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# **Veg. Oil Monthly Research Report**

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**Outlook and Review:**  
**Domestic Front**

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

*Sunflower oil (Chennai) was the best performer among the edible oil complex due to firm demand. Soy oil (Indore) was the worst performer among the edible oil tracking weak demand.*

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

*On the currency front, Indian rupee is hovering near 70.77 compared to 68.70 last month. Rupee is expected to depreciate in August. Crude oil prices are expected to rise in August.*

**Recommendation:**

*In NCDEX: Market participants are advised to go long in RSO above 735 for a target of 755 and 760 with a stop loss at 725 on closing basis.*

*In MCX, market participants are advised to go long in CPO above 525 for a target of 545 and 550 with a stop loss at 515 on closing basis.*

*Market participants can buy refined soy oil in the cash markets at 730-740 for the target of 760-770 levels (Indore), if needed. Market participants can buy CPO Kandla 5% in the cash markets at 500-510 for the target of 530-540 levels, if needed.*

**International Veg. Oil Market Summary**

*CBOT soy oil (Sep) is expected to stay in the range of 25 cents/lb to 30 cents/lb. CPO at BMD (Sep) is likely to stay in the range of 1800-2300 ringgits per ton. Focus during the coming days will be trade dispute between US and China, soy oil stocks in US, soybean demand by China, soybean crop in US, palm oil stocks in Malaysia and Indonesia, palm oil production in Malaysia and Indonesia, palm oil exports from Malaysia and Indonesia, India and China palm oil demand, crude oil prices and ringgit.*

*On the international front, US-China trade dispute, improved weather of soybean in US, weak demand of soybean in China and rise in US dollar is expected to underpin soy oil prices in coming days.*

*Lower than expected rise in palm oil stocks in Malaysia, slow rise in exports of palm oil from Malaysia, firm demand from India and China, slow rise in production of palm oil Malaysia and Indonesia, depreciation of ringgit and rise in crude oil prices is expected to support CPO prices in near term.*

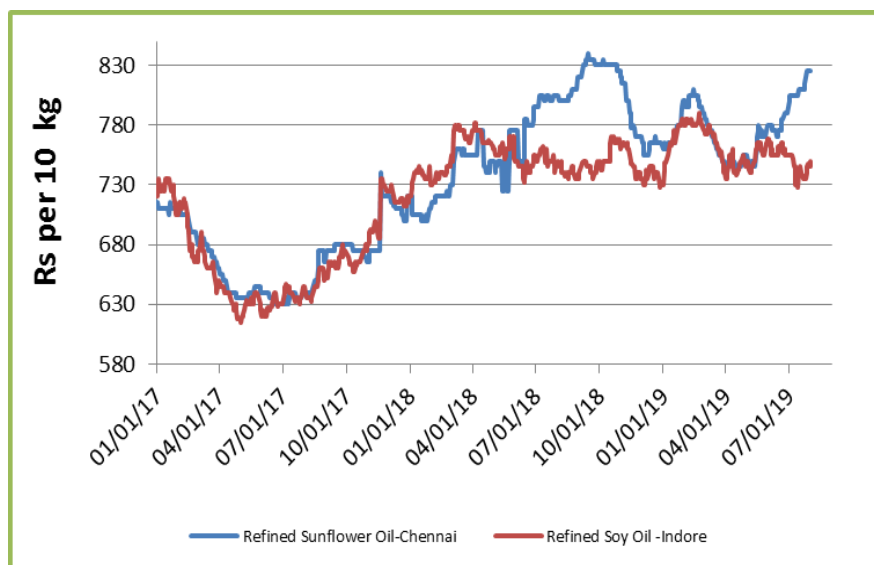
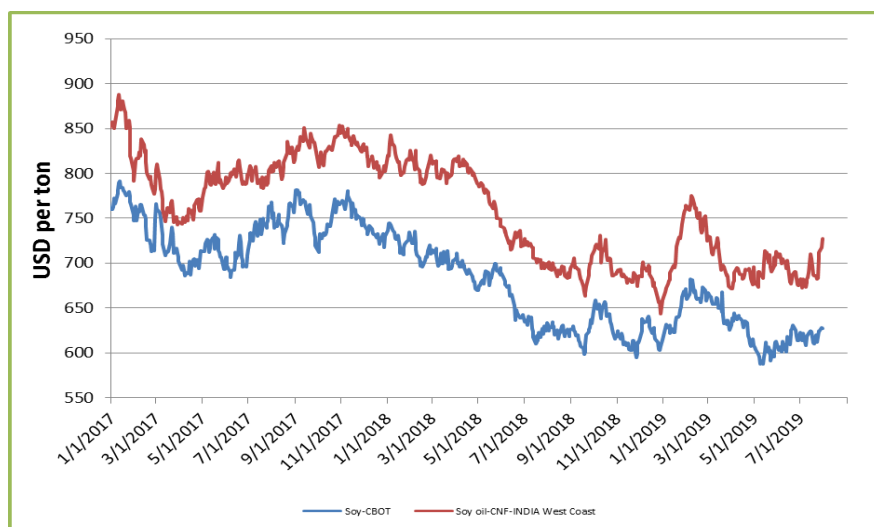
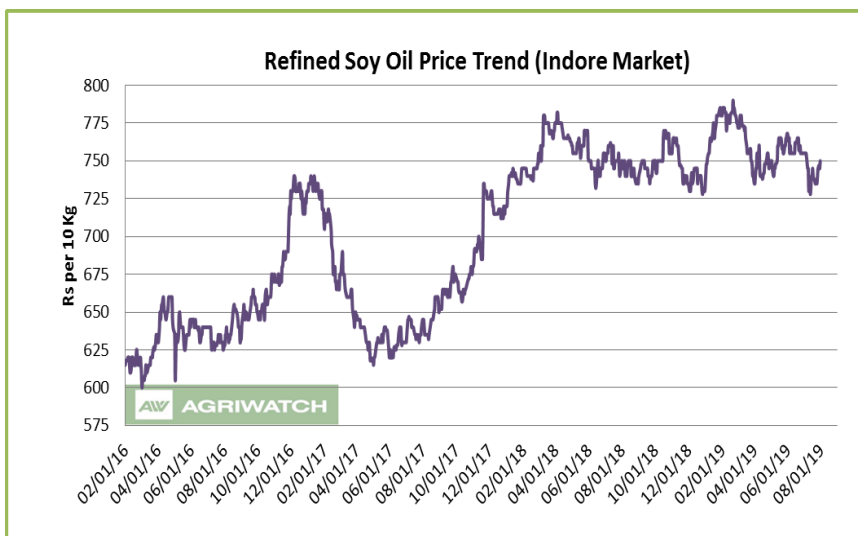
## Soy oil: Domestic Market Fundamentals

- Refined soybean oil prices featured downtrend at its benchmark market at Indore during the month of July on weak demand. Average prices of refined soy oil fell in July.
- Soy oil prices witnessed downtrend in month of July on weak demand.

Demand of soy oil is expected to fall in Aug on disparity in import margins of soy oil due to depreciation of Rupee and rise in prices of soy oil in international markets. Due to depreciation of Rupee and rise in prices of soy oil in international markets has increased disparity.

Import prices of soy oil is rose on higher demand of soy oil in international markets from Argentina. Lower soybean crop area in US, lower stocks of soy oil in US supported soy oil international prices. Firm demand of soy oil from Argentina and rise in prices of soy oil at CBOT has increased basis in soy oil leading to higher FOB prices of soy oil. Despite Argentina Peso depreciation FOB prices increased due to strong demand soybean products from Argentina has led to rise in basis over CBOT.

Prices of CDSO fell at high seas while it rose at CNF markets indicating weak demand at high seas. Prices of CDSO CNF rose



less compared to CDSO FOB indicating weak demand at CNF markets.

Import parity of soy oil has decreased in July and is at Rs 2.0-2.0 per kg compared to Rs 3.5-4.0 per kg in May.

Refining margins were reported lower in July at Rs 2.5-3.0 per kg compared to Rs 3.0-3.5 per kg in June.

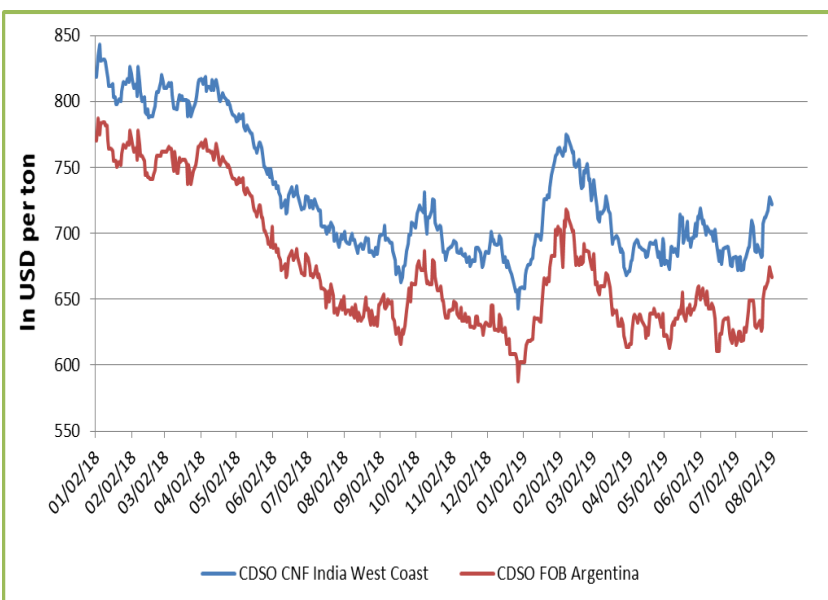
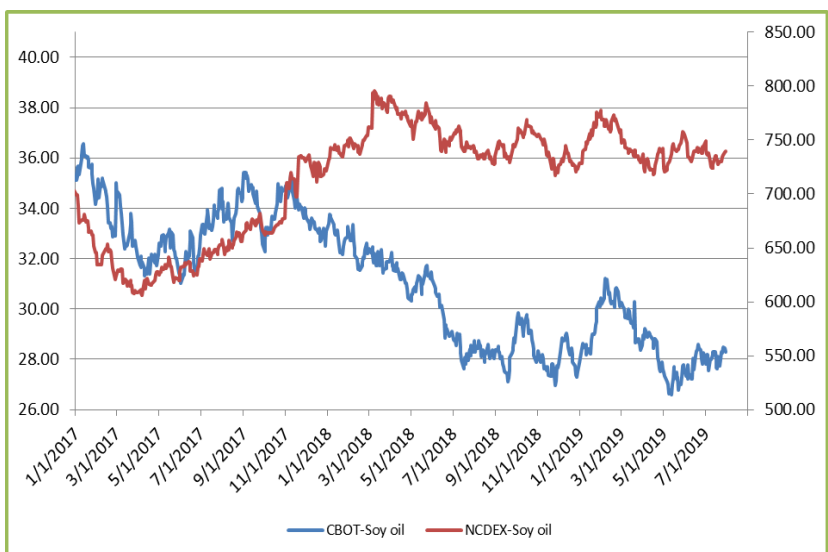
Both positive import parity and positive refining margins will lead to higher imports of soy oil in coming months.

Refined soy oil premium over CPO has increased to Rs 225 (Rs 252 last month) per 10 Kg which is high and will underpin soy oil prices. Refined soy oil premium over RBD palmolein was at Rs 160 (Rs 175 last month) per 10 Kg, which is high and may underpin soy oil prices in domestic markets.

Refined soy oil premium over CDSO high seas is at Rs 44 (Rs 54) per 10 kg indicating firm demand of CDSO compared to refined soy oil in domestic markets.

Landed cost and refining margins have returned to disparity due to depreciation of Rupee and rise in prices of soy oil in international markets.

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



demand of soy oil from Argentina.

Lower soy meal exports have resulted in lower crushing of soybean. Soy meal exports decreased due to sanction on Iran by US.

Imports of soy oil fell in June compared to June 2018 and May 2019 and stocks at ports remained unchanged indicating weak demand and destocking at ports.

Import parity of soy oil have returned to disparity will decrease imports. .

Prices fell on seasonal downtrend of prices.

- According to Solvent Extractors Association (SEA), India's June edible oil imports rose 6.25 percent y-o-y to 10.71 lakh tons from 10.08 lakh tons in June 2018. Palm oil imports in June rose 40.78 percent y-o-y to 6.87 lakh tons from 4.88 lakh tons in June 2018. CPO imports rose 38.03 percent in June y-o-y to 4.21 lakh tons from 3.05 lakh tons in June 2018. RBD palmolein imports rose 44.63 percent in June y-o-y to 2.56 lakh tons from 1.77 lakh tons in June 2018. Soy oil imports fell 22.84 percent in June y-o-y to 2.23 lakh tons from 2.89 lakh tons in June 2018. Sunflower oil imports fell 26.70 percent y-o-y in June to 1.62 lakh tons from 2.21 lakh tons in June 2018. Rapeseed (canola) oil imports were zero in June compared 0.11 imports in June 2018. Rise in palm oil imports contributed to rise in imports in June.
- According to Solvent Extractors Association (SEA), India's June edible oil stocks at ports and pipelines fell 2.27 percent m-o-m to 21.5 lakh tons from 22.0 lakh tons in May 2019. Stocks of edible oil at ports in June fell to 750,000 tons (CPO 300,000 tons, RBD Palmolein 230,000 tons, Degummed Soybean Oil 80,000 tons, Crude Sunflower Oil 140,000 ton and about 1,400,000 tons in pipelines. (Stocks at ports were 820,000 tons in May 2019). India is presently holding 34 days of edible oil requirement on 1st July, 2019 at 21.5 lakh tons compared to 35 days of requirements last month at 22.0 lakh tons. India's monthly edible oil requirement is 19.0 lakh tons.
- Soy oil import scenario – According to SEA, soy oil imports fell 22.84 percent y-o-y in June to 2.23 lakh tons from 2.89 lakh tons in June 2018. In the oil year 2018-19 (Nov 2018-June 2019), imports of soy oil were 16.92 lakh tons compared to 17.77 lakh tons in last oil year, lower by 4.78 percent in the corresponding period last oil year.

All India sowing of soybean has reached 107.29 lakh hectares compared to 109.5 lakh hectares as on 2.08.2019. Sowing of soybean is lagging in Maharashtra due to low rainfall while sowing is good in Rajasthan.

- Government of India has hiked MSP of soybean by Rs 311 per qtl to Rs 3710 per qtl from Rs 3,399 per qtl. Cost of cultivation of soybean is calculated at Rs 2,473 per qtl thereby giving a return 50 percent over and above cost of cultivation.
- Imported crude soy oil CIF at West coast port is offered at USD 722 (USD 672) per ton for Aug delivery, Sep delivery is offered at USD 715 (USD 675) per ton and Oct delivery is quoted at USD 704 per ton. Values in brackets are figures of last month. Last month, CNF CDSO July average price was USD 692.44 (USD 693.40 per ton in June 2019) per ton.



- On the parity front, margins increased during the month on rise in prices of soy oil in international markets, and we expect margins to remain firm in coming days. Currently refiners fetch USD 35-40/ton v/s gain of USD 45-50/ton (last month) margin in processing the imported Soybean Oil (Argentina Origin).

**Price Outlook:** We expect refined soy oil (without GST) at Indore to stay in the range of Rs 720-800 per 10 Kg in the near term.

## Palm oil: Domestic Market Fundamentals

- CPO prices witnessed firm tone in the month of July at its benchmark market at Kandla on firm demand.

RBD palmolein prices witnessed sideways tone in month of July on firm supply.

- Crude palm oil prices rose in Kandla in the month of July on firm demand.

Prices of CPO rose less at high seas compared to CNF markets compared to last month indicating firm supply at high seas.

Demand of CPO is firm at CNF markets as prices rose more at CNF compared to FOB markets.

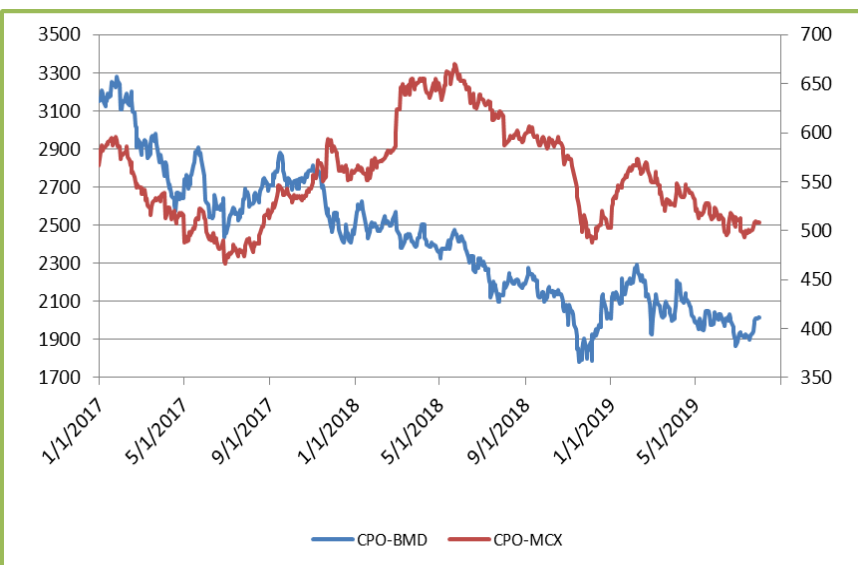
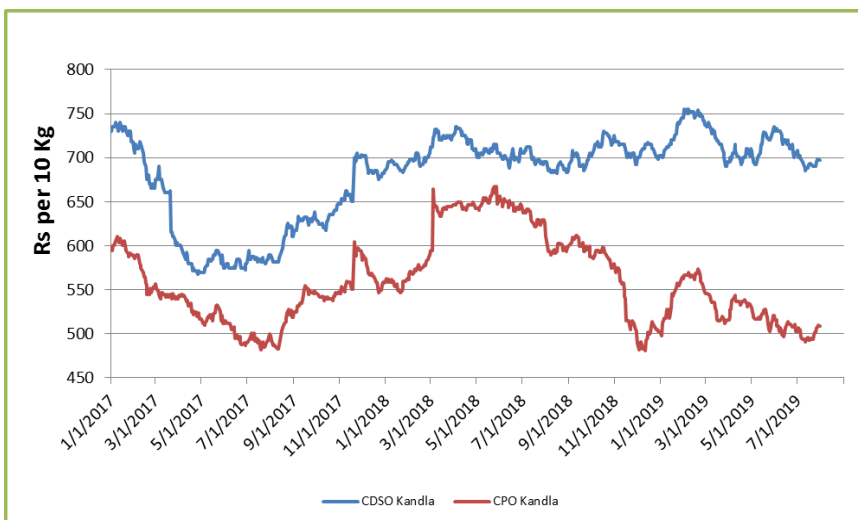
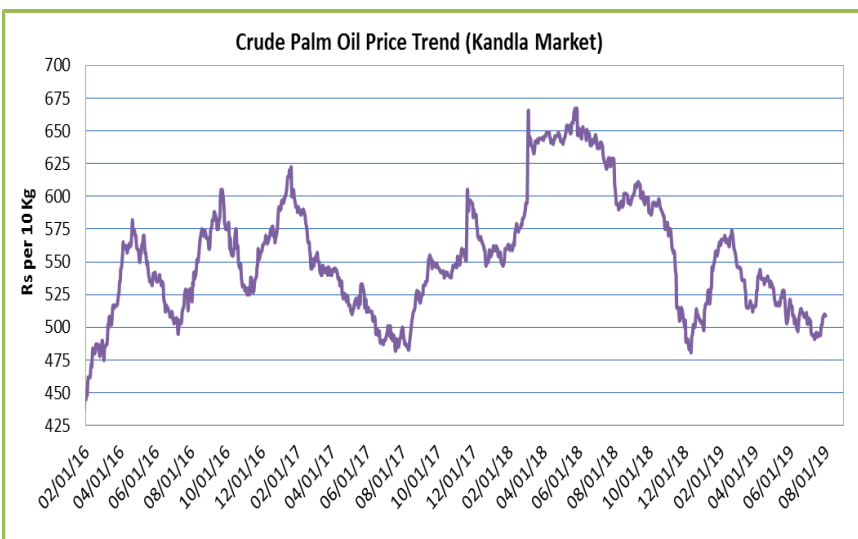
Supply of CPO has is decreasing in Indian markets leading to fall in stocks at ports.

Disparity at ports decreased due to rise in prices of palm oil in Indian markets. Due to disparity in imports prices will not fall much going ahead.

Depreciation of Rupee has made imports costly which will decrease imports in coming months. Depreciation of Rupee will increase import disparity in Aug.

CPO trade is weak and traders are having high stocks and are offering to sell CPO discount to CNF prices to offload the stocks.

In Rupee terms, disparity in fresh imports of CPO has fallen to Rs 1.5-2.0 per kg from Rs 2.0-2.5 per kg last month.



Stocks of CPO at Indian ports fell due to weak imports and destocking at ports.

Data from cargo surveyor SGS shows a firm imports of palm oil by India from Malaysia in July.

RBD palmolein featured sideways tone in its benchmark market on firm supply. Prices of RBD palmolein rose less at high seas compared to CNF markets indicating firm supply at high seas.

Prices of RBD palmolein rose less at CNF markets compared to FOB markets indicating firm supply at CNF markets. Lower import duty on RBD palmolein imports, appreciation of Rupee has improved import demand.

Decrease in import duty of palm oil especially RBD palmolein from Malaysia will increase RBD palmolein imports.

Import parity of ready to use imported palmolein has risen above

CPO. Duty differential between CPO and RBD palmolein has decreased from 11 percent to 5.5 percent. This has made CPO uncompetitive and refining margins of CPO will fall below imported palmolein from Malaysia.

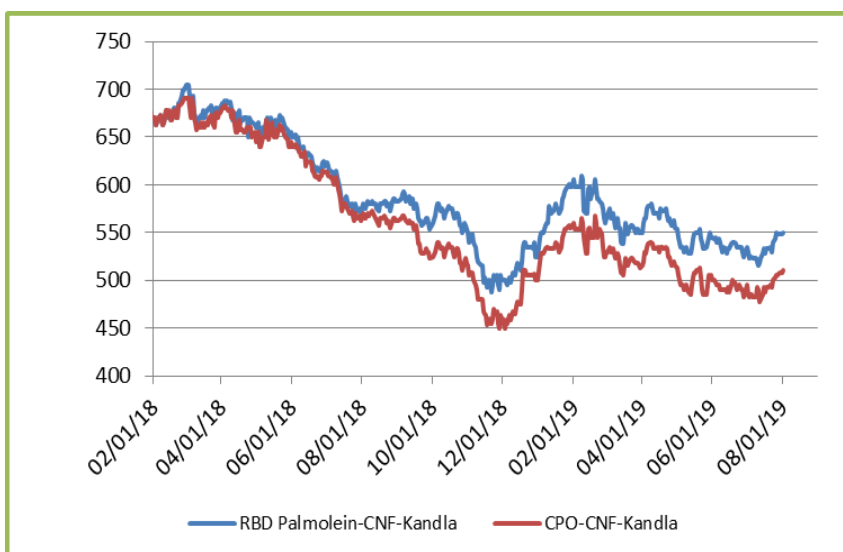
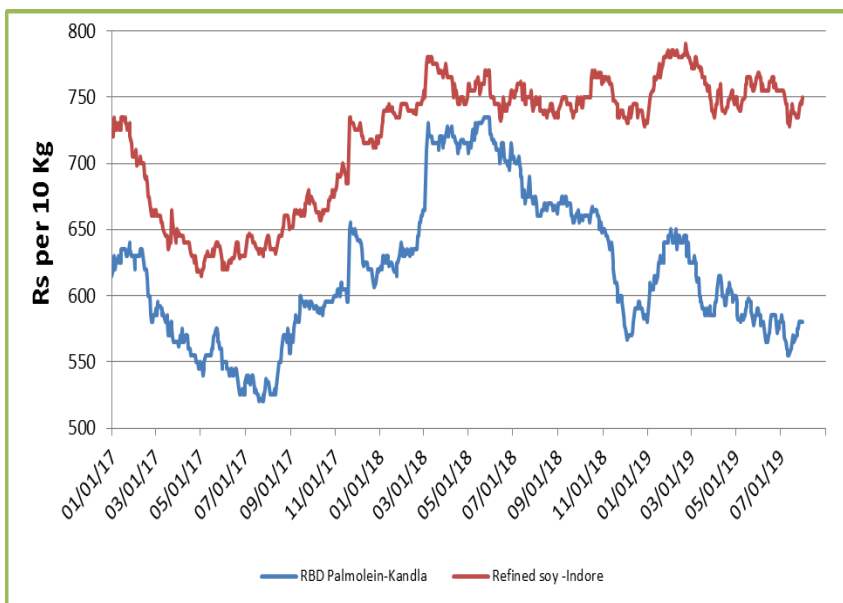
RBD palmolein is offered at \$40-45 premium over CPO compared to \$35-40 premium over CPO at CNF markets last month which will decrease RBD palmolein imports. Higher discount of RBD palmolein over soy oil, sunflower oil and rapeseed oil will improve demand.

Importers are selling cargoes at discount to clear stocks as rise in international prices have decreased losses.

Expectation of rise in stocks of palm oil in Malaysia in coming months due to slow rise in exports of palm oil and rise in palm oil production will underpin RBD palmolein prices.

Superolein and Vanaspati prices saw weak movement of prices in domestic markets.

RBD palmolein premium over CPO decreased to Rs 65 (Rs 77 last month) per 10 kg indicating firm demand of CPO compared to RBD palmolein at high seas.





Import of CPO in June was higher than that of June 2018 while it was lower than May 2019. Stocks at ports fell in June compared to May 2019. Stocks at ports fell more than fall in imports indicating firm domestic supply in June.

Import of RBD palmolein is rose in June compared to June 2018 while it was lower than May 2019. Imports fell more in June compared to May 2019 and stocks fell less at ports indicating firm supply.

Lowering of in import duty on RBD palmolein from Malaysia and lowering of duty differential will lead to lower imports of CPO from Indonesia and higher imports of RBD palmolein from Malaysia. Landed cost of CPO is in disparity and refining margins are in parity. Refining margins in imported CPO is higher than imports of ready to use RBD palmolein.

RBD palmolein is trading at higher premium over CPO at India CNF due to removal of export levy by Indonesia.

Removal of levy on exports of palm products from Indonesia will increase CPO imports compared to RBD palmolein from Malaysia.

High soy oil premium over crude palm oil which is hovering at Rs 225 (Rs 252 last month) per 10 Kg will increase demand of CPO and increase imports.

Previous chart in soy oil section shows that premium of soy oil over palm oil has increased in July at CNF markets. Higher premium of crude sunflower CNF India West coast and CPO CNF at USD 312 (USD 305) per ton will increase CPO prices and RBD palmolein prices in medium term. Higher premium of CSFO-CNF-India West coast over CPO-CNF indicates increase in supply of CPO at CNF markets compared to CSFO-CNF.

Higher CDSO CNF premium over CPO CNF will increase imports of CPO in medium term at USD 212 (USD 192 last month) per 10 kg. Premium of CDSO soy oil high seas over CPO high seas is at Rs 181 (Rs 198 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 160 (Rs 175 last week) per 10 kg is high and will increase RBD palmolein demand in near term. Values in brackets are figures of last week.

- Palm oil import scenario – According to Solvent Extractors Association (SEA), palm oil imports in June rose 40.78 percent y-o-y to 6.87 lakh tons from 4.88 lakh tons in June 2019. Imports in the oil year 2018-19 (November 2018-June 2019) are reported higher by 9.50 percent y-o-y at 60.86 lakh tons compared to 55.58 in corresponding period last oil year.
- Crude Palm oil import scenario- According to Solvent Extractors Association (SEA), CPO Imports rose 38.03 percent y-o-y in June to 4.21 lakh tons from 3.05 lakh tons in June 2019. Imports in oil year 2018-19 (November 2018-June 2019) were reported marginally lower y-o-y at 41.67 lakh tons compared to 41.72 lakh tons in corresponding period last oil year.
- RBD palmolein import scenario- RBD palmolein imports rose y-o-y in June 44.63 percent to 2.56 lakh tons from 1.77 lakh tons in June 2018. Imports in oil year 2018-19 (November 2019-June 2019) were reported higher by 38.86 percent y-o-y at 18.26 lakh tons compared to 13.15 lakh tons in corresponding period last oil year.

- According to United States Department of Agriculture (USDA) July estimate, India's 2019/20 palm oil imports estimate have been reduced to 9.75 MMT from 10.75 MMT in its earlier estimate, lower by 9.3 percent. Palm oil consumption have been lowered to 9.925 MMT from 10.925 MMT in its earlier estimate, lower by 9.15 percent. Further, palm oil import estimate of 2018/19 have been reduced to 9.5 MMT from 10.5 MMT in its earlier estimate, lower by 9.5 percent. Consumption of palm oil have been lowered to 9.6 MMT from 10.6 MMT in its earlier estimate, lower by 9.4 percent.
- Import duty on palm stearin will be taxed at 7.5 percent, according to Finance Minister Nirmala Sitaraman, in her first budget. Palm product with Free Fatty Acid (FFA) at or above 20 percent is subject to import duty. Palm stearin is used in various industrial applications including soaps. India imported palm stearin from Malaysia and Indonesia. Indian industry was asking for long to increase import duty on palm stearin which decreased refining margins of palm oil. This step will help Indian palm oil refiners.
- On the trade front, CNF CPO (Indonesian origin) at Indian port quoted at USD 510 (USD 485) per ton for Aug delivery. Last month, CNF CPO July average price was at USD 492.33 per ton (USD 492.96 per ton in June 2019). Values in brackets are figures of last week.

Moreover, RBD palmolein (Malaysian origin) CNF at Indian port, offered at USD 550 (USD 525) per ton for Aug delivery. Last month, CIF RBD palmolein July average price was USD 531.88 (USD 536.28 in June 2019) per ton. Values in bracket depict last month quotes.

Ready lift CPO duty paid prices quoted at Rs 515 (Rs 502) per 10 Kg and Aug delivery duty paid is offered at Rs 515 (Rs 501) per 10 kg. Ready lift RBD palmolein is quoted at Rs 580 (Rs 580) per 10 kg as on Aug 3, 2019. Values in brackets are figures of last month.

- On the parity front, margins fell during the month of June on lower price of palm oil products in Indian markets and we expect margins to improve in coming days. Currently refiners fetch USD 15-20/ton (July average) v/s gain of USD 10-15/ton (June average) margin in processing the imported CPO but on the imports of ready to use palmolein lose USD 10-15/ton (June average) v/s loss of USD 0-5 (June average).

**Price Outlook:** We expect CPO Kandla 5 percent (without GST) to stay in the range of Rs 480-560 per 10 Kg in the near term.

## Rapeseed oil: Domestic Market Fundamentals

- Rapeseed oil featured firm trend at various markets on firm demand and fall in rapeseed prices. All India arrivals of rapeseed decreased in July.
- Rapeseed oil prices traded higher in the month of July in various markets in India on firm demand and firm rapeseed prices.

Demand rose in the month of July on firm buying.

Prices rose on rise in palm oil and soy oil prices.

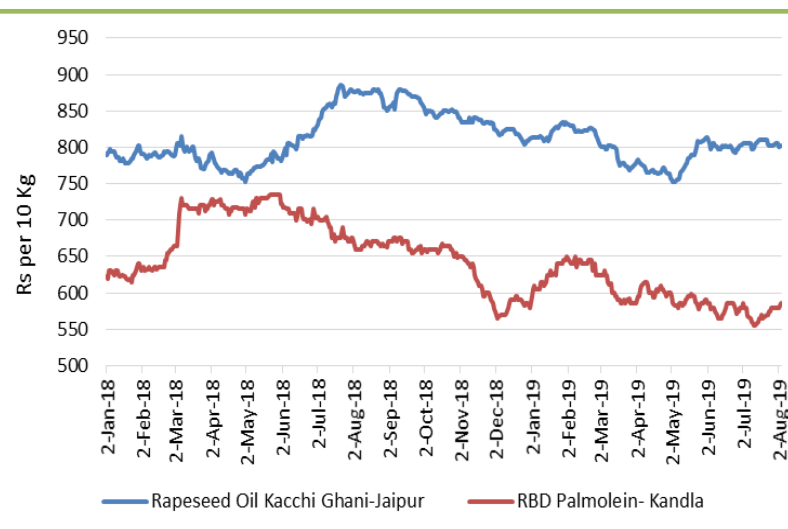
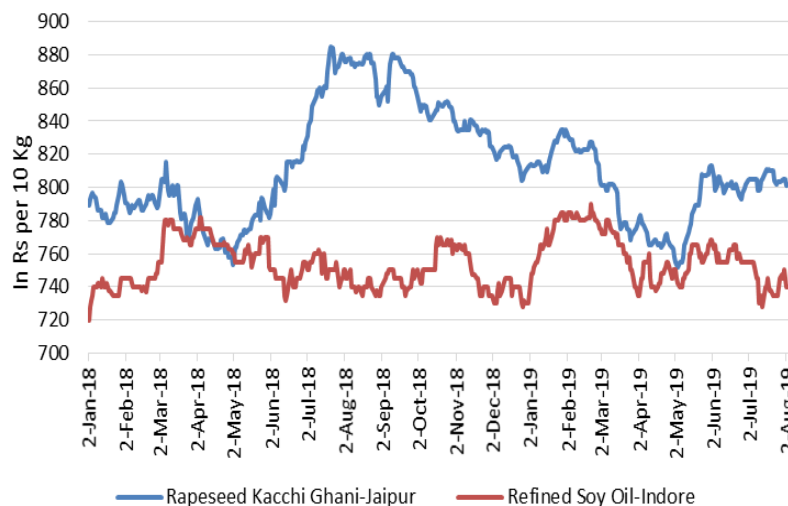
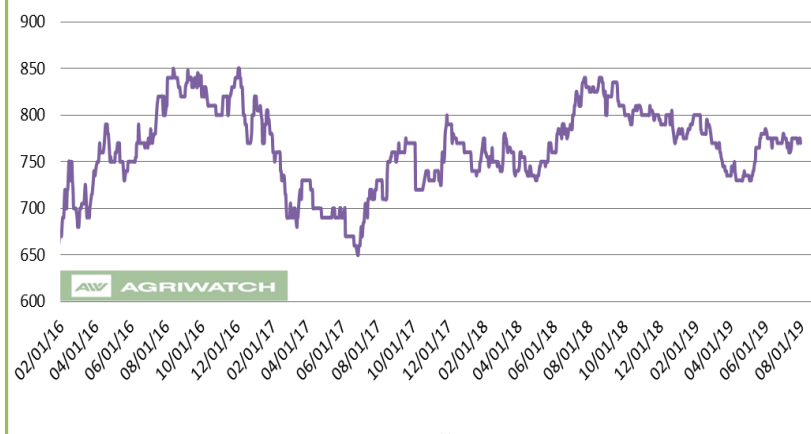
Stocked position is weak against firm demand position.

Rapeseed crop in current marketing year is higher than last year. Agriwatch forecasted rapeseed crop at 7.9 MMT in 2018-19 compared to estimate of 7.1 MMT 2017-18. Rapeseed crop in 2018-19 is higher than 2017-18 on account of higher sowing area in the country and record yields across board in India due to prolonged winter and beneficial rains. Recovery of oil is also at record levels.

Arrivals of rapeseed had peaked in March-April and has fallen in July. It will continue its fall in August.

Fall in prices of rapeseed oil in 2018-19 is due to increased crushing of rapeseed on parity in crushing. Hike in import duty on rapeseed oil has led to higher crush margins. Crushers are taking advantage of crush margins. Higher crush of rapeseed has led to

**Mustard Oil Price Trend (Kota Market)**



higher supply of rapeseed oil.

Prices are lucrative to increase demand.

High discount of RBD palmolein prices to rapeseed kacchi ghani prices could cap rapeseed oil prices.

Low premium of Jaipur kacchi ghani rapeseed oil over refined soy oil in domestic market was at Rs 61 (Rs 60) per 10 Kg, will support rapeseed oil prices in medium term.

Kacchi Ghani and refined soy oil are trading range is low, which will increase demand of rapeseed oil.

Lower premium of expeller rapeseed oil over soy oil in domestic market was at Rs 40 (Rs 30) per 10 Kg, will support rapeseed oil prices in medium term.

Hike in import duty on import of canola oil will support rapeseed oil prices.

High premium of rapeseed expeller oil (Jaipur) over RBD palmolein (Kandla) at Rs 221 (Rs 225) per 10 kg will underpin rapeseed oil prices.

Crushing has increased as supply of rapeseed in the market increased. NAFED has procured 10.79 lakh tons in Rabi 2018-19. Stock with NCDEX is 0.50 lakh tons.

NAFED has started sale of mustard procured in MY 2019-20 from 26.07.2019 and it is expected that it will try to dispose all the stocks of mustard by Feb 2020.

Prices of rapeseed oil will remain under pressure owing to high stocks of rapeseed in domestic market.

Prices of rapeseed oil are expected to trade sideways to firm on firm demand.

- According to United States Department of Agriculture (USDA) July estimate, India's 2019/20 rapeseed oil import estimates have revised lower to 2.0 lakh tons from 2.75 lakh tons in its earlier estimate, lower by 27 percent. Domestic consumption have been lowered to 27.80 lakh tons from 28.55 lakh tons in its earlier estimate, lower by 2.63 percent. End stocks have been lowered to 1.69 lakh tons from 2.19 lakh tons in its earlier estimate, lower by 22.80 percent. Further, India's 2018/19 rapeseed oil import estimates have revised lower to 1.5 lakh tons from 2.5 lakh tons in its earlier estimate, lower by 40.0 percent. Domestic consumption have been lowered to 27.30 lakh tons from 27.80 lakh tons in its earlier estimate, lower by 1.8 percent. End stocks have been raised to 1.68 lakh tons from 1.18 lakh tons in its earlier estimate, lower by 29.80 percent.
- Rapeseed oil import scenario- India imported 0.0 lakh tons of rapeseed (Canola) oil in June 2019 v/s 0.11 lakh tons in June 2018. In the oil year 2018-19 (Nov 2019-June 2019) imports were 0.44 lakh tons compared to 1.92 lakh tons in last oil year, lower by 77.00 percent y-o-y.
- Currently, RM oil at Jaipur market (expeller) is offered at Rs 780 (Rs 770) per 10 Kg and at Kota market is quoted around Rs 777 (Rs 770) per 10 kg as on Aug 3, 2019. 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 750-850 per 10 Kg.

### Sunflower oil: Domestic Market Fundamentals

- Sunflower oil featured firm trend at its benchmark market in Chennai during the month of July on firm demand
- Sunflower oil prices closed higher in month of July at its benchmark market of Chennai on firm demand.

Sunflower oil prices rose more at high seas compared to CNF indicating firm demand at high seas.

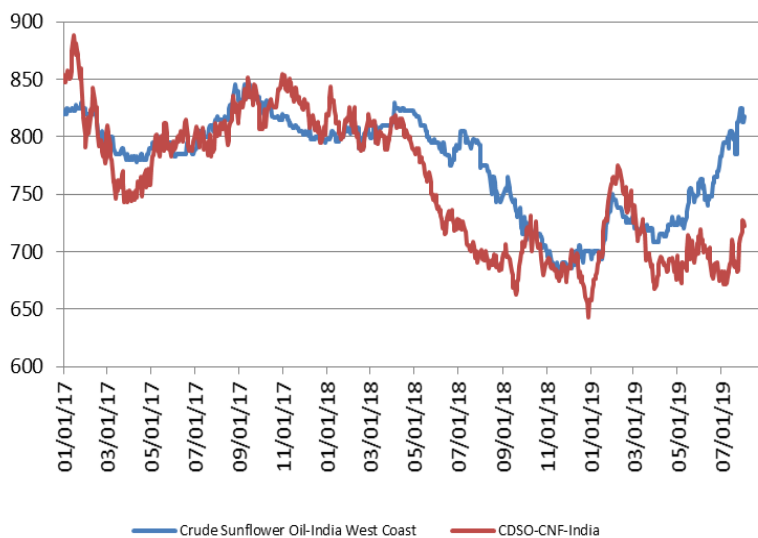
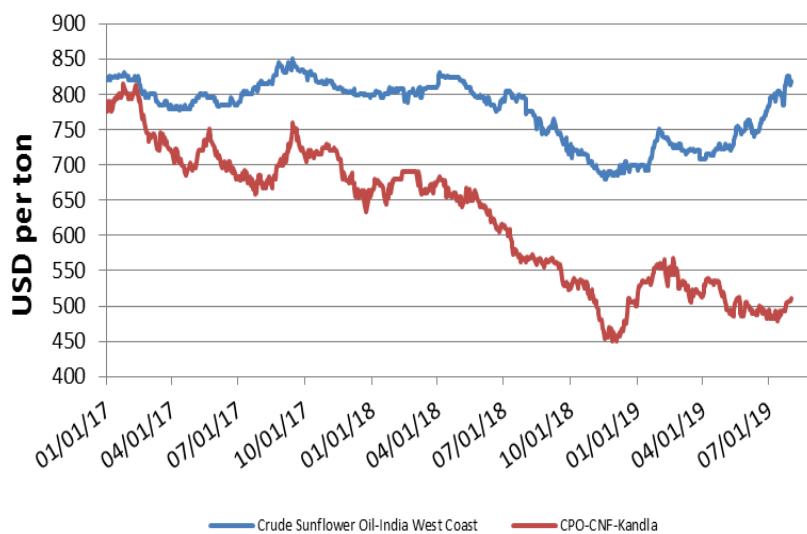
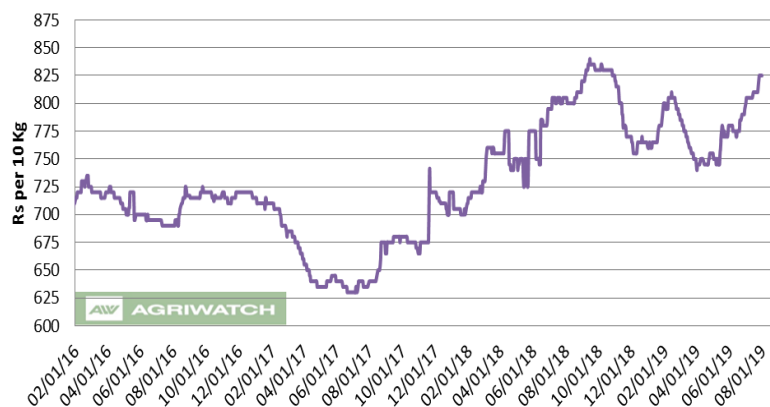
Due to hike in import duty on sunflower oil will stop surging imports in oil year 2018-19 which will decrease carryout of sunflower oil in oil year 2018-19.

Prices of sunflower oil at CNF markets are rising due to disruption due to weather in Ukraine and firm demand from top importing destinations. Firm export demand of sunflower oil globally has supported sunflower oil CNF prices. However, due to surplus stock of sunflower in Ukraine will cap rise in sunflower oil prices at CNF markets in August.

There is parity in imports of sunflower oil and refining margins are in disparity.

Depreciation of Rupee in August month will decrease imports of sunflower oil in coming months.

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



Imports of sunflower oil increased in June compared to May 2019 after fall for 2 months with imports touching 1.6 lakh tons. Stocks at ports rose due to weak demand. Lower supply of sunflower oil in domestic market due to lower imports will support prices of sunflower oil.

Premium of CSFO over CPO at CNF markets is high and will decrease import demand of sunflower oil.

Rise in premium of CSFO over CDSO in CNF markets will cap gains prices in medium term. Imports are expected to be lower in July as crude sunflower oil CNF premium over CDSO CNF is high. Imports of sunflower have fallen due to rise in prices of sunflower oil at CNF markets. Third chart from above shows crude sunflower oil premium over CDSO is has increased in July will weaken imports.

Fourth chart from above shows that

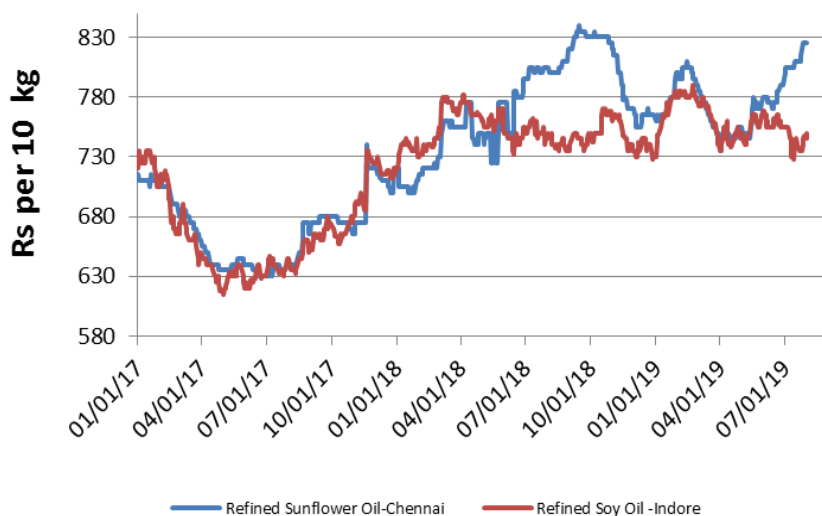
sunflower oil prices are highly correlated to soy oil prices in domestic market. However, there is diversion in prices of sunflower oil and soy oil in domestic market. Fifth chart from above shows that sunflower oil premium over RBD palmolein has increased from mid 2018.

Refiners and stockists have stopped stocking as sunflower oil premium over soy oil is increased to USD 100 (USD 118 last month) per ton.

In domestic market sunflower oil premium over soy oil is at Rs 95 (Rs 50) per 10 kg.

Refined sunflower oil premium over RBD palmolein has increased to Rs 255 (Rs 230 last month) per 10 kg is high. Higher premium of sunflower oil over RBD palmolein will cap sunflower oil prices.

Premium of CSFO over RBD palmolein is at USD 272.5 (USD 265) per ton at CNF markets. Premium of sunflower oil over RBD palmolein has risen indicating that incentive of importing sunflower oil and selling in domestic market has decreased.





In domestic market, rising groundnut oil premium over sunflower oil at Chennai market is at Rs 205 (Rs 225 last week) per 10 kg will support sunflower oil prices.

In domestic market, prices is expected to rise in medium term due to firm demand. However, prices of sunflower oil will be capped due to high premium over RBD palmolein.

Refiners have decreased purchase of crude sunflower oil from international markets as CNF sunflower oil premium over CNF soybean oil and palm oil has risen.

Sunflower oil prices are expected to rise on seasonal uptrend of prices in medium term.

Prices are expected to rise on firm demand. Prices of sunflower oil are expected to remain in a range with upward bias in August.

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

- Sunflower oil imports scenario- According to Solvent Extractors Association (SEA), Sunflower oil imports fell 26.70 percent y-o-y in June to 1.62 lakh tons from 2.21 lakh tons in June 2018. Imports in oil year 2018-19 (November 2018-June 2019) were reported lower by 12.67 percent y-o-y at 16.34 lakh tons compared to 18.71 lakh tons in corresponding period last oil year.
- According to United States Department of Agriculture (USDA) July estimate, India's 2019/20 sunflower oil import estimate have been raised to 26.5 lakh tons from 24.5 lakh tons in its earlier estimate, higher by 8.16 percent. Sunflower oil consumption has been raised to 27.5 lakh tons from 25 lakh tons in its earlier estimate, higher by 10 percent. Further, India's 2018/19 sunflower oil import estimate have been raised to 26 lakh tons from 24 lakh tons in its earlier estimate, higher by 8.33 percent. Sunflower oil consumption has been raised to 28.5 lakh tons from 26 lakh tons in its earlier estimate, higher by 9.62 percent.
- All India progressive sowing of sunflower oil has reached 0.68 lakh hectares as on 2.08.2019 compared to 0.76 lakh hectares in corresponding period last year. Sowing is slow in state of Karnataka on account of lower rains.
- Government of India (GOI) has hike MSP of sunflower seed by Rs 262 per qtl to Rs 5,650 per qtl from Rs 5,388 per qtl. Cost of cultivation of sunflower seed is calculated at Rs 3,767 per qtl thereby giving farmers return of 50 percent over and above its cost of cultivation.
- On the trade front, CIF sunflower oil prices (Ukraine origin) at West coast of India quoted at USD 822.5 (USD 790) per ton for Aug delivery, Sep delivery is quoted at USD 800 (USD 785) per ton and OND delivery is quoted at USD 780 (USD 750) per ton. CNF sun oil (Ukraine origin) July monthly average was at USD 802.48 per ton compared to USD 758.28 per ton in June. Values in brackets are figures of last week.
- Prices are likely to stay in the range of USD 78-850 per ton in the near term. CNF Sunflower oil premium over CDSO is hovering at USD 100 (USD 118 last week) per ton for Aug delivery. CNF sunflower oil premium over RBD palmolein is hovering around USD 272.5 (USD 260) per ton.



- Currently, refined sunflower oil at Chennai market is offered at Rs 835 (Rs 810) per 10 Kg, and at Kandla/Mudra market, it is offered at Rs 825 (Rs 785) per 10 kg as on Aug 3, 2019. 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 800-860 per 10 Kg.



### Groundnut oil: Domestic Market Fundamentals

- Groundnut oil featured weak trend during the month in review on weak supply, weak demand and fall in prices of groundnut.
- Groundnut oil prices rose in July on weak demand and fall in prices of groundnut.

Demand weakened due to weak demand concerns.

Due to volatility in prices of groundnut oil retail demand have weakened.

Demand of groundnut oil decreased due rise in prices.

Groundnut price fell in the month leading to fall in groundnut oil prices. Fall in raw material prices led to lower product prices.

Groundnut prices have fallen due to rains in Gujarat and higher sale of groundnut by NAFED.

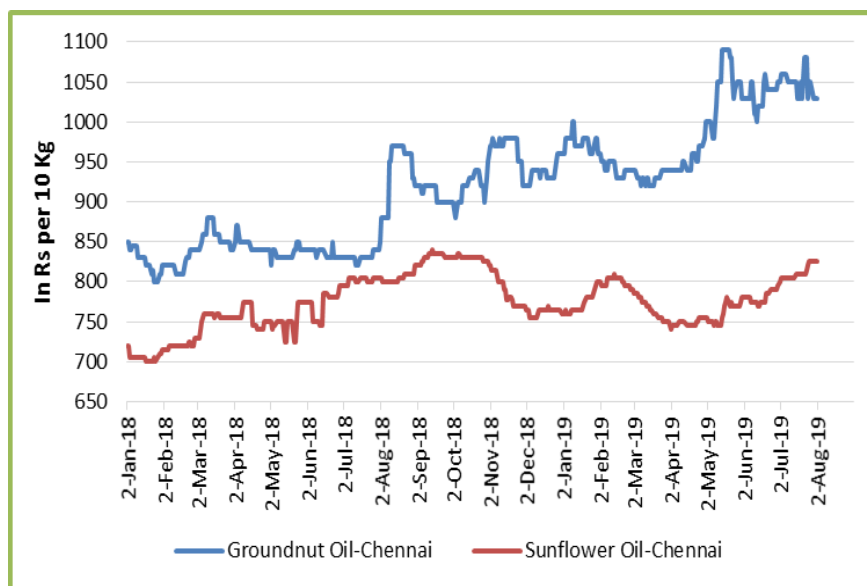
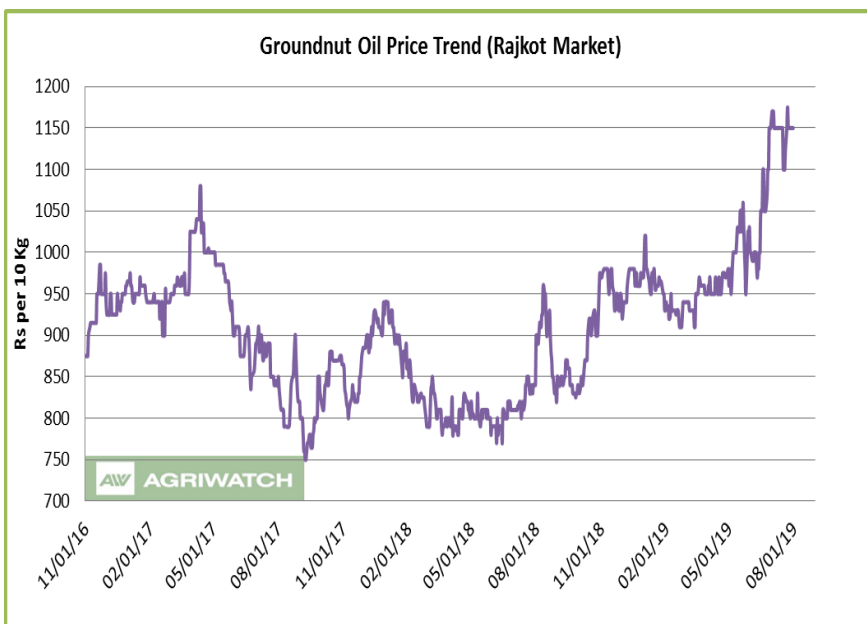
Sale of groundnut by NAFED has improved since last two weeks due to lower prices quoted by NAFED in auctions. This has increased supply of groundnut in the market.

NAFED is aggressively selling Kharif 2018 and Kharif 2017 groundnut crop. At present quality of groundnut of Kharif 2018 is good for crushing.

NAFED has started sale of current season crop from 15th February. Total progressive sale of Kharif 2018 is 4.06 lakh tons and balance quantity after 3.12 lakh tons. 2017 Kharif crop stocks with NAFED is 0.28 lakh tons and total progressive sale has been 10.17 lakh tons so far.

Stocks with farmers and private traders were about 0.3 lakh tons.

So total progressive sale by NAFED in 2018 and 2019 crop is 14.23 lakh tons.



So, total stock in NAFED is 3.40 lakh tons apart from lower stocks with trade and farmers. Given the pace of sale of groundnut and disappearance there is strong possibility that NAFED will be able to dispose most of the stocks by the end of marketing season 2018-19. Falling stocks are weighing on prices of groundnut.

NAFED is planning to continue aggressive sale groundnut in open market.

Higher groundnut prices had supported NAFED aggressive sale. With this sale season end carry out stocks will be much less than last year carryout.

Demand of groundnut oil will decrease between Rs 1100-1200 per 10 kg levels.

There is disparity in premium quality of groundnut oil while there is parity in medium quality and most of the trade is in medium quality. Groundnut oil is going out of Gujarat at Rs 950-970 per 10 kg.

There is disparity in crushing which will decrease supply of groundnut oil and support prices.

However, there is parity in crush of Kharif 2017 groundnut crop.

Crushing has started due to rise supply of groundnut despite weak demand of groundnut oil.

Exports of groundnut and groundnut oil are have slowed due to rise in prices in domestic markets denting exports which leads to diversion of groundnut towards crushing underpinning prices.

Further, if prices of groundnut stays high and with hike in MSP of groundnut by Rs 200 per qtl to 5,090 per qtl will help farmers to plant more groundnut in Kharif 2019.

Crushers have low stocks and are active in ready markets. Both groundnut oil and groundnut trade has weekend and groundnut is not arriving in in mandis.

Groundnut oil prices will fall on reduced offtake from stockists and traders.

Current prices of groundnut oil will undermine buying by stockists and traders.

Premium of groundnut oil over sunflower is high in Chennai indicating lower capacity for prices of groundnut to rise.

Production of groundnut fell in 2018 substantially due dry condition for groundnut.

In Andhra Pradesh and Tamil Nadu prices of groundnut has fallen as demand season of groundnut oil is over. Demand stays high in Andhra Pradesh and Tamil Nadu from May-July when pickle and chatni and other value added products lead to high groundnut and groundnut oil demand. Stock position of groundnut oil is firm in the market. There is parity in crush of groundnut in south India. Groundnut arrivals have weakened and will fall in August.

Prices are expected to trade weak on weak demand in cash markets.

Prices are expected to trade sideways to weak.

- All India progressive sowing of groundnut as on 2.08.2019 has reached 30.22 lakh hectares compared to 33.53 lakh hectares in corresponding period last year. Sowing is progressing in Gujarat and Rajasthan at normal pace. However, sowing is lagging in Andhra Pradesh and Karnataka due to dry conditions.



- Government of India hiked MSP of groundnut for Kharif 2019 to Rs 5,090 per Qtl from Rs 4,890 per Qtl, rise of Rs 200 from last year. Cost of cultivation of groundnut is quoted at 3,394 per Qtl thereby giving farmers return of 50 percent over and above cost of cultivation of farmers.
- On the price front, currently the groundnut oil prices in Rajkot is hovering near Rs 11,500 (11,700) per quintal and quoting at Rs 10,300 (Rs 10,600) per quintal in Chennai market.
- Groundnut oil prices are likely to trade with a sideways to weak tone in the coming days.

**Price Outlook:** We expect Groundnut oil (Rajkot) to trade in the price band of Rs 1050-1250 per 10 Kg.

## Coconut oil: Domestic Market Fundamentals

- Coconut oil featured firm trend at its benchmark market in Kangeyam on firm demand.
- Prices of coconut oil traded higher in the month of July on firm demand.

Copra prices remained firm during the month. Firm raw material prices led to firm prices of end product.

Copra prices traded higher due to weak supply of copra due to coconut harvesting on monsoon and difficulty in drying of copra due to monsoon.

Prices of coconut oil rose on rise in palm oil prices.

Retail demand will improve due to fall in prices of coconut oil.

In addition, demand will firm up in August ahead of Onam in Kerala in September. Government is procuring coconut to support falling prices which will support prices in coming days. Tamil Nadu government has planned 30 thousand tons of copra procurement in coming days

Reduction in palmolein import duty adversely affected coconut oil consumption due to cheaper availability. However, coconut consumers generally do not shift out of its consumption irrespective of prices. Demand rose at demand at lower levels.

Due to fall in coconut oil prices in 2019, demand will rise at current levels.

Coconut demand has risen due to stability in prices which led to renewed consumption.

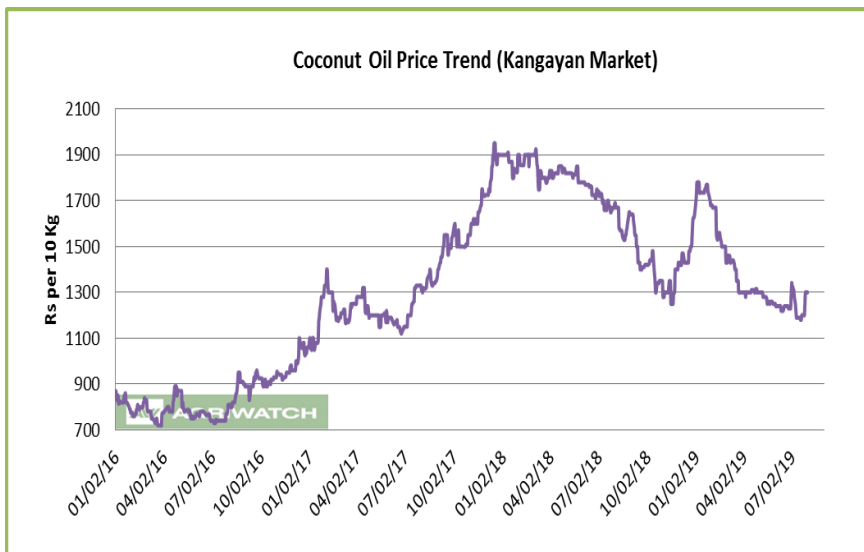
Household consumption has will rise in Kerala in 2019 after weak demand in first two quarters of 2019.

Coconut supplies have decreased will lead to lower supply of copra which will decrease in production of coconut oil which will support prices of coconut oil.

Of the total production of 6 lakh tons of coconut oil, corporate consumes around 2.5 lakh tons whose demand is weak.

Demand of domestic coconut oil is less due to higher imports of copra under advance authorization license where imports of copra are made from Indonesia and Philippines and coconut oil is exported. So, domestic coconut oil exports are negligible.

Also, coconut oil cake is imported from Indonesia which is having 10-12 percent oil content compared to 6 percent oil content in India coconut oil cake. The oil from imported oilcake is refined, bleached and deodorized



and mixed into edible coconut oil despite it being non edible which makes prices of local coconut oil uncompetitive.

There has been surge in imports of desiccated coconut (DC) from Sri Lanka, which has adversely affected demand of coconut as it is used in various industrial applications and feed industry, prompting higher supply of coconut towards crushing, thereby increasing supply of coconut oil.

Adulteration of coconut oil is rampant in Kerala and the prices at which adulterated coconut oil sold is less than sales prices of coconut oil. However, FSSAI has banned various brands of coconut oil to control rampant adulteration.

There are more than 250 brands in market and competition is high which leads to rampant adulteration.

Coconut oil consumers are loyal consumers and do not shift to other oils on higher prices but demand rise at lower levels. However, palm oil is cheap alternative in South India.

Rains in 2017 and 2018 has led to higher coconut production.

Fall than prices of coconut oil in 2019 due to rise in production of coconut oil will lead to fresh demand.

Export demand of coconut oil will rise due to fall in prices of coconut oil which has made coconut oil dearer in international markets. Bulk exports of coconut oil will strengthen.

Millers have low stock of coconut oil. They are not confident of prices and are active in ready markets.

Traders and upcountry buyers are not stocking as they are not confident of coconut oil prices.

Lower price and low volatile prices of coconut oil for a long period will increase demand in medium to long term.

Prices are expected to be rise in August on renewed retail demand, improved demand from corporates and seasonal uptrend of prices. Prices are expected to trade sideways to higher in medium term.

- On the price front, currently the coconut oil prices in Kochi is hovering near Rs 13,900 (13,900) per quintal, and quoting Rs 12,700 (12,300) per quintal in Erode market on Aug 3, 2019.
- Coconut oil prices may trade sideways to firm tone tracking firm demand in ready markets.

**Price Outlook:** We expect coconut oil (Erode) to trade in the price band of Rs 1100-1400 per 10 Kg.

## International Soy oil Market Fundamentals

- Soy oil prices are expected to be underpinned US-China trade dispute, improved weather of soybean in US and weak demand from China and firm US dollar.

However, lower than expected soybean area in US, lower stocks of soy oil in US and rise in crude oil prices will support soy oil prices.

Trade talks between US and China collapsed last week and it ended much before schedule as both sides failed to agree on thorny issues. US imposed 10 percent import duty on USD 300 billion worth of Chinese goods over and above 25 percent import duty on USD 250 billion worth Chinese goods imports. This came after trade talks collapsed. Fresh round of trade talks are expected in Sep. China has stated that it will retaliate with import duties on imports if US goods like soybean. This comes at a time when US is sitting on record stocks of soybean. This will underpin soy oil prices in coming days.

Soybean crop area in US is much below expectation at 80.0 million acres compared to previous estimate of 84.6 million acres in March estimate, reported USDA in its quarterly planting report. Wet and cold spring in US slowed planting and stopped farmers from planting additional acres. Weather have been bad for most of June. However, weather improved after June assisting soybean crop. Yields of soybean will rise and USDA will increase soybean yield estimate in its August report. Crop condition of soybean is weakest in last 10 years with condition much below last year and 5-year average. Good to excellent percentage of soybean is much below past year and 5-year average. This will decrease soybean crop in US than previously expected.

Soy oil stocks fell in US in June as reported by NOPA on lower crush of soybean and higher domestic disappearance of soy oil on higher use in biodiesel and higher food, feed and industrial use. Stocks of soy oil falls seasonally, but the fall was larger than trade estimates. Lower stocks of soy oil will support its prices.

All the above factors has led to rise in soybean complex prices especially soy oil prices.

Soybean crop in Argentina was higher than expected due to higher yields in soybean belts. Further, soybean exports is expected higher due to be higher Chinese demand. China has sent team to visit soybean crushers Argentina, in a step to source soy meal from the country in a step to diversify from US soybean. However, market is skeptical about Chinese action as its record is weak. However, China is importing soybean from Argentina.

Soy oil exports from Argentina are expected to accelerate due to firm demand from importing destinations and lower soybean crop in US, which will cut soy oil supplies in US. This has led to rise in basis over CBOT soy oil due to firm demand from the country.

This has led to rise in basis below CBOT soy oil and lead to rise in FOB soy oil prices at Argentina.

Soybean exports from Argentina is expected to rise in 2019 to 13-14 MMT, especially to China on strong demand from the country. Argentina's crushers operate at 50 percent of capacity, which leads to higher disposable soybean.

Soybean crop in Brazil is much higher than previous estimate due to higher yields due to improvement of weather conditions in soybean growing areas as harvesting approached. USDA kept increased soybean crop estimate of Brazil to 117 MMT.

Many other agencies including CONAB and AgRural has increased soybean production of Brazil but has cut soybean exports from Brazil due to outbreak of swine flu in China which has led to mass slaughtering of swine and lead to major slowdown of demand of Brazil and US soybean. This has aggravated soybean stocks position in the globe. However, Brazil is looking for higher meat and poultry exports to China to make for loss of soybean exports due to swine slaughtering in China. This will increase soybean use in Brazil. Argentina too is looking for higher meat exports to China.

Higher crop in Brazil and Argentina has led to surge in supply of soybean in international markets thereby lead to loosening of tight condition in both countries and will give China additional tool in US-China trade talks.

China is purchasing higher amount of soybean from Brazil in June as supply from the country increased while imports from US was weak compared to corresponding period last year.

China purchased lower soybean in June m-o-m. China brought less soybean in June from both Brazil and US. Despite rising supply of soybean from Brazil exports were lower.

Weak demand of soybean from China due to outbreak of swine flu in the country. This has led to mass slaughtering of swine to control disease. Swine herd in China has decreased by 35 percent due to swine flu. This has led to weak demand of soybean from China. However, China will try to increase herd count of swine once the disease is controlled. This will lead to surge in imports of soybean by China in 2019/20. However, in a surprise step China is liquidating soybean state reserves. . China has imported lesser amount of soybean in June.

Lower imports of soybean has led to increased edible vegetable oils imports to keep its oil market in check. However, China must import more soybeans to control soy meal prices in the country, which is reeling due to outbreak of swine flu and negative crush margins.

USDA reduced 2018/19 China's soybean import estimate to 87 MMT in an effort by Beijing to move away from US soybean imports.

China imported 88 MMT of soybean in 2018, according to CNGOIC, much lower than 95 MMT in 2017.

Competitive oils like BMD palm oil and DALIAN RBD palmolein is expected to trade weak due to firm supply prospects, which will underpin soy oil prices.

Soy oil prices have fallen in 2019 due to firm supply of soybean in global markets are expected to reignite demand and support prices.

Dollar Index is expected to weaken on expected of changed of interest rate policy by US FED in 2019 due to slowdown of US economy will support soy oil prices in near term.

Global crude oil prices have is expected to rise due to OPEC plan to cut crude oil production and US sanctions in Iran and Venezuela.

- The newly planted US soybean is blooming at 57%, which is down from 85% during the corresponding period last year and also down from 5-year average of 79%. About 21% soybean is setting pods which is down from 58% in corresponding period last year and 5-year average of 45%. Good to excellent condition at 54% compared to 70% in corresponding period last year reported in the US crop progress report dated 28 July 2019 by United States Department of Agriculture (USDA).
- According to National Oilseed Processors Association (NOPA), U.S. June soybean crush fell by 3.85 percent to 148.843 million bushels from 154.796 million bushels in May 2019. Crush of soybean in June was lower by 6.52 percent compared to June 2018 figure of 159.228 million bushels. Soy oil stocks in U.S. at the end of June fell 2.91 percent to 1.535 billion lbs compared to 1.581 billion lbs in end May 2019. Stocks of soy oil in end June was lower by 13.08 percent compared to end June 2018, which was reported at 1.766 million lbs. Soybean oil stocks was above trade expectation.
- According to United States Department of Agriculture (USDA) July estimate, U.S 2019/20 ending stocks of soy oil estimate has been kept unchanged at 1,535 million lbs from its earlier estimate. Opening stocks are decreased to 1,875 million lbs from 1,950 million bushels in its earlier estimate. Production of soy oil in 2019/20 is kept unchanged at 24,535 million lbs. Imports in 2019/20 are kept unchanged at 450 million lbs. Biodiesel use in 2019/20 is kept unchanged at 8,700 million bushels. Food, feed and other industrial use in 2019/20 is kept unchanged at 14,900 million lbs. Exports in 2019/20 are lowered to 1,725 million lbs from 1,800 million lbs in its earlier estimate. Average price range estimate of 2019/20 is kept unchanged at 29.50 cents/lbs.
- The monthly supply and demand report of U.S. Department of Agriculture, for the month of July forecasts U.S. 2019/20 soybean stocks at 795 million bushels, down from 1,045 million bushels in its earlier estimate. Opening stocks in 2019/20 is decreased to 1,050 million bushels from 1,070 million bushels in its earlier estimate. Soybean production estimate is lowered to 3,485 million bushels from 4,150 million bushels in its earlier estimate. U.S. soybean exports estimate are lowered to 1,875 million bushels from 1,950 million bushels in its earlier estimate. Imports estimate is unchanged 20 million bushels. Crush in 2019/20 is estimated at 2,115 million bushels, unchanged from its earlier estimate. Seed use in 2019/20 has been kept unchanged at 96 million bushels. Residual use is kept unchanged at 34 million bushels. Average price range in 2019/20 is increased to 8.40 cents/bushel compared to 8.25 cents/bushel from its earlier estimate.
- According to China's General Administration of Customs (CNGOIC), China's June edible vegetable oils imports rose 13.7 percent m-o-m to 8.05 LT from 7.08 LT in May 2019. Imports rose 52.2 percent y-o-y from 5.29 LT in June 2018. Year to date imports of edible vegetable oil rose 44.1 percent to 39.94 lakh tons.
- USDA WASDE highlights: The 2019/20 season-average price for soybeans is forecast at \$8.40 per bushel, up 15 cents from last month. The soybean meal prices are forecast at \$300 per short ton, up 5 dollars. The soybean oil price forecast is unchanged at 29.5 cents per pound.

**Price Outlook:** We expect Ref. soy oil with VAT to trade in the price band of Rs 740-800 per 10 Kg.



## International Palm oil Market Fundamentals

- Palm oil prices are likely to rise due to expectation of slow rise in end stocks of palm oil in Malaysia in July, slow rise in exports of palm oil from Malaysia, rise in production of palm oil in Malaysia in July, depreciation of Ringgit.

Further higher than expected palm oil production in Indonesia is expected to underpin palm oil prices. US-China trade dispute will improve exports of palm oil from Malaysia and Indonesia to China.

Moreover, rise in biodiesel production in Indonesia and Malaysia in 2019 and rise in crude oil prices is likely to support palm oil prices.

Palm oil end stocks is expected to

rise in July from around 2.4 MMT due to slow rise in exports of palm oil from Malaysia in July and rise in production of palm oil in coming months.

Exports fell rose 5 percent in July on firm demand from India and EU.

Imports from India increased in July due to firm demand due to fall in prices of palm oil, parity in imports and refining parity, expectation of lower oilseeds crop in the country. Import parity has also improved in July and imported ready to use palmolein demand is more than domestic refined RBD palmolein.

Bargain buying is expected in July. Lowering of import duty on imports of RBD palmolein and preferential treatment given to Malaysia compared to imports from other destination will supported imports. Low import disparity and positive refining margins will increase palm oil imports by India.

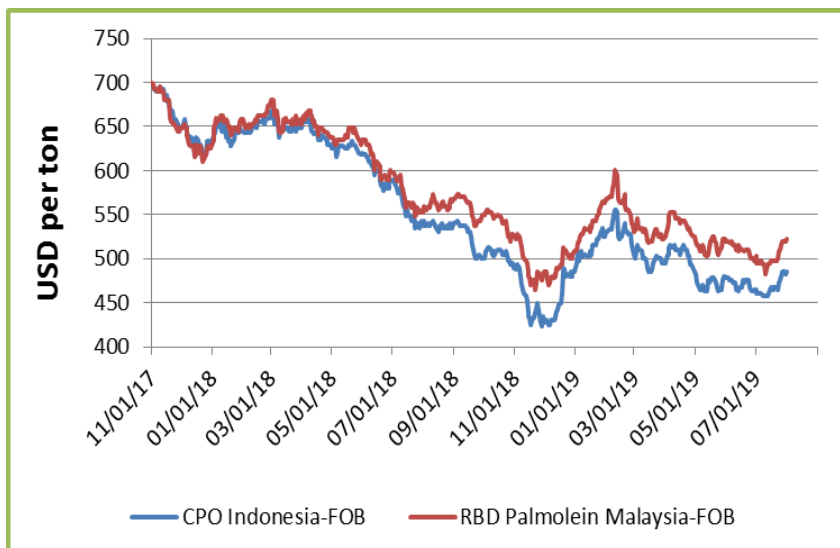
China is expected to purchase more palm oil from Malaysia due to lower imports of soybean which has led to lower crush of soybean and lower supply of soy oil leading to higher imports of palm oil. Outbreak of swine flu in China has led to weak demand of soybean leading to lower demand of soybean. Further, China is diversifying from soybean to other sources of protein may lead to higher imports of palm oil.

Trade dispute between US-China may support imports of palm oil as China will import less soybean thereby supporting import demand of palm oil.

Production of palm oil is expected to show rise in Malaysia in July due to seasonal uptrend of production. Production will pickup from July as labor returned after the Ramadan break.

Reduction of palm oil import duty by India by favoring RBD palmolein imports from Malaysia will support palm oil prices.

India will cut consignments from Indonesia as Malaysian RBD palmolