraine, Argentina, and South Africa. Global soybean ending stocks for 2017/18 are forecast at 97.90 MMT up from previous month's forecast of 96.05 MMT, mostly reflecting increases for China, Argentina, and Brazil.
- According to Conab, government's food supply and statistics agency, Brazilian soybean farmers are expected to produce 106.4 MMT -108.6 MMT of soybean in 2017/18 crop cycle. Previous year 114 MMT of soybean was produced.
- According to Safras & Mercado, soybean farmers in Brazil have sold 19.1 per cent of the 2017/18 crop in advance. During the corresponding period of previous year farmers had sold around 25 per cent and the average for the period is 29 per cent. According to Safras, Brazil is expected to produce 114.7 million metric tonnes of soybean this season.
- According to China's General Administration of Customs (CNGOIC), China's imports of edible vegetable oil in October fell 21.7 percent to 4.7 lakh tons compared to 6.0 lakh tons in September. Imports rose 51.6 percent



compared to corresponding period last year which was reported at 3.1 lakh tons. Year to date imports of edible vegetable oil rose 8.8 percent to 46.30 lakh tons.

- U.S. commerce department imposed preliminary anti dumping duty on imports of soy oil based biodiesel from Argentina and palm oil based biodiesel from Indonesia. U.S. commerce department imposed 54.36 percent to 70.05 percent on imports of biodiesel from Argentina. U.S. commerce department imposed 50.71 percent on all palm oil based biodiesel imports from Indonesia.
- USDA WASDE Oilseeds Highlights: The 2017/18 U.S. season-average soybean price is forecast at \$8.35 to \$10.05 per bushel, unchanged from last month. Soybean meal and soybean oil price projections are also unchanged at \$290 to \$330 per short ton and 32.5 to 36.5 cents per pound, respectively.

### Previous update

- United States Department of Agriculture (USDA) in its September estimate decreased India's 2017/18 imports estimate of soy oil by 0.1 MMT to 4.1 MMT from 4.2 MMT in its previous estimate. Domestic consumption in September estimate is reduced 0.1 MMT to 5.65 MMT from 5.75 MMT in its earlier estimate. Lower imports of soy oil are due to increase in import duty on edible oils.
- According to AgRural consultancy, soybean planting in Brazil has covered 43% of the area in line with 5-year average of 44% but below 53% below corresponding period last year. In the largest growing state of Mato Grosso planting has reached 61%, below 5-year average of 62% and below 81% in corresponding period last year. Brazil center west is facing dry conditions, which has slowed down planting. In the state of Goyas in center west, planting has reached 33% compared to 69% in corresponding period last year and 5-year average of 46%. Beneficial rains reached top soybean producing states except center west states like Goyas which still lacks moisture.
- According to United States Department of Agriculture (USDA) October estimate, U.S 2017/18 ending stock of soy oil is fell 12.5 percent to 1,537 million lbs from 1,757 million lbs in September estimate. Opening stocks are lowered to 1,632 million lbs from 1,827 million lbs. Production of soy oil in 2017/18 is unchanged at 22,505 million lbs. Imports in 2017/18 were reduced to 300 million lbs from 325 million lbs in September estimate. Biodiesel use in 2017/18 is unchanged at 7,000 million lbs. Food, feed and other industrial use in 2017/18 was unchanged at 13,800 lbs. Exports in 2017/18 were kept unchanged at 2,100 million lbs. Average price range estimate is kept unchanged in 2017/18 at 32.5-36.5 cents/lbs. Fall in end stock in 2017/18 is due to lower opening stocks and lower imports.
- The U.S. Department of Agriculture's monthly supply and demand report for the month of October forecasts U.S. soybean production at 4,431 million bushels, down 1 million bushel on higher harvested area and lower yields compared to previous month's estimates. Global soybean production is projected down 0.6 million tons to 347.9 million on lower forecasts for Russia and Ukraine. With lower beginning stocks, soybean ending stocks are forecast at 96.05 million metric tonnes compared to 97.53 million metric tonnes in previous month's estimates. Soy meal ending stocks has been reduced to 12.42 million metric tonnes in October compared to

12.88 million metric tonnes previous month. USDA kept soy oil imports from India unchanged at 4.10 million metric tonnes same as previous month.

- According to National Oilseed Processors Association (NOPA), U.S. September soybean crush fell 4.2 percent to 136.419 million bushels from 142.424 million bushels in August 2017. Crush of soybean in September 2016 was 130.235 million bushels. Soy oil stocks in U.S. at the end of September fell 8.12 percent to 1.302 billion lbs compared to 1.417 billion lbs in end August 2017. Stocks of soy oil in end September was lower by 5.38 percent compared to end September 2016, which was reported at 1.376 million lbs.
- China's import of soybean increased by 12.7% to 8.10 million tonnes in September 2017 compared to the corresponding period during previous year. China brought in 93.50 million metric tonnes from September to October (crop year 2016/17), compared to 83.2 million metric tonnes during the previous year according to the General Administration of Customs.
- Informa lowered US soybean 2017 yield estimate to 49.7 bpa (bushels per acre) compared to the estimates of 50.0 bpa in the month of October. Soybean production has been estimated at 4.447 billion bushels compared to previous month's estimates of 4.474 billion bushels.
- According to trade Ministry, Brazil exports 2.49 million metric tonnes of soybean in October 2017 compared to 4.27 million metric tonnes in September 2017 and 1.00 million metric tonne during the corresponding period previous year. It exports 1.28 million metric tonnes of soy meal in October 2017 compared to 1.16 million metric tonnes in September 2017 and 0.72 million metric tonne during the corresponding period previous year. Brazil exports 115,601 metric tonnes of soy oil in October 2017 compared to 10,443 metric tonnes in September 2017 and 9,792 metric tonne during the corresponding period previous year.
- According to latest USDA attaché report, China's soybean output in 2017/18 is forecast at 14.4 million metric tonnes compared to 12.9 million metric tonnes in the previous year. The growth in soybean production is a combination of a 10.5 percent acreage expansion mainly due to lower government support for corn and good soybean yield due to favorable weather conditions. In MY17/18, soybean imports continue to be China's largest oilseed import with total forecast imports of 95 MMT, up from the 93.5 MMT in MY16/17.
- Unfavorable weather condition in summer this season has lowered the protein content of soybeans in U.S. and as such the crushing plants producing soy meal will be low on protein content and other key ingredients. This is likely to increase the costs of meat and animal feed. Early data suggests that the U.S. soybean crop would average about 34 to 34.5 percent protein, down from 35 percent normally.
- According to the State Agricultural Federation, farmers in Goias State of Brazil are rushing to plant the entire soybean area to avoid potential productivity losses. Planting was delayed amid low rainfall. Goias, the fourth largest soybean producing state in Brazil is expected to produce 10.5 million metric tonnes in 2017/18 compared to 11.4 million metric tonnes in 2016/17. According to AgRural consultancy, farmers in the State have covered 6 per cent of the area as on 26 October 2017 compared with 42 per cent during the corresponding period previous year and five-year average of 28 per cent.
- According to the latest monthly estimates from Strategie Grains, soybean production estimates have been increased to 2.63 million metric tonnes in European Union for 2017/18 compared to previous estimates of 2.60

million metric tonnes and 2.49 million metric tonnes in 2016/17. Sunseed production estimates have been increased to 8.96 million metric tonnes for 2017/18 compared to previous estimates of 8.75 million metric tonnes and 8.40 million metric tonnes in 2016/17. Rapeseed production estimates have been reduced to 21.86 million metric tonnes for 2017/18 compared to previous estimates of 21.89 million metric tonnes and 20.34 million metric tonnes in 2016/17.

- According to China's General Administration of Customs (CNGOIC), China's imports of edible vegetable oil in September rose 92.6 percent to 6.0 lakh tons compared to 5.2 lakh tons in August. Imports rose 15.4 percent compared to corresponding period last year which was reported at 6.0 lakh tons. Year to date imports of edible vegetable oil rose 5.3 percent to 41.6 lakh tons.
- According to Energy Administration Agency (EIA), U.S. produced 149 million gallons in August, unchanged from July. Soy oil was the largest feedstock with 608 million lbs in August compared to 606 million lbs in June.
- Argentina is expected to produce 53 MMT of soybean in 2017/18, according to Argentina agriculture ministry. Soybean planting has shrunk due to lifting of export on corn and wheat. Soybean production will decrease due to lower yields due to crop rotation on years of overplanting of soybean. However, soybean planting area shrinkage is expected to stop 2018/19 when government intends to cut export taxes from present level of 30 percent.
- U.S. commerce department imposed preliminary anti dumping duty on imports of soy oil based biodiesel from Argentina and palm oil based biodiesel from Indonesia. U.S. commerce department imposed 54.36 percent to 70.05 percent on imports of biodiesel from Argentina. U.S. commerce department imposed 50.71 percent on all palm oil based biodiesel imports from Indonesia.
- USDA WASDE Oilseeds Highlights: The 2017/18 U.S. season-average soybean price is forecast at \$8.35 to \$10.05 per bushel, unchanged from last month. Soybean meal and soybean oil price projections are also unchanged at \$290 to \$330 per short ton and 32.5 to 36.5 cents per pound, respectively.

**Price Outlook:** We expect Ref. soy oil with VAT to trade in the price band of Rs 680-770 per 10 Kg.

Balance Sheet (Quarterly)- Soy Oil, India
*Fig. in lakh tons*

|   | 2016-17 | 2017-18-F | Nov-Jan-F | Feb-Apr-F | May-July-F | Aug-Oct-F |
|---|---------|-----------|-----------|-----------|------------|-----------|
| <b>Opening Stock</b>  | 6.20    | 4.18      | 4.18      | 3.68      | 4.00       | 5.13      |
| <b>Production (Domestic)</b>  | 15.09   | 14.45     | 6.65      | 1.73      | 1.73       | 4.34      |
| <b>Imports</b>  | 36.00   | 42.00     | 6.72      | 9.24      | 11.76      | 14.28     |
| <b>Imported oil processing</b>  | 35.03   | 40.87     | 6.54      | 8.99      | 11.44      | 13.89     |
| <b>Total Production (Domestic production and imported oil production)</b> | 50.12   | 55.32     | 13.19     | 10.72     | 13.18      | 18.23     |
| <b>Total Supply</b>   | 56.31   | 59.49     |           |           |            |           |
| <b>Quarterly add-on</b>   |         |           | 13.19     | 10.72     | 13.18      | 18.23     |
| <b>Consumption</b>  | 52.14   | 54.74     | 13.69     | 10.40     | 12.04      | 18.61     |
| <b>Ending Stock</b>   | 4.18    | 4.75      | 3.68      | 4.00      | 5.13       | 4.75      |

Source: AW estimates  
Oil year- November-October

Highlights

- Prices of soy oil in 2017-18 are expected to be higher on higher imports in oil year 2017-18 on higher domestic production.
- Soy oil production is expected to be lower in oil year 2017-18 on lower soybean crush due to lower soybean crop in 2017-18.
- Lower carry out in Nov-Jan and Feb-Apr is low due to lower imports.
- Carryout stocks of oil year 2016-17 is 4.18 lakh tons on higher soy oil imports.
- Carry out of oil 2017-18 is 4.75 lakh tons
- Carryout of 2017-18 is higher than 2016-17 due to lower imports.

## Palm oil: Domestic Market Fundamentals

➤ CPO prices witnessed firm tone in the month of November at its benchmark market at Kandla on hike in import duty on palm oil and firm demand. CPO prices rose across board in India. RBD palmolein prices rose across board in India. Superolein prices rose in Kandla and Mumbai. Vanaspati prices rose in Delhi and Kolkata while it decreased in Mumbai and Chennai. CPO-CNF and RBD palmolein-CNF India prices fell in November.

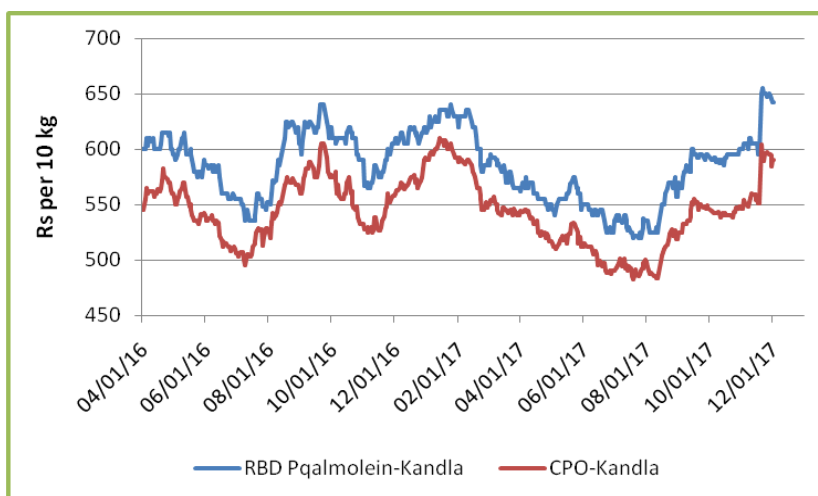
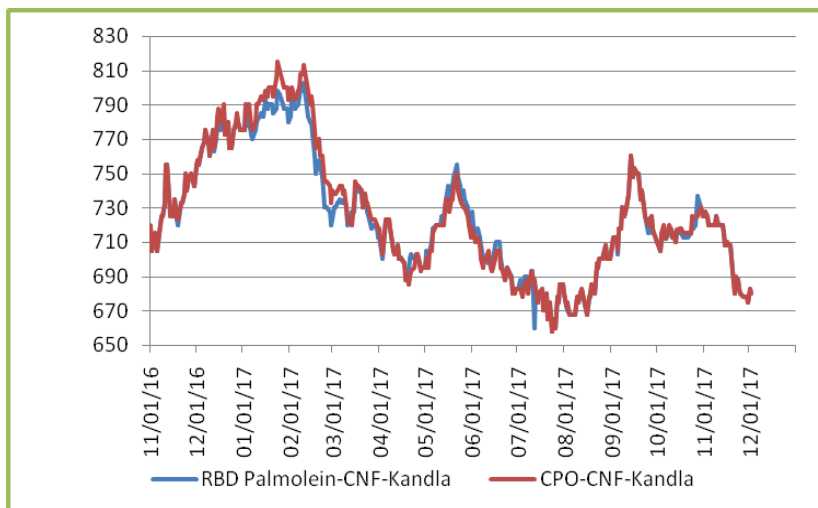
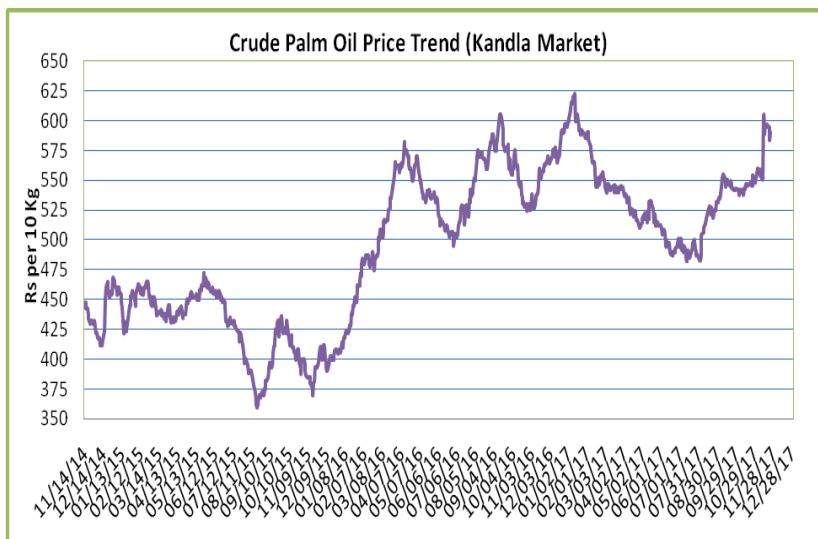
➤ Agriwatch view – Crude palm oil prices rose in Kandla in the month of November on hike in import duties on palm oil and firm demand.

CPO prices rose more at high seas compared to CIF markets indicating firm demand in domestic market.

Indian government increased import duty on CPO from 15 percent to 30 percent and refined palm oil to 40 percent from 25 percent. The difference between import duty on CPO and refined palmolein compared was unchanged at 10 percent. Industry was asking for duty differential of 15 percent.

Demand of RBD palmolein was firm in domestic markets in November compared to CNF markets as prices of RBD palmolein rose more at high seas compared to CIF markets.

Supeolein and Vanaspati prices saw mostly firm movement of prices in domestic markets.



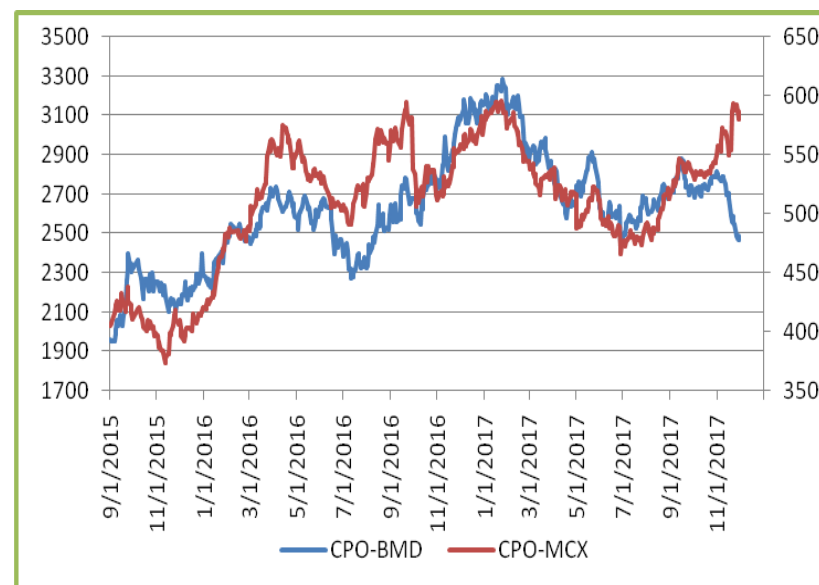
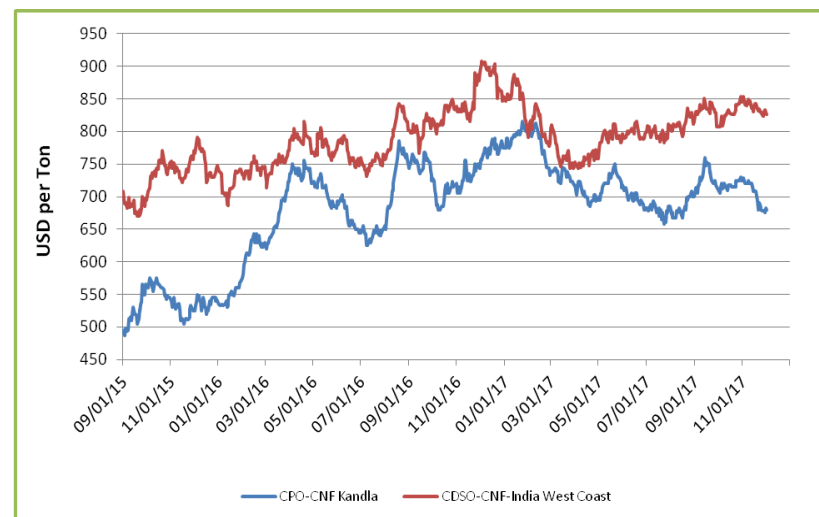
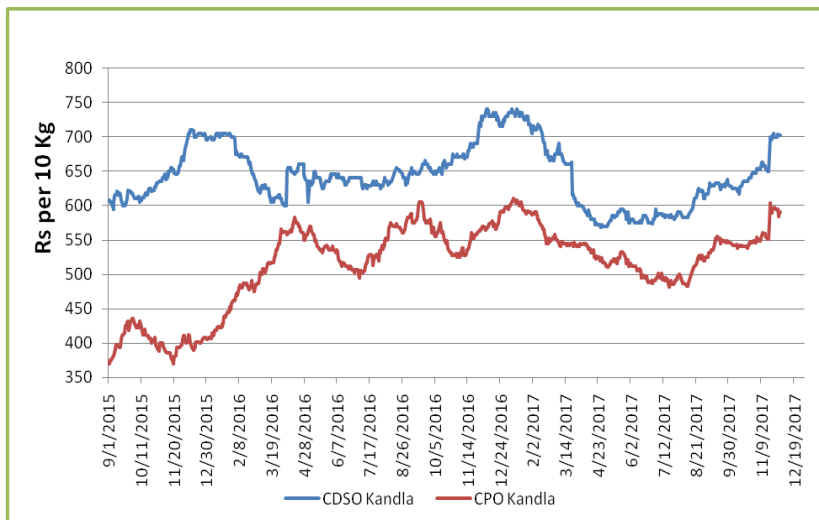
Prices of CPO in India CIF fell more compared to CPO FOB Indonesia indicating weak demand at CIF markets and RBD palmolein fell more in CNF markets compared to FOB markets indicating weak demand on CIF markets.

RBD palmolein premium over CPO increased to Rs 55 (Rs 54 last month) per 10 kg indicating firm demand of RBD palmolein compared to CPO at high seas.

CPO imports rose in October compared to October 2016 while it fell from September 2017. Stocks at ports and pipelines increased indicating that importers are importing and stocking at ports. RBD palmolein imports fell in October compared to October 2016 while it was lower than September 2017. Stocks at ports and pipelines fell. RBD palmolein stocks fall at ports indicate firm demand as lower imports setoff lower imports.

Low premium of CIF RBD palmolein over CIF 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 is in disparity while refining margins are positive. Refining margins in imported CPO is higher imports of ready to use RBD palmolein which will induce more imports of CPO from Indonesia compared to Malaysia.





Further, RBD palmolein demand is weak at CIF markets while it firm domestic markets indicating that RBD palolein prices will rise if imports of RBD palmolein did not pick up. RBD palmolein stocks at ports may increase imports in November.

The second chart indicates that RBD palmolein-CNF prices were trading at parity to CPO-CNF.

Increasing soy oil premium over crude palm oil which is hovering at Rs 145 (Rs 138 last month) per 10 Kg will increase demand of CPO and decrease imports.

Previous chart in soy oil section shows that premium of soy oil over palm oil has increased in October at CNF markets will increase imports. Increasing premium of crude sunflower CIF India West coast and CPO CIF at USD 130 (USD 97.5) per ton will increase CPO prices and RBD palmolein prices in medium term. Increasing premium of CSFO-India West coast over CPO-CIF indicates lower demand of CPO at CNF markets compared to CSFO-CNF.

Increasing CDSO CIF premium over CPO CIF will increase imports of CPO in medium term at USD 152 (USD 124 last week) per 10 kg. Premium of CDSO soy oil high seas over CPO high seas is at Rs 145 (Rs 100 last week) per 10 Kg, which is high and will increase CPO demand at high seas. Premium of refined soy oil over RBD palmolein is Rs 90 (Rs 80 last week) per 10 kg is high and will increase RBD palmolein demand in near term. Values in brackets are figures of last week.

Prices of palm oil will fall in medium term.

- Government of India hiked import duty on crude palm oil (CPO) to 30 percent from 15 percent and on refined palm oil import duty was hiked to 40 from 25 percent.
- Palm oil import scenario – Palm oil import scenario – According to Solvent Extractors of India (SEA), India imported 7.47 lakh tonnes of palm oil in October 2017 v/s 7.38 lakh tonnes in October 2016, higher by 1.2 percent y-o-y. Import of palm oil in the oil year 2017-18 (November 2016-October 2017) was at 92.93 lakh tonnes compared to 84.43 lakh tonnes in the oil year 2015-16, higher by 11.3 percent compared oil year.

CPO imports by India increased to 5.97 lakh tonnes in October compared to 5.14 lakh tonnes in October 2016, higher by 16.1 percent y-o-y. Import of CPO in the oil year 2016-17 (November 2016-October 2017) was at 63.35 lakh tonnes compared to 57.49 lakh tonnes in the last oil year, higher by 9.6 percent y-o-y.

RBD palmolein imports by India fell 39.5 percent in October to 1.47 lakh tonnes from 2.05 lakh tonnes in September 2016. Import of RBD palmolein in the oil year 2016-17 (November 2016-October 2017) was at 28.71 lakh tons compared to 26.23 lakh tonnes in last oil year, higher by 9.5 percent y-o-y.

- On the trade front, CNF CPO (Indonesian origin) at Indian port is quoted at USD 675 (USD 720) per ton for Dec delivery and Jan delivery is quoted at USD 682.5 per ton. Last month, CIF CPO Nov average price was at USD 704.42 per ton (USD 718.32 per ton in Oct 2017). Values in brackets are figures of last month quotes.

Moreover, RBD palmolein (Malaysian origin) CNF at Indian port is offered at is quoted at USD 675 (USD 720) per ton for Dec delivery and Jan delivery is quoted at USD 682.4 per ton. Last month. CIF RBD palmolein Nov average price was USD 704.42 (USD 718.78 in Oct 2017) per ton. Values in bracket depict last month quotes.

CPO duty paid prices ready lift quoted at Rs 586 (Rs 551) per 10 Kg and Dec delivery is offered at Rs 586 (Rs 551) per 10 Kg on Dec 4, 2017.

Ready lift RBD palmolein is quoted at Rs 645 (Rs 605) per 10 kg as on Dec 4, 2017.

Values in bracket depict Nov 2017 quotes.

- On the parity front, margins improved during the month of Nov on higher price of palm oil products in Indian markets and we expect margins to improve in coming days. Currently refiners fetch USD 45-50/ton (Nov average) v/s gain of USD 31-35/ton (Oct average) margin in processing the imported CPO but on the imports of ready to use palmolein fetch USD 40-45/ton (Nov average) v/s gain of USD 25-30 (Oct 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 November is expected to increase on fall in exports of palm oil flat production. However, rate of growth of stocks will be lower than market expectations.

Palm oil end stocks in Malaysia in October rose 8.39 percent to 21.9 lakh tons on higher rise in production and lower rise in exports.

Exports fell from Malaysia in November on weak demand from India and China.

India was the swing imported which imported less in November as reported by cargo surveyors SGS and ITS.

India is buying less as margins in processing CPO are higher than ready to use palmolein. This is due to hike in import duty of palm oil and increase in differential between crude and refined palm oil from 7.5 percent to 10 percent.

Palm oil exports fell 5-8 percent in Malaysia in November indicating weakening of demand of palm oil from Malaysia. Demand of palm oil will be lower in first 10 days of December on lower imports by India and China.

Both China and India is buying more from Indonesia as CPO is offering better refining margins in both countries compared to RBD palmolein from Malaysia.

China in recent months is buying more palm oil as it is stocking palm oil after finishing of strategic stocks of rapeseed oil in the country. CNGOIC has stated that it will purchase 475,000 tons of palm oil every month and it is buying more from Indonesia, data from CNGOIC shows.

Exports to India from Malaysia were weak due to imposition of import duty by India. Low soy oil premium over palm oil has led to weak demand from India. Stocks at ports and pipelines are more and may decrease demand of palm oil in medium term.

Production in Malaysia is expected to fall on seasonal downtrend of production.

Palm oil production in Malaysia will recover in October after it peaked in July. Lower growth of production will not pressurize stocks in medium term.

Agriwatch expects palm oil end stocks will rise at lower than expected pace in coming months which will reduce the downside of palm oil in 2017.

Malaysia decreased export duty on crude palm oil for December to 6 percent from 6.5 percent to support palm oil exports as India hiked in import duty. Malaysia has to abandon inverted tax structure as palm oil exports fall in coming months and stocks of palm oil rise.

Indonesia kept export duty unchanged at zero percent for December, eight month of zero tax. Indonesia kept export duty at zero as it expects that prices will miss certain thresholds.

Increase in import duty on palm oil by India is going to depress palm oil imports from Malaysia.

Lower buying by India and China is will increase palm oil stocks in Malaysia and support prices of palm oil.

Palm oil production will increase to 38.5 MMT in 2018 from 36.5 MMT in 2017, according to USDA. Malaysia's producing will reach record highs in 2018 compared to 2017.

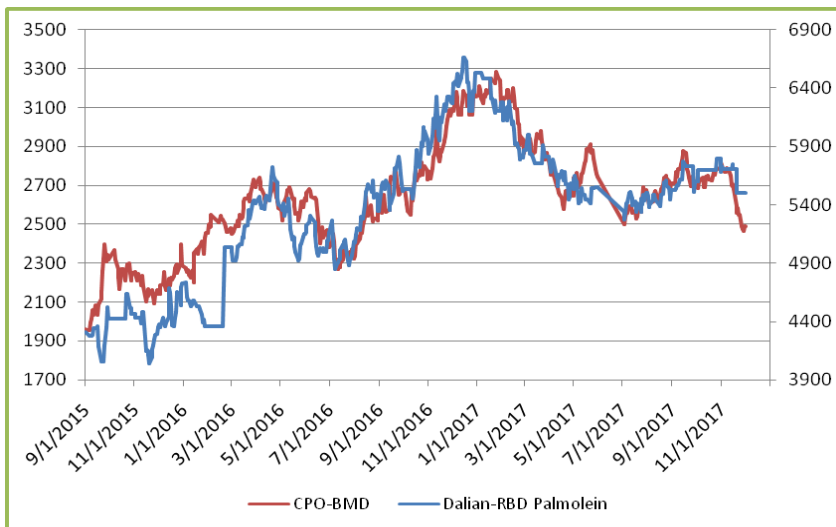
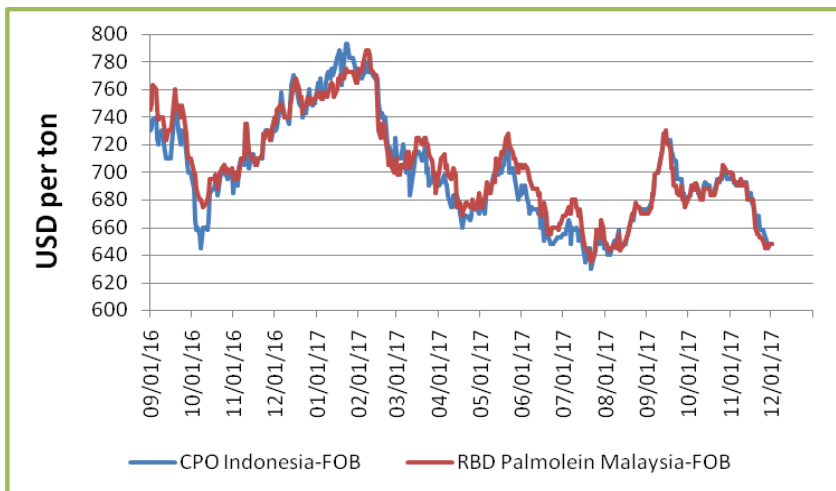
Firm ringgit will support exports of palm oil from Malaysia

Palm oil imports from India are expected to be weak in medium 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, as RBD palmolein prices quoted on India ports is lower than Indonesia CPO. India is world's largest importer of soy, sunflower and palm oil.

Lower oilseed crop in India in 2017-18 will decrease production of edible oil in its domestic market and increase imports.

Indonesia biodiesel mandate will consume incremental production in medium term in 2017.

Lower competitive oils will underpin palm oil prices.



Prices are in range.

- According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's November palm oil exports fell 7.5 percent to 1,311,012 compared to 1,416,664 last month. Top buyers are European Union at 246,561 tons (293,425 tons), China at 236,606 tons (262,811 tons), India at 112,960 tons (175,230 tons), Pakistan at 69,450 tons (82,540 tons) and United States at 69,225 tons (61,772 tons). Values in brackets are of last month.
- According to cargo surveyor Intertek Testing Services (ITS), Malaysia's November palm oil exports fell 5.3 percent to 1,332,342 compared to 1,406,706 last month. Top buyers are European Union at 306,636 tons (258,770 tons), China at 280,926 (254,230 tons), and India & subcontinent at 177,510 tons (314,210 tons). Values in brackets are figures of last month.
- According to Malaysia Palm Oil Board (MPOB), Malaysia's October palm oil stocks rose 8.39 percent to 21.90 lakh tons compared to 20.20 lakh tons in September. Production of palm oil in October rose 12.96 percent to 20.09 lakh tons compared to 17.80 lakh tons in September. Exports of palm oil in October rose 2.04 percent to 15.49 lakh tons compared to 15.18 lakh tons in September. Imports of palm oil in October fell 67.26 percent to 0.13 lakh tons compared to 0.41 lakh tons in September. Rise in palm oil end stocks in October was below trade estimates.
- According to China's General Administration of Customs (CNGOIC), China's October palm oil imports rose 77.73 percent to 4.80 lakh tons compared to October 2016. Year to date imports of palm oil rose 18.27 percent to 39.65 lakh tons compared to corresponding period last year. Imports from Indonesia in October rose 111.78 percent to 2.56 lakh tons compared to October 2016. Year to date imports of palm oil from Indonesia rose 29.84 percent to 24.75 lakh tons compared to corresponding period last year. Imports from Malaysia in October rose 49.59 percent to 2.22 lakh tons compared to October 2016. Year to date imports rose 3.29 percent from Malaysia to 14.88 lakh tons compared to corresponding period last year.
- According to Indonesia Palm Oil Association (GAPKI), Indonesia exports of palm and palm kernel oil in September fell 7.5 percent to 2.76 MMT from 2.98 MMT in August 2017. Production of palm oil in September grew 2 percent to 4.03 MMT compared to 3.95 MMT in August. End stocks in September reached 2.92 MMT from 2.69 MMT in August, higher by 8.5 percent.
- Policy update- According to Malaysia Palm Oil Board (MPOB), Malaysia decreased December crude palm oil export duty to at 6.0 percent from 6.5 percent in October. Tax is calculated at reference price of 2,833.25 ringgit per ton. Tax is calculated above 2,250 ringgit starting from 4.5 percent to a maximum of 8.5 percent. According to Indonesia trade ministry, Indonesia keeps December crude palm oil export duty to zero, unchanged from last month. This is the seventh consecutive month of zero tax. Reference prices of export tax are set at USD 750 per ton. Indonesia kept export duty at zero as it expects that prices will miss certain thresholds.

#### Previous updates

- According to Malaysia Palm Oil Board (MPOB), Malaysia's September palm oil stocks rose 3.98 percent to 20.19 lakh tons compared to 19.42 lakh tons in August. Production of palm oil in September fell 1.69 percent to

17.80 lakh tons compared to 18.11 lakh tons in August. Exports of palm oil in September rose 1.82 percent to 15.15 lakh tons compared to 14.88 lakh tons in August. Imports of palm oil in September fell 1.17 percent to 0.41 lakh tons compared to 0.42 lakh tons in August. Rise in palm oil end stocks in September was above analyst's estimates.

- According to cargo surveyor Intertek Testing Services (ITS), Malaysia's October palm oil exports rose 2.5 percent to 1,406,706 tons compared to 1,372,990 tons of last month. Top buyers were India & subcontinent at 314,210 tons (261,675 tons), European Union at 258,770 tons (292,155 tons) and China at 254,230 tons (320,512 tons). Values in brackets are figures of last month.
- According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's October palm oil exports rose 2.3 percent to 1,416,664 compared to 1,384,665 last month. Top buyers are European Union at 293,425 tons (195,869 tons), China at 262,811 tons (227,764 tons), India at 175,230 tons (156,675 tons), Pakistan at 82,540 tons (106,540 tons) and United States at 61,772 tons (66,840 tons). Values in brackets are figures of last month.
- United States Department of Agriculture (USDA) in its September estimate decreased India's 2017/18 imports estimate of palm oil by 0.1 MMT to 9.4 MMT from 9.5 MMT in its earlier estimate. Consumption estimate of palm oil is reduced to 9.5 MMT from 9.6 MMT in its earlier estimate. Lower imports of palm oil are due to increase in import duty on edible oils.
- According to China's General Administration of Customs (CNGOIC), China's September palm oil imports rose 43.11 percent to 6.88 lakh tons compared to September 2016. Year to date imports of palm oil rose 13.06 percent to 34.85 lakh tons compared to corresponding period last year. Imports from Indonesia in September rose 129.23 percent to 4.71 lakh tons compared to September 2016. Year to date imports of palm oil from Indonesia rose 24.24 percent to 22.17 lakh tons compared to corresponding period last year. Imports from Malaysia in September fell 21.27 percent to 2.17 lakh tons compared to September 2016. Year to date imports fell 2.01 percent from Malaysia to 12.67 lakh tons compared to corresponding period last year.
- According to Indonesia Palm Oil Association (GAPKI), Indonesia exports of palm and palm kernel oil rose 24 percent to 2.98 MMT from 2.40 MMT in July 2017. Exports in August grew 44 percent y-o-y compared to August 2016 at 2.07 MMT.
- According to Indonesia Palm Oil Association (GAPKI), Indonesia is expected to produce 36.5 MMT of palm oil from up 4 MMT from 2016. Indonesia palm oil exports are expected to reach 30 MMT, higher 20 percent from 2016. Production in Indonesia is expected to reach 38.5 MMT in 2018 as El Nino takes effect and lagged effect of El Nino fades.
- According to Malaysian government, Malaysia's palm oil production is expected to rise 2.5 percent in 2018 to 20.5 MMT after rise of 15.5 percent rise in production in 2017 at 20 MMT. Malaysia palm oil output was 17.3 MMT in 2016. Average prices of palm oil in 2018 are estimated at 2,750 ringgit per ton due to higher demand by China, EU and India. Average prices of palm oil in 2017 are estimated at 2,700 ringgit (USD 638) per ton.
- Policy update- According to Malaysia Palm Oil Board (MPOB), Malaysia increased November crude palm oil export duty to at 6.5 percent from 6.0 percent in October. Tax is calculated at reference price of 2,872.58 ringgit (\$681.59) per ton. Tax is calculated above 2,250 ringgit starting from 4.5 percent to a maximum of 8.5 percent.

According to Indonesia trade ministry, Indonesia keeps November crude palm oil export duty at zero, unchanged from last month. This is the seventh consecutive month of zero tax. Reference prices of export tax are set at USD 750 per ton. Indonesia kept export duty at zero as it expects that prices will miss certain thresholds.

- **Price Outlook:** We expect CPO Kandla 5% to trade in the price band of Rs 550-610 per 10 Kg.

### **Balance Sheet- Palm Oil (quarterly), India**

*Fig. in million tons*

|                         | 2015-16 | 2016-17 | 2017-18-F | Nov-Jan-F | Feb-Apr-F | May-July-F | July-Oct-F |
|-------------------------|---------|---------|-----------|-----------|-----------|------------|------------|
| <b>Opening Stock</b>    | 1.74    | 1.20    | 1.15      | 1.15      | 1.16      | 1.27       | 1.18       |
| <b>Production</b>       | 0.20    | 0.20    | 0.20      | 0.05      | 0.05      | 0.05       | 0.05       |
| <b>Imports</b>          | 8.53    | 9.30    | 9.76      | 2.25      | 2.34      | 2.34       | 2.83       |
| <b>Total Supply</b>     | 10.47   | 10.70   | 11.11     |           |           |            |            |
| <b>Quarterly add-on</b> |         |         |           | 2.30      | 2.39      | 2.39       | 2.88       |
| <b>Consumption</b>      | 9.27    | 9.55    | 9.93      | 2.28      | 2.28      | 2.48       | 2.88       |
| <b>Ending Stocks</b>    | 1.20    | 1.15    | 1.18      | 1.16      | 1.27      | 1.18       | 1.18       |

Source: AW estimates

Oil year- November-October

### **Highlights**

- Prices of palm oil in 2017-18 are expected to be firm on lower carryout in oil year 2016-17.
- Imports are expected to be higher in 2017-18 compared to last year oil year 2016-17 on lower imports duty compared to other edible oils.
- Carryout stocks of oil year 2016-17 are 1.15 million tons on lower carry in and higher rate of growth of consumption.
- Carryout of 2017-18 is higher than 2016-17 due to higher imports of palm oil.
- Carry out of first quarter of oil year 2017-18 will be lower than second quarter of oil year 2016-17.



## Rapeseed oil: Domestic Market Fundamentals

- Rapeseed oil featured firm trend at various markets on increase in import duty on edible oils, firm demand and rise in rapeseed prices. Prices of expeller mustard oil closed higher across board in India. Kacchi Ghani prices rose across board in India. Rapeseed (Canola) oil prices fell in October.
- Agriwatch view: Rapeseed oil prices traded firm in the month of November in various markets in India on firm demand, hike in import duty on canola oil and other edible oils.

Rapeseed arrivals increased in the month of November compared to October. However, firm demand supported prices despite higher supplies.

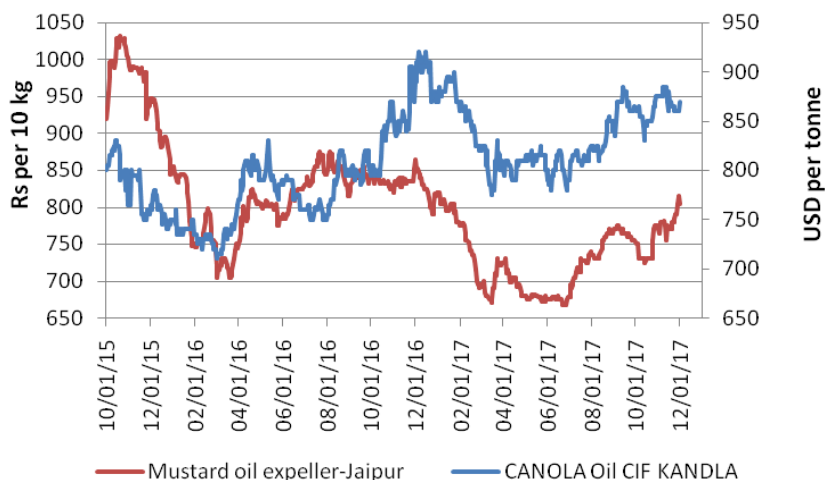
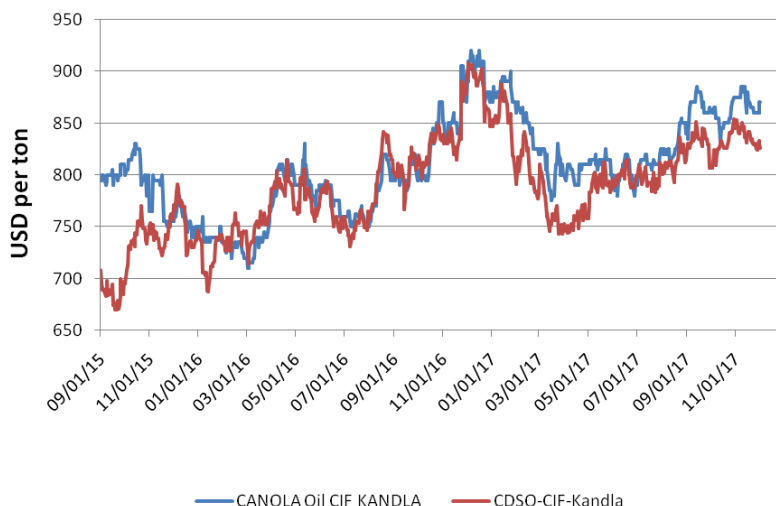
Demand increased in the month of November on the onset of winter in North and East India.

Sowing of rapeseed is 10 percent below corresponding period last year. Sowing in state of Rajasthan is down more than 10 percent from corresponding period last year due to higher temperature, low rainfall and low remuneration to farmers in MY 2016-17. This led to rise in prices of rapeseed in November and support rapeseed oil prices.

10 percent lower crop of rapeseed-mustard crop in 2017-18 oil year will decrease supplies of rapeseed oil in long run.

Agriwatch pegged rapeseed-mustard crop at 6.8 MMT in MY 2017-18.

### Mustard Oil Price Trend (Kota Market)



Stockists and traders are stocking on firm demand has led to higher prices of rapeseed oil.

Demand is firm as the prices are very lucrative.

Prices rose on seasonal uptrend of prices.

Soy oil and palm oil supported the rise.

Above chart shows that Canola oil prices mirror rapeseed expeller oil prices. So, rise in canola oil prices will support mustard expeller prices.

Below chart shows prices of canola oil at CIF markets are closely following soy oil-CIF so firmness in soy oil will support canola oil lower in CIF markets which will support soy oil prices.

Low premium of rapeseed oil over soy oil in domestic market was at Rs 65 (Rs 40) per 10 Kg, will support rapeseed oil prices in medium term.

Government increased import duty on canola oil, which will prompt traders to decrease import of canola oil.

Prices of rapeseed oil are expected to trade sideways to firm on increased demand, rise in rapeseed prices, seasonal uptrend of prices and rise in competitive oils prices.

- Government of India hiked import duty on crude rapeseed oil from 12.5 percent to 25 percent while refined rapeseed oil will be charged import duty of 35 percent from 20 percent earlier.
- All India sowing of rapeseed reached 55.51 lakh hectares as on 1 December 2017 compared to 61.34 lakh hectares in corresponding period last year. Rajasthan is lagging in sowing as on 1 December 2017 and it has reached 20.32 lakh hectares compared to 27.29 lakh hectares in corresponding period last year.
- India imported 0.37 lakh tons of rapeseed (Canola) oil in October 2017 v/s 0.43 lakh tons in October 2016. Imports were 2.93 lakh tons in the period (November 2016-October 2017) compared to 3.77 lakh tons in corresponding period last oil year, lower by 22.3 percent y-o-y: SEA
- CIF Canola oil premium over soybean oil is hovering at USD 38 (USD 51 last month) as on Dec 4, 2017
- Currently, RM oil at Jaipur market (expeller) is offered at Rs 805 (Rs 775) per 10 Kg and at Kota market is quoted around Rs 790 (Rs 730) per 10 kg as on October 4, 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 700-820 per 10 Kg.

### Balance Sheet- Rapeseed Oil, India

*Fig. in lakh tons*

|               | 2012-13 | 2013-14 | 2014-15 | 2015-16-F | 2016-17 | 2017-18-F |
|---------------|---------|---------|---------|-----------|---------|-----------|
|               | 1.49    | 1.73    | 3.86    | 1.39      | 1.41    | 1.68      |
| Production    | 25.02   | 26.78   | 20.16   | 21.24     | 23.65   | 22.47     |
| Imports       | 0.13    | 2.00    | 3.70    | 3.56      | 3.00    | 4.00      |
| Total Supply  | 26.64   | 30.52   | 27.72   | 26.19     | 28.06   | 28.15     |
| Exports       | 0.00    | 0.00    | 0.00    | 0.00      | 0.00    | 0.00      |
| Consumption   | 24.91   | 26.66   | 26.33   | 24.77     | 26.38   | 26.91     |
| Ending Stocks | 1.73    | 3.86    | 1.39    | 1.41      | 1.68    | 1.24      |

Source: AW estimates

Oil year- November-October

#### ➤ Highlights

- Prices of rapeseed oil in 2017-18 are expected to be firm on lower carryout.
- Rapeseed oil production is lower in oil year 2017-18 on higher rapeseed crop.
- Lower oil production in 2017-18 is due to lower marketable surplus of rapeseed resulting in lower crush.
- Carryout stocks of oil year 2016-17 is 1.68 lakh tons on higher rapeseed oil production.
- Carryout of 2017-18 is lower than 2016-17 due to lower production of rapeseed oil.

## Sunflower oil: Domestic Market Fundamentals

➤ Sunflower oil featured uptrend at its benchmark market in Chennai during the month of November on rise in import duty on sunflower oil along with firm and firm supply. Prices closed in Kakinada, Hyderabad and Latur at the end of month. Prices closed lower in Mumbai and Kandla/Mudra. Sunflower expeller prices rose in Hyderabad, Erode, Latur and Chellakere.

➤ Agriwatch view: Sunflower prices rose in month of November at its benchmark market of Chennai on hike in import duty, firm demand and firm supply.

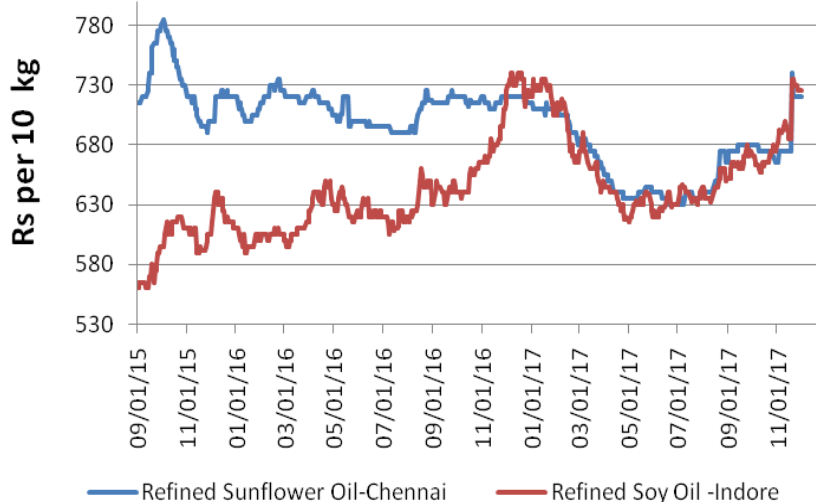
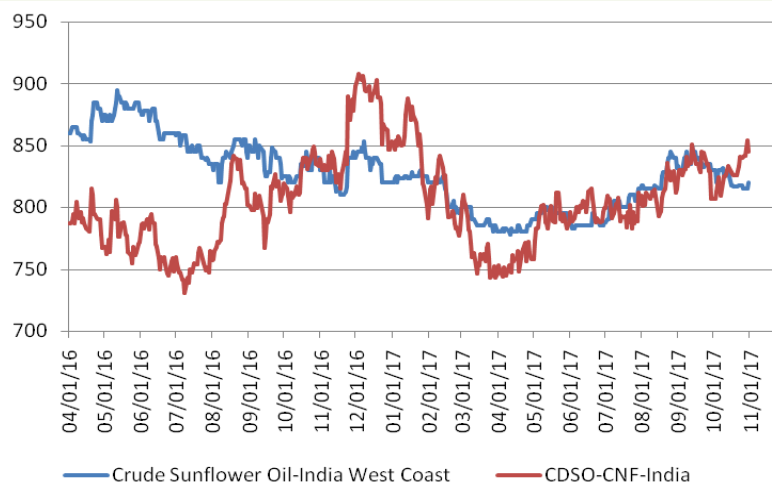
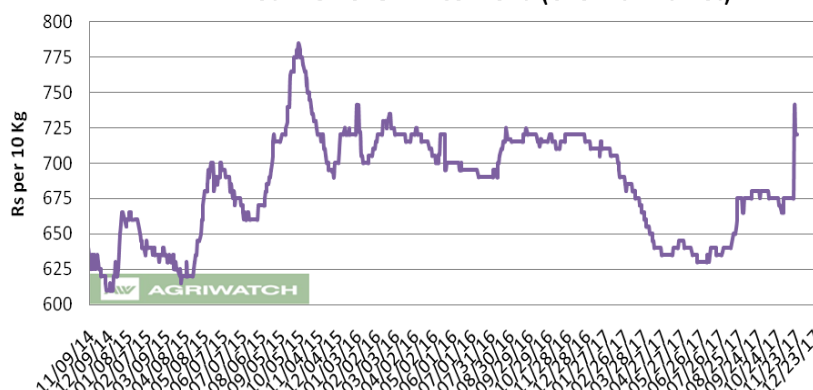
Prices of sunflower oil rose more in domestic market compared CNF markets indicating firm demand of sunflower oil in Indian markets.

Sunflower oil imports in the month of October were higher compared to October 2016 while it was lower than September 2017 while stocks at ports and pipelines decreased indication firm demand.

Imports of sunflower oil rose 43 percent in oil year 2016-17 (November 2016-October 2017).

Record sunflower oil production in Ukraine and Russia has led to lower prices in international markets which will increase imports by India.

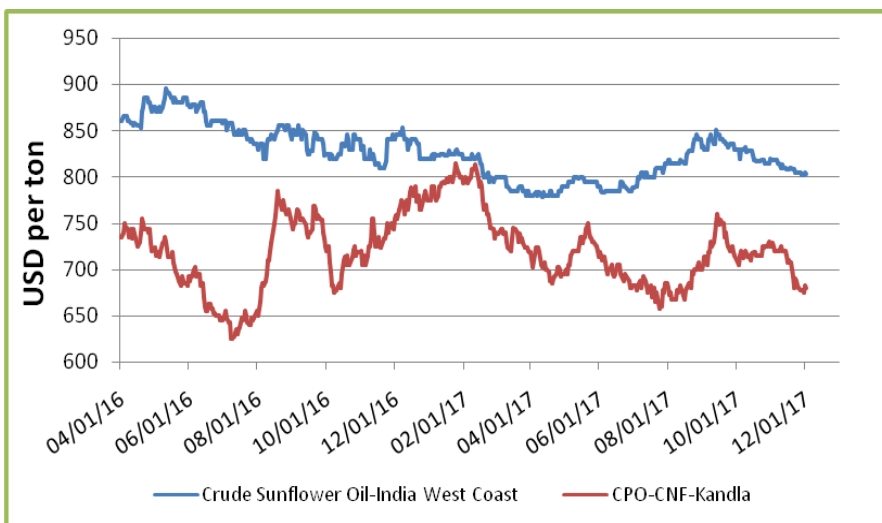
**Sunflower Oil Price Trend (Chennai Market)**



Government of India (GOI) increased import duty on sunflower to stall 43 percent rise in imports in oil year 2016-17 (October 2016 – October 2017).

However, import duty of crude sunflower oil is less than crude soy oil will increase sunflower oil imports in coming months.

Imported sunflower oil is stocked at ports in November to take advantage of rise in import duty.



Sunflower oil is stocked at Indian ports to take advantage when prices of sunflower oil recovers as crude sunflower is trading at discount over 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 43 percent in oil year 2016-17 (November-October). Imports of sunflower oil will show steady rise in coming months due to low premium of sunflower oil over CDSO and CPO.

Negative premium of crude sunflower over CDSO in CNF markets will support prices in medium term. Imports are expected to be higher in November as crude sunflower oil premium over CDSO CIF is negative. Second chart from above shows crude sunflower oil premium over CDSO is very negative 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 palm oil and soy oil.

Refiners and stockists are stocking as sunflower oil premium over soy oil is low at USD -22 (USD -16.5 last month).

Prices of sunflower oil in domestic markets are trading at discount over soy oil in domestic market at Rs -5 per 10 kg compared price Rs 15 per 10 kg in November. Above chart shows how soy oil has behaved compared to sunflower oil.

In domestic market, demand is expected to improve in medium term as prices of sunflower oil is trading at negative premium over soy oil despite sunflower oil being superior oil.

Sunflower oil prices are expected to improve on seasonal uptrend of prices 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. CSFO CIF India West coast premium over CDSO CIF India West coast fell to USD -22 from USD -16.5 per ton last month.

Prices are expected to improve on seasonal uptrend of prices, firm demand at lower prices and negative premium of sunflower oil over soy oil. Prices of sunflower oil are expected to remain in a range with upwards bias in November.

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

- Government of India hiked import duty on sunflower from 12.5 percent to 25 percent while import duty on refined sunflower oil was raised from 20 percent to 35 percent.
- Sunflower oil import scenario – According to SEA, India imported 1.29 lakh tonnes of crude sunflower oil during October 2017 v/s 0.97 lakh tonnes in October 2016, higher by 33 percent y-o-y. India imported 21.69 lakh tonnes of crude sunflower oil in oil year 2016-17 (November 2016-October 2017) compared to 15.16 lakh tonnes last oil year, higher by 43 percent y-o-y.
- All India sowing of sunflower reached 1.19 lakh hectares as on 1 December 2017 compared to 1.02 lakh hectares in corresponding period last year.
- According to State Statistics Service of Ukraine, crude sunflower oil production in the period January-September of 2017 rose to 3.7 MMT compared to 2.985 MMT in corresponding period in 2016, higher by 24 percent in the corresponding period last year. In September, Ukraine produced 0.346 MMT of crude sunflower oil compared to 0.153 MMT produced in August, up 126 percent m-o-m. Production in September 2016 was at 0.401 MMT.
- CIF sunflower oil prices (Ukraine origin) at west coast of India quoted around USD 805 (USD 817.5) per ton for Dec/Jan delivery, Feb/Mar delivery is offered at USD 810 (USD 822.5) per ton, AMJ delivery is quoted at USD 820 (USD 830) per ton and JAS delivery is quoted at USD 832.5 per ton as on Dec 4, 2017. Last month, CIF sun oil (Ukraine origin) November monthly average was around USD 809.76 (USD 822.63 in October 2017) per ton. Values in brackets are figures of last month.
- Prices are likely to stay in the range of USD 780-840 per ton in the medium term. CIF Sunflower oil-CNF premium against CDSO CNF had weakened from last month and is hovering at USD -22 per ton versus USD -16.5 per ton previous month.
- Currently, refined sunflower oil at Chennai market is offered at Rs 720 (Rs 665) per 10 Kg, and at Hyderabad market, it is offered at Rs 741 (Rs 684) per 10 kg as on Dec 4, 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 680-750 per 10 Kg.



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

|                         | 2016-17 | 2017-18-F | Nov-Jan-F | Feb-Apr-F | May-July-F | Aug-Oct-F |
|-------------------------|---------|-----------|-----------|-----------|------------|-----------|
| <b>Opening Stock</b>    | 2.02    | 4.14      | 4.14      | 4.67      | 5.48       | 5.21      |
| <b>Production</b>       | 0.96    | 0.80      | 0.15      | 0.12      | 0.27       | 0.27      |
| <b>Imports</b>          | 22.39   | 21.94     | 5.70      | 6.47      | 5.49       | 4.28      |
| <b>Total Supply</b>     | 25.37   | 26.88     |           |           |            |           |
| <b>Quarterly add-on</b> |         |           | 5.85      | 6.59      | 5.75       | 4.55      |
| <b>Exports</b>          | 0.00    | 0.00      | 0.00      | 0.00      | 0.00       | 0.00      |
| <b>Consumption</b>      | 21.23   | 23.14     | 5.32      | 5.78      | 6.02       | 6.02      |
| <b>Ending Stocks</b>    | 4.14    | 3.74      | 4.67      | 5.48      | 5.21       | 3.74      |

Source: AW estimates

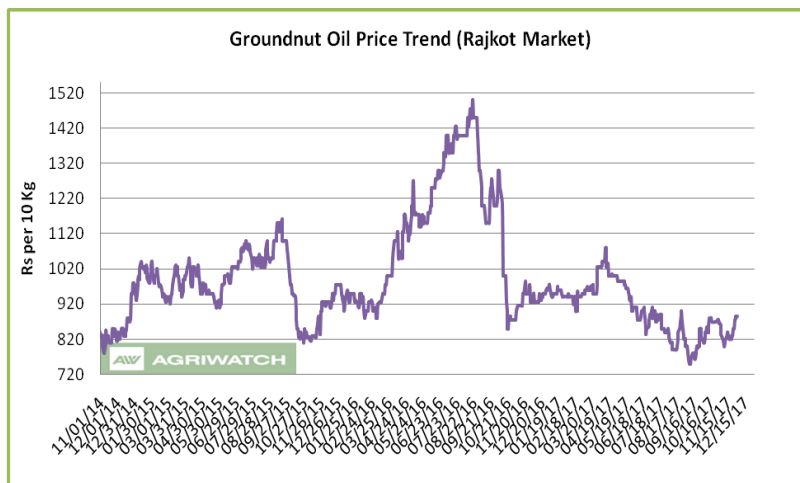
Oil year- November-October

**Highlights**

- Prices will be firm in lower carry out for oil year 2017-18 compared to of 2016-17.
- Sunflower oil production is expected to be lower in oil year 2017-18 on lower sunflower crop.
- Carryout stocks of oil year 2016-17 is 4.14 lakh tons on higher sunflower oil imports.
- Carryout of 2017-18 is lower than 2016-17 due to lower imports.
- Lower carry out in 2017-18 is due to lower imports.

### Groundnut oil: Domestic Market Fundamentals

- Groundnut oil featured uptrend during the month in review at its benchmark market in Rajkot on firm demand and buying at lower quotes. Prices closed higher in Chennai and Mumbai while it closed lower in New Delhi. Prices closed higher in Jamnagar and Gondal at the end of the month. Groundnut oil expeller closed lower in Hyderabad.
- Agriwatch view: Groundnut oil prices increased in November on buying at lower quotes and firm demand.



Groundnut oil prices are recovering from 3 year lows which have stimulated demand.

With arrival of demand season in Gujarat demand of groundnut oil is firm. High retail demand is the reason of higher demand.

Restricted selling by millers has led to higher prices of groundnut oil.

There is disparity in crush of groundnut oil which has led to short supply of groundnut oil in the market and firm demand has led to lower availability of groundnut oil.

Prices of groundnut oil recovered from 3-year lows, which was just above other oils despite being superior oil.

Groundnut oil prices have firmed on offtake from stockists and traders with weak stock position.

Rise in soy oil and palm oil prices supported gains.

Record groundnut is expected to be produced in Gujarat in current Kharif season.

Harvest of groundnut is in last stages and quality of crop is good. Sowing of groundnut in the state of Gujarat was marginally lower than last year.

Retail demand could support buying at lower quotes.

Low prices of groundnut oil will support buying by stockists and traders.

Increase in import duty on edible oils has supported groundnut oil prices.

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.

Stockists and traders have increased offtake as they feel that prices are at good levels.

There could be more bargain buying in coming days.

Worst of groundnut oil prices are over and prices are expected to recover from lower levels on seasonal uptrend of prices.

Prices are expected to trade firm on firm demand, buying at lower quotes, seasonal uptrend of prices, restricted selling by millers, rise in competitive oil prices, and firm activity in cash markets.

Prices are expected to trade sideways to firm.

- All India sowing of groundnut reached 3.02 lakh hectares as on 1 December 2017 compared to 2.63 lakh hectares in corresponding period last year.
- The Gujarat government has stated to procure groundnut at Rs 900 per 20 kg against current price Rs 700-750 per 20 kg. The government will procure through NAFED, Gujarat Cooperative Oilseeds Growers' Federation Ltd (Grofed) and Gujcomasol centers.
- On the price front, currently the groundnut oil prices in Rajkot is hovering near Rs 8,850 (8,650) per quintal and quoting at Rs 8,500 (Rs 8,400) 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 800-950 per 10 Kg.

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

*Fig. in lakh tons*

|                                      | 2016-17 | 2017-18-F | Nov-Jan-F | Feb-Apr-F | May-July-F | Aug-Oct-F |
|--------------------------------------|---------|-----------|-----------|-----------|------------|-----------|
| <b>Opening stocks</b>                | 0.25    | 1.19      | 1.19      | 1.46      | 1.23       | 1.15      |
| <b>Oil availability (Production)</b> | 8.04    | 7.50      | 2.75      | 2.25      | 1.25       | 1.25      |
| <b>Imports</b>                       | 0       | 0         | 0         | 0         | 0          | 0         |
| <b>Total Supply</b>                  | 8.29    | 8.69      |           |           |            |           |
| <b>Quarterly add-on</b>              |         |           | 2.75      | 2.25      | 1.25       | 1.25      |
| <b>Exports</b>                       | 0.30    | 0.40      | 0.10      | 0.10      | 0.10       | 0.10      |
| <b>Consumption</b>                   | 6.80    | 7.21      | 2.38      | 2.38      | 1.23       | 1.23      |
| <b>End stocks</b>                    | 1.19    | 1.08      | 1.46      | 1.23      | 1.15       | 1.08      |

*Source: AW estimate*

*Oil year-November-October*

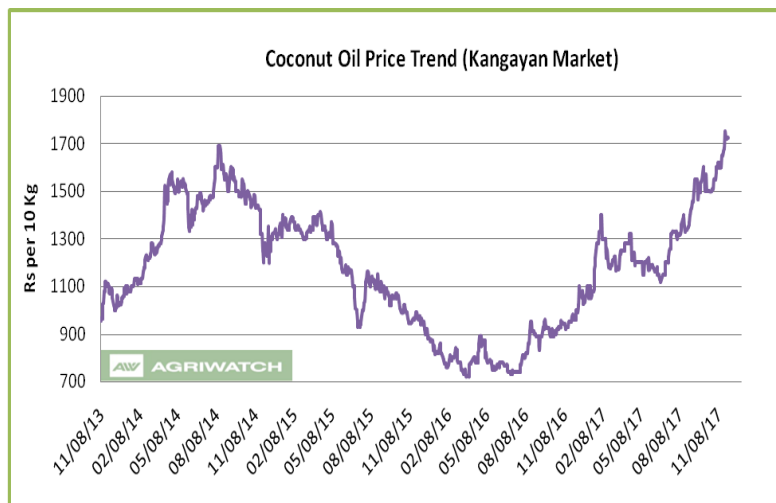
### Highlights

- Groundnut oil production is expected to be lower in oil year 2017-18 on lower groundnut crop.
- Lower oil production in 2017-18 is due to lower marketable surplus of groundnut seed resulting in lower crush.
- Carryout stocks of oil year 2016-17 is 1.19 lakh tons on higher groundnut oil production.
- Carryout stocks of oil year 2017-18 is 1.08 lakh tons on lower groundnut oil production.
- Lower supply of groundnut oil in 2017-18 is due to higher marketable surplus.
- Carryout of 2017-18 is lower than 2016-17 due to lower production of groundnut oil.

## Coconut oil: Domestic Market Fundamentals

- Coconut oil featured uptrend at its benchmark market in Kangeyam on weak supply and firm copra prices. Prices rose in Kochi at the end of the month.
- Agriwatch view: Prices of coconut oil rose in the month of November on weak supply of coconut oil and rise in prices of copra.

Wet monsoon season in November and intensification of Northeast monsoon in Tamil Nadu and Kerala has led to weak copra supply and coconut production has come to standstill. Moreover, wet copra is unfit for crushing.



Mills have run out of copra and there is little supply of copra in markets.

Rise in prices of copra led to rise in prices of coconut oil. Higher raw material prices led to rise in prices of end product.

Price of copra surged in 2017 due to drought in Erode in 2016 has led to depletion of copra stocks.

Copra supply is weak as stocks have depleted in the market on higher exports and diversion of coconut products to other value added products. This has led to short supply of copra. There is good export demand of copra from West Asian markets and Chinese markets.

There is short supply of milling copra, as less rains in 2016 has affected the coconut production. Ball copra is being used for production of coconut oil in near term.

Supply constraint of copra was the reason for firm prices of coconut oil.

Demand of coconut oil has weakened as prices of coconut oil have doubled in 2017 and further slowdown of demand is expected.

However, demand of coconut oil firm is Kerala on Sabarimala pilgrimage festival.

Rise in palm oil prices supported the rise.

Rains in Kerala and Tamil Nadu has led to the expectation of better coconut crop in long term as two successive droughts in Tamil Nadu and Kerala led to weak supply of copra.

Corporate demand which accounts for 80 percent of demand has weakened.

Supply of milling copra is weak as traders are holding stocks in expectation of higher prices. Key coconut growing regions of Tamil Nadu and Kerala have suffered due to deficit of rains for last two years.

Coconut oil is costliest domestic edible oil, which will weaken demand.

Demand from North India is weak.

Export demand of coconut 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. Bulk exports of coconut oil have weakened while 5 liter packs are exported in higher quantities.

Weak supply of copra has led to lower crushing and weak supply of coconut oil which led to the rise in prices.

Millers are not getting copra from traders, leading to weak supply of coconut oil supporting fall.

Millers have limited copra stocks and coconut oil. They are not confident of prices and are depending on ready markets.

Traders and upcountry buyers are holding copra as they expect more rise in copra prices.

Farmers are holding copra to take advantage of prices.

Corporate demand, which contributes about 80 percent of demand, is weak. Consumers of coconut oil have shifted away from coconut oil due to higher prices.

Traders and upcountry buyers are staying away from market as prices of coconut oil have surged.

Higher prices of coconut oil for a long period have shifted demand towards palm oil and will weaken demand of coconut oil in medium to long term.

Moreover, lower prices and high supply of palm kernel oil have helped shift in demand pattern away from coconut oil. Demand is expected to shift away from coconut oil to palm oil if prices of coconut oil do not correct.

With the extreme rise in coconut oil prices, prices will implode when the supply of copra starts to come in.

Prices are expected to be weak in December on weak retail demand and weak demand from corporates, lower prices of copra, seasonal downtrend of prices and fall in palm oil prices. 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 17,200 (16,250) per quintal, and quoting Rs 17,250 (15,500) per quintal in Erode market on December 2, 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 1500-1900 per 10 Kg.



### Production and exports of coconut oil:

| Estimated Production of Coconut Oil |                              |  |
|-------------------------------------|------------------------------|--|
| Month                               | Production<br>(in lakh Tons) | Cumulative<br>Production<br>(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

### Coconut oil balance sheet

Qty in '000 MT

|                      | 2011-<br>2012 | 2012-<br>2013 | 2013-<br>2014 | 2014-<br>2015 | 2015-<br>2016 |
|----------------------|---------------|---------------|---------------|---------------|---------------|
| Opening Stock        | 20.90         | 89.33         | 41.60         | 9.78          | 18.15         |
| Production           | 588.00        | 608.00        | 562.50        | 522.50        | 546.30        |
| Imports              | 3.01          | 1.00          | 1.65          | 12.81         | 5.42          |
| Exports              | 6.52          | 6.83          | 7.07          | 6.94          | 8.55          |
| Consumption/Crushing | 516.06        | 650.00        | 588.90        | 520.00        | 525.00        |
| Ending stock         | 89.33         | 41.60         | 9.78          | 18.15         | 36.32         |

Source: Coconut Development Board

## Qty in '000 MT

| Export of Coconut Products from India |   |                     |                         |                     |                         |                     |                         |
|---------------------------------------|---|---------------------|-------------------------|---------------------|-------------------------|---------------------|-------------------------|
| Sl.No                                 | Item  | 2014-15             |                         | 2015-16             |                         | 2016-17             |                         |
|                                       |   | Quantity<br>(in MT) | Value<br>(Rs in Crores) | Quantity<br>(in MT) | Value<br>(Rs in Crores) | Quantity<br>(in MT) | Value<br>(Rs in Crores) |
| 1                                     | Activated Carbon                                    | 54345.07            | 557.80                  | 71672.71            | 747.56                  | 85804.95            | 815.07                  |
| 2                                     | Coconut Oil (Refined oil and fractions)             | 7188.94             | 146.06                  | 6731.12             | 138.16                  | 17088.99            | 222.98                  |
| 3                                     | Coconut Dried excluding DC and Endocarp             | 66923.65            | 212.49                  | 51802.54            | 145.85                  | 26381.35            | 219.02                  |
| 4                                     | Coconut Oil (Crude oil and fractions)               | 27.63               | 0.51                    | 75.43               | 1.80                    | 16447.10            | 158.03                  |
| 5                                     | Desiccated Coconut                                  | 3243.82             | 26.41                   | 3442.77             | 31.51                   | 14907.47            | 147.71                  |
| 6                                     | Coconut Fresh excluding DC and Endocarp             | 29020.19            | 89.28                   | 37467.06            | 112.79                  | 51802.54            | 145.85                  |
| 7                                     | Copra   | 7284.49             | 80.93                   | 4388.69             | 36.48                   | 54132.48            | 142.41                  |
| 8                                     | Other Coconuts Excl Fresh and Dried & DC & Endocarp | 11532.76            | 55.87                   | 15446.50            | 71.11                   | 33202.21            | 113.76                  |
| 9                                     | Shell Charcoal                                      | 27.90               | 59.60                   | 8.82                | 26.05                   | 28.31               | 68.40                   |
| 10                                    | Shell Charcoal (Other)                              | 47.94               | 65.71                   | 7.94                | 14.34                   | 10.83               | 19.69                   |
| 11                                    | Fresh Endocarp                                      | 3680.97             | 10.64                   | 2047.57             | 7.06                    | 5416.14             | 13.54                   |
| 12                                    | Other Endocarp                                      | 488.69              | 2.37                    | 390.18              | 1.88                    | 1257.75             | 9.46                    |
| 13                                    | Shell unworked                                      | 574.83              | 3.34                    | 330.35              | 2.20                    | 183.30              | 1.66                    |
| 14                                    | Dried Endocarp                                      | 133.01              | 1.37                    | 132.17              | 1.20                    | 53850.67            | 0.08                    |
| 15                                    | Micellaneous  | -                   | -                       | -                   | 112.27                  | -                   | -                       |
| Total                                 |   |                     | 1312.38                 | 1450.24             |                         |                     | 2077.65                 |

Source: DGCIS, Kolkata

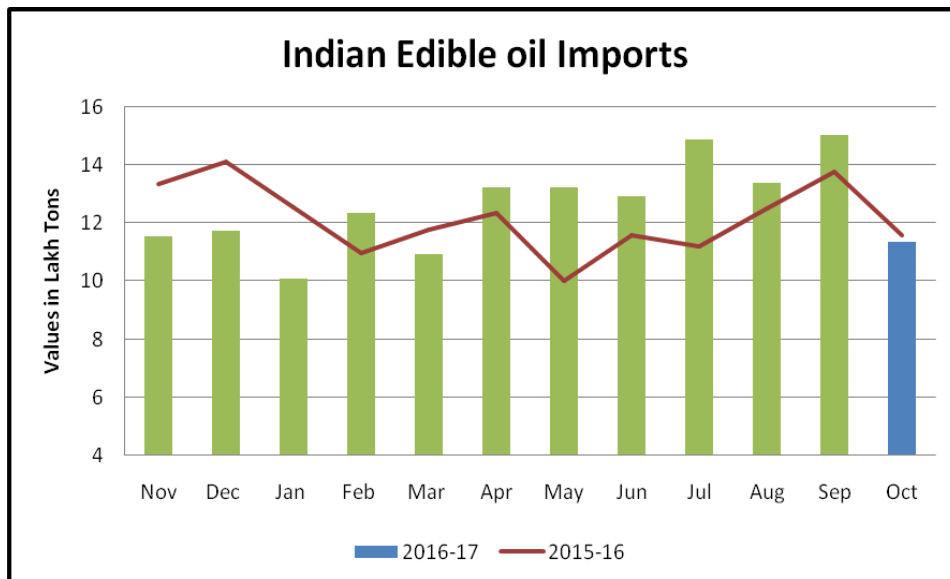
## Coconut products imports from India

Qty in '000 MT

| Import of Coconut Products from India |   |                     |                          |                     |                          |                     |                          |
|---------------------------------------|---|---------------------|--------------------------|---------------------|--------------------------|---------------------|--------------------------|
| Sl.No                                 | Item                                    | 2014-15             |                          | 2015-16             |                          | 2016-17             |                          |
|                                       |   | Quantity<br>(in MT) | Value<br>( Rs in Crores) | Quantity<br>(in MT) | Value<br>( Rs in Crores) | Quantity<br>(in MT) | Value<br>( Rs in Crores) |
| 1                                     | Coconut Oil (Refined oil and fractions) | 3467.91             | 30.76                    | 2759.81             | 22.57                    | 9.08                | 0.37                     |
| 2                                     | Coconut Oil (Crude oil and fractions)   | 6205.34             | 49.43                    | 2415.00             | 18.90                    |                     |                          |
| 3                                     | Copra                                   | 281.00              | 2.03                     | 290.30              | 2.06                     |                     |                          |
| 4                                     | Other residues of coconut or copra      | 32.50               | 0.07                     | 0.27                | 0.28                     |                     |                          |
| 5                                     | Shell Charcoal                          | 14.88               | 40.42                    | 14.21               | 45.06                    | 0.35                | 1.08                     |
| 6                                     | Shell Charcoal (Other)                  | 0.38                | 1.35                     | 3.46                | 1.29                     | 2.06                | 2.26                     |
| 7                                     | Desiccated Coconut                      | 246.07              | 3.71                     | 65.50               | 0.67                     |                     |                          |
| 8                                     | Oil Cake Solvent Extracted Variety      |                     |                          | 589.99              | 1.19                     | 873.20              | 1.79                     |
| 9                                     | Shell unworked                          |                     |                          |                     |                          | 69.31               | 0.13                     |
| 10                                    | Oil Cake Expeller Variety               | 88289.75            | 136.19                   | 188921.63           | 286.81                   | 164421.90           | 263.51                   |
| 11                                    | Button of Coconut Shell/Wood            | 24.29               | 0.59                     | 41.09               | 1.19                     | 43.12               | 1.46                     |
| Total                                 |   |                     | 264.54                   |                     | 380.02                   |                     | 270.59                   |

Source: DGCIS, Kolkata

### Indian Edible Oil Imports Scenario –:



As per Solvent Extractors' Association of India, India imported 14.57 million tons of veg. oils in the 2015/16 oil year. Edible oils imports were 15.08 million tons 2016-17 (November 2016-October 2017). Edible oils (including CPO, CDSO, CSFO, and RBD Palmolein imports for October is pegged at 11.34 lakh tons.

### Indian Supply and Demand Scenario:

| Balance sheet of Indian Edible Oil | 2015-16 | 2016-17 | 2017-18-F | % Change |
|------------------------------------|---------|---------|-----------|----------|
| Value in million tons              |         |         |           |          |
| Beginning Stock                    | 2.29    | 1.78    | 1.74      | -2.57%   |
| Production                         | 7.20    | 8.49    | 7.70      | -9.31%   |
| Imports                            | 14.57   | 15.08   | 16.44     | 9.00%    |
| Total Supply                       | 24.06   | 25.35   | 25.88     | 2.06%    |
| Exports                            | 0.01    | 0.01    | 0.02      | 100.00%  |
| Total Demand(Consumption)          | 22.27   | 23.61   | 24.55     | 4.00%    |
| Ending Stock                       | 1.78    | 1.74    | 1.30      | -24.91%  |

\* Value in million tons

### Balance Sheet Highlights

Net edible oil output is likely to be 7.70 million tons (down 9.31 percent y-o-y basis) in 2017-18 led by lower oilseed sowing in Kharif and Rabi season in the current oil year.

On import front, edible oil imports seen at 16.44 million tons for 2017/18 oil year v/s 15.08 million tons last year.

On the consumption side, India's edible oil consumption for 2017-18 oil year seen at 24.55 million tons, up 4 percent from last year. Ending stocks are projected higher compared to 2016-17 at 1.74 million tons.

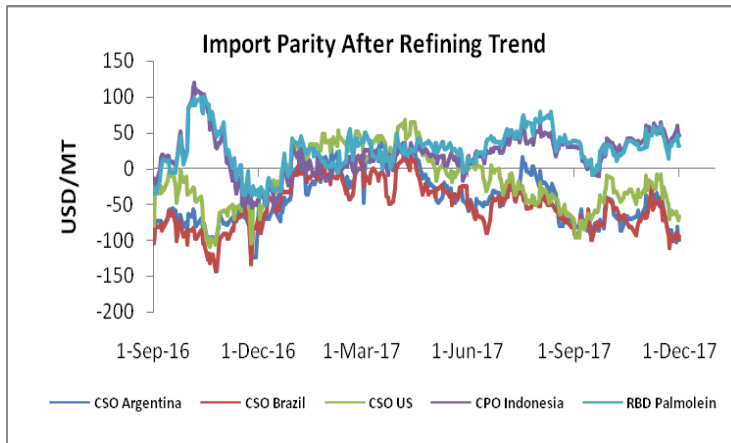
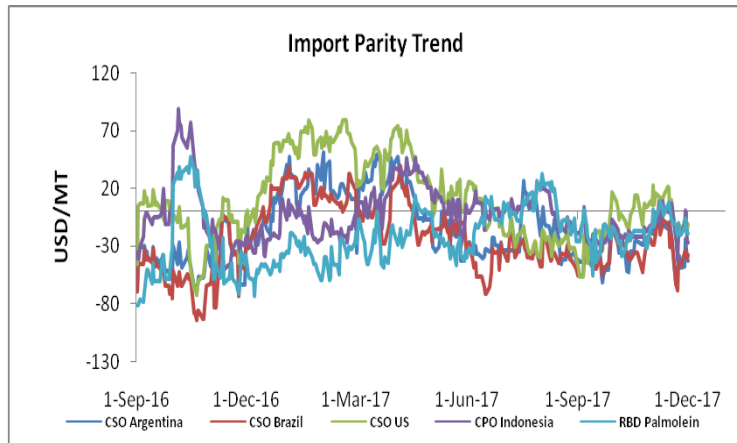
**Note** - Values in Mln. Tons, Oil year (Nov.-Oct.) \*Including Production of Groundnut, Soy, Mustard, Sunflower, Sesame, Niger, Safflower, Cottonseed, Copra, Rice bran Oils. \*\* 2016-17- SEA of India & 2016-17 Agriwatch Estimates, \*\*\* (USDA estimates).



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

| Landed Cost Calculation as on 5/12/2017                                 | CSO<br>Argentina | CSO<br>Brazil   | CSO US          | CPO<br>Indonesia | RBD<br>Palmolein |
|---|------------------|-----------------|-----------------|------------------|------------------|
| FOB USD per ton   | 761              | 758             | 726             | 650              | 648              |
| Freight (USD/MT)  | 52               | 52              | 62              | 25               | 20.0             |
| C & F   | 813.0            | 810.0           | 788.0           | 675.0            | 668.0            |
| Weight loss (0.25% of FOB)  | 1.90             | 1.90            | 1.82            | 1.63             | 1.62             |
| Finance charges (0.4% on CNF)   | 3.25             | 3.24            | 3.15            | 2.70             | 2.67             |
| Insurance (0.3% of C&F)   | 2.44             | 2.43            | 2.36            | 2.03             | 2.00             |
| CIF (Indian Port - Kandla)  | 821              | 818             | 795             | 681              | 674              |
| Duty (Values in USD per tons)   | 253.20           | 253.20          | 253.20          | 210.90           | 296.80           |
| GST (5% on duty) USD per ton  | 12.66            | 12.66           | 12.66           | 10.545           | 14.84            |
| Exchange rate   | 64.41            | 64.41           | 64.41           | 64.41            | 64.41            |
| Landed cost without customs duty in INR per ton                         | 52854            | 52659           | 51227           | 43886            | 43431            |
| Customs duty %  | 30.00%           | 30.00%          | 30.00%          | 30.00%           | 40.00%           |
| Cess%   | 0.90%            | 0.90%           | 0.90%           | 0.90%            | 1.20%            |
| Base import price   | 844              | 844             | 844             | 703              | 742              |
| Fixed exchange rate by customs department                               | 66.20            | 66.20           | 66.20           | 66.20            | 66.20            |
| Duty component in INR per ton   | 17264.70         | 17264.70        | 17264.70        | 14380.43         | 20237.60         |
| 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   | 71519            | 71324           | 69892           | 59666            | 65069            |
| Domestic Market price INR/ton Soy Degum<br>Kandla/CPO Kandla/RBD Kandla | 70200            | 70200           | 70200           | 58600            | 64000            |
| Total landed cost USD per ton   | 1110             | 1107            | 1085            | 926              | 1010             |
| Domestic Market price USD/tons Soy Degum Kandla/<br>CPO Kandla 5%       | 1090             | 1090            | 1090            | 910              | 994              |
| <b>Parity INR/MT (Domestic - Landed)</b>                                | <b>-1319</b>     | <b>-1124</b>    | <b>308</b>      | <b>-1066</b>     | <b>-1069</b>     |
| <b>Parity USD/MT (Domestic - Landed)</b>                                | <b>-20.48</b>    | <b>-17.45</b>   | <b>4.78</b>     | <b>-16.55</b>    | <b>-16.60</b>    |
| Source: Agriwatch   |                  |                 |                 |                  |                  |
| Refining/ Processing Cost per MT  | 2000.00          | 2000.00         | 2000.00         | 4700.00          | ....             |
| Freight to Inland location (Indore for soy and Delhi for<br>Palm oil)   | 2500.00          | 2500.00         | 2500.00         | 2800.00          | 2800.00          |
| Cost of Imported oil after refining/Processing                          | 76019.12         | 75824.06        | 74391.96        | 67166.18         | 67869.01         |
| Soy/Palm oil imported Price (Including tax)                             | 79820.08         | 79615.26        | 78111.56        | 70524.49         | 71262.46         |
| Loose price of Soy/Palm in Indore and Delhi market                      | 76650.00         | 76650.00        | 76650.00        | 74025.00         | 74025.00         |
| <b>Parity after processing and Taxes (Rs per MT)</b>                    | <b>-3170.08</b>  | <b>-2965.26</b> | <b>-1461.56</b> | <b>3500.51</b>   | <b>2762.54</b>   |
| <b>Parity after processing and Taxes (USD per MT)</b>                   | <b>-49.22</b>    | <b>-46.04</b>   | <b>-22.69</b>   | <b>54.35</b>     | <b>42.89</b>     |
| Source: Agriwatch   |                  |                 |                 |                  |                  |

### Import Parity Trend

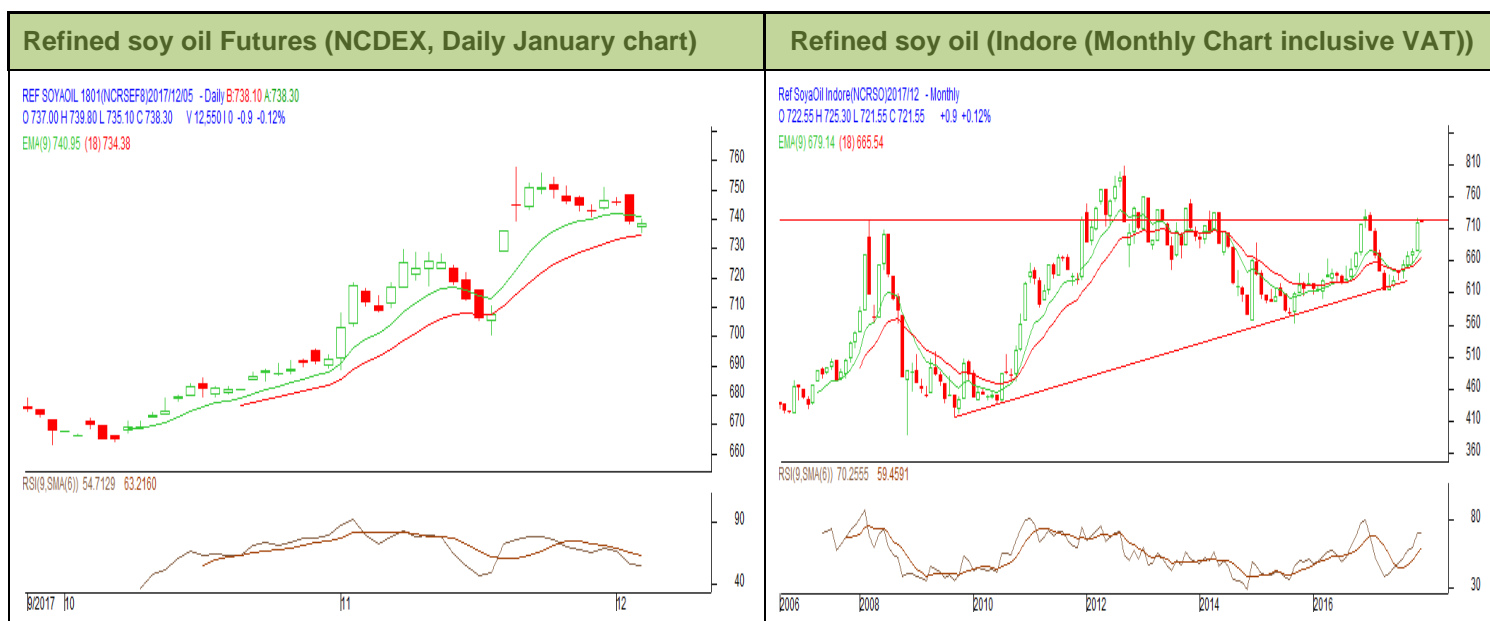


### Import Parity after Refining in US dollar per tons (Monthly Average)

|                  | CSO Argentina | CSO Brazil | CSO US | CPO Indonesia | RBD Palmolein |
|------------------|---------------|------------|--------|---------------|---------------|
| <b>Sep, 2017</b> | -74.80        | -76.67     | -61.72 | 12.31         | 17.63         |
| <b>Oct, 2017</b> | -66.76        | -68.43     | -34.19 | 33.93         | 27.30         |
| <b>Nov, 2017</b> | -63.29        | -70.36     | -37.37 | 49.56         | 42.85         |

### 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 December. 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 (January 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 720 in monthly chart will change the sentiment and bring prices to 700 levels.
- Expected price band for next month is 690-750 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 735 for a target of 715 and 710 with a stop loss at 745 on closing basis.

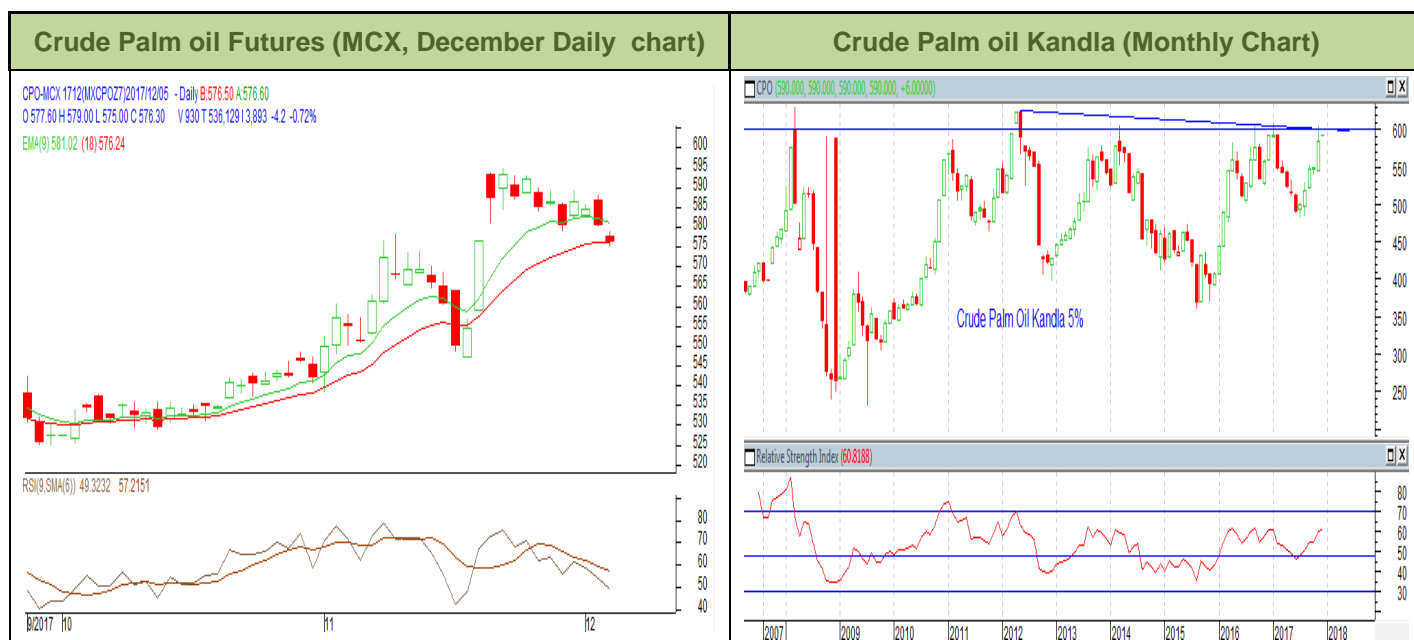
**RSO NCDEX**

| Support and Resistance |        |        |        |        |
|------------------------|--------|--------|--------|--------|
| S2                     | S1     | PCP    | R1     | R2     |
| 666.00                 | 728.00 | 731.40 | 748.00 | 765.00 |

**Spot Market outlook:** Refined soy oil Indore (including VAT) is likely to stay in the range of 680-770 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 (December 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 530-600 level in near to medium term. RSI along with Stochastic and MACD are indicating downtrend.

**Strategy:** Market participants are advised to go short in CPO below 575 for a target of 555 and 550 with a stop loss at 585 on closing basis.

### CPO MCX

| Support and Resistance |        |       |        |        |
|------------------------|--------|-------|--------|--------|
| S2                     | S1     | PCP   | R1     | R2     |
| 544.00                 | 566.00 | 571.2 | 576.00 | 595.00 |

**Spot Market outlook:** Crude palm oil Kandla is likely to stay in the range of 550-610 per 10 Kg.


**Monthly spot prices comparison**

| Commodity             | Centre                        | Prices(Per 10 Kg) |           | Change |
|-----------------------|-------------------------------|-------------------|-----------|--------|
|                       |                               | 30-Nov-17         | 31-Oct-17 |        |
| Refined Soybean Oil   | Indore                        | 725               | 680       | 45     |
|                       | Indore (Soy Solvent Crude)    | 690               | 645       | 45     |
|                       | Mumbai                        | 735               | 675       | 60     |
|                       | Mumbai (Soy Degum)            | 692               | 642       | 50     |
|                       | Kandla/Mundra                 | 725               | 668       | 57     |
|                       | Kandla/Mundra (Soy Degum)     | 702               | 647       | 55     |
|                       | Kolkata                       | 740               | 682       | 58     |
|                       | Delhi                         | 760               | 715       | 45     |
|                       | Nagpur                        | 750               | 714       | 36     |
|                       | Rajkot                        | 718               | 665       | 53     |
|                       | Kota                          | 735               | 680       | 55     |
|                       | Hyderabad                     | 720               | 685       | 35     |
|                       | Akola                         | 752               | 710       | 42     |
|                       | Amrawati                      | 752               | 710       | 42     |
|                       | Bundi                         | 740               | 680       | 60     |
|                       | Jalna                         | 752               | 717       | 35     |
|                       | Alwar                         | NA                | NA        | -      |
|                       | Solapur                       | 750               | 710       | 40     |
|                       | Dhule                         | 757               | 717       | 40     |
| Palm Oil              | Kandla (Crude Palm Oil)       | 584               | 548       | 36     |
|                       | Kandla (RBD Palm oil)         | 620               | 570       | 50     |
|                       | Kandla RBD Pamolein           | 645               | 600       | 45     |
|                       | Kakinada (Crude Palm Oil)     | 595               | 542       | 53     |
|                       | Kakinada RBD Pamolein         | 645               | 595       | 50     |
|                       | Haldia Pamolein               | 640               | 605       | 35     |
|                       | Chennai RBD Pamolein          | 640               | 600       | 40     |
|                       | KPT (krishna patnam) Pamolein | 640               | 592       | 48     |
|                       | Mumbai RBD Pamolein           | 665               | 615       | 50     |
|                       | Delhi                         | 705               | 655       | 50     |
|                       | Rajkot                        | 638               | 595       | 43     |
|                       | Hyderabad                     | 665               | 594       | 71     |
|                       | Mangalore RBD Pamolein        | 640               | 600       | 40     |
|                       | PFAD (Kandla)                 | 460               | 460       | Unch   |
|                       | Refined Palm Stearin (Kandla) | 505               | 480       | 25     |
| Refined Sunflower Oil | Chennai                       | 720               | 665       | 55     |
|                       | Mumbai                        | 765               | 710       | 55     |
|                       | Mumbai(Expeller Oil)          | 672               | 625       | 47     |
|                       | Kandla                        | 735               | 690       | 45     |
|                       | Kandla/Mundra (Crude)         | NA                | NA        | -      |
|                       | Hyderabad (Ref)               | 741               | 685       | 56     |



|                           |                                    |      |      |      |
|---------------------------|------------------------------------|------|------|------|
|                           | Latur (Expeller Oil)               | 735  | 695  | 40   |
|                           | Chellakere (Expeller Oil)          | 675  | 625  | 50   |
|                           | Erode (Expeller Oil)               | 760  | 710  | 50   |
|                           |                                    |      |      |      |
| Groundnut Oil             | Rajkot                             | 885  | 865  | 20   |
|                           | Chennai                            | 850  | 840  | 10   |
|                           | Delhi                              | 860  | 865  | -5   |
|                           | Hyderabad *                        | 840  | 870  | -30  |
|                           | Mumbai                             | 905  | 900  | 5    |
|                           | Gondal                             | 870  | 850  | 20   |
|                           | Jamnagar                           | 890  | 850  | 40   |
|                           |                                    |      |      |      |
| Rapeseed Oil/Mustard Oil  | Jaipur (Expeller Oil)              | 815  | 770  | 45   |
|                           | Jaipur (Kacchi Ghani Oil)          | 826  | 795  | 31   |
|                           | Kota (Expeller Oil)                | 790  | 730  | 60   |
|                           | Kota (Kacchi Ghani Oil)            | 825  | 785  | 40   |
|                           | Neewai (Kacchi Ghani Oil)          | 790  | 745  | 45   |
|                           | Neewai (Expeller Oil)              | 815  | 775  | 40   |
|                           | Bharatpur (Kacchi Ghani Oil)       | 835  | 790  | 45   |
|                           | Alwar (Kacchi Ghani Oil)           | NA   | NA   | -    |
|                           | Alwar (Expeller Oil)               | NA   | NA   | -    |
|                           | Sri-Ganga Nagar(Exp Oil)           | 800  | 760  | 40   |
|                           | Sri-Ganga Nagar (Kacchi Ghani Oil) | 820  | 785  | 35   |
|                           | Mumbai (Expeller Oil)              | 800  | 770  | 30   |
|                           | Kolkata(Expeller Oil)              | 900  | 880  | 20   |
|                           | New Delhi (Expeller Oil)           | 815  | 775  | 40   |
|                           | Hapur (Expeller Oil)               | 885  | 810  | 75   |
|                           | Hapur (Kacchi Ghani Oil)           | 900  | 870  | 30   |
|                           | Agra (Kacchi Ghani Oil)            | 840  | 795  | 45   |
|                           |                                    |      |      |      |
| Refined Cottonseed Oil    | Rajkot                             | 678  | 640  | 38   |
|                           | Hyderabad                          | 685  | 650  | 35   |
|                           | Mumbai                             | 695  | 665  | 30   |
|                           | New Delhi                          | 680  | 640  | 40   |
|                           |                                    |      |      |      |
| Coconut Oil               | Kangayan (Crude)                   | 1725 | 1550 | 175  |
|                           | Cochin                             | 1720 | 1615 | 105  |
|                           | Trissur                            | NA   | NA   | -    |
|                           |                                    |      |      |      |
| Sesame Oil                | New Delhi                          | 900  | 880  | 20   |
|                           | Mumbai                             | NA   | NA   | -    |
| Kardi                     | Mumbai                             | 880  | 870  | 10   |
| Rice Bran Oil (40%)       | New Delhi                          | 495  | 505  | -10  |
| Rice Bran Oil (4%)        | Punjab                             | 600  | 600  | Unch |
| Rice Bran Oil (4%)        | Uttar Pradesh                      | NA   | NA   | -    |
|                           |                                    |      |      |      |
| Malaysia Palmolein USD/MT | FOB                                | 648  | 700  | -52  |

|   |           |                  |                  |               |
|---|-----------|------------------|------------------|---------------|
|   | CNF India | 675              | 725              | <b>-50</b>    |
| Indonesia CPO USD/MT                                | FOB       | 648              | 695              | <b>-47</b>    |
|   | CNF India | 675              | 725              | <b>-50</b>    |
| RBD Palm oil (Malaysia Origin USD/MT)               | FOB       | 643              | 693              | <b>-50</b>    |
| RBD Palm Stearin (Malaysia Origin USD/MT)           | FOB       | 665              | 708              | <b>-43</b>    |
| RBD Palm Kernel Oil (Malaysia Origin USD/MT)        | FOB       | 1460             | 1530             | <b>-70</b>    |
| Palm Fatty Acid Distillate (Malaysia Origin USD/MT) | FOB       | 618              | 640              | <b>-22</b>    |
| Crude palm Kernel Oil India (USD/MT)                | CNF India | 1420             | 1460             | <b>-40</b>    |
| Ukraine Origin CSFO USD/MT Kandla                   | CIF       | 802              | 815              | <b>-13</b>    |
| Rapeseed Oil Rotterdam Euro/MT                      | FOB       | NA               | 820              | -             |
|   |           |                  |                  |               |
| <b>Argentina FOB (\$/MT)</b>                        |           | <b>29-Nov-17</b> | <b>30-Oct-17</b> | <b>Change</b> |
| Crude Soybean Oil Ship                              |           | NA               | NA               | -             |
| Refined Soy Oil (Bulk) Ship                         |           | NA               | NA               | -             |
| Sunflower Oil Ship                                  |           | NA               | NA               | -             |
| Cottonseed Oil Ship                                 |           | NA               | NA               | -             |
| Refined Linseed Oil (Bulk) Ship                     |           | NA               | NA               | -             |
| <i>* indicates including VAT</i>                    |           |                  |                  |               |

\*\*\*\*\*

#### Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp> © 2017 Indian Agribusiness Systems Ltd.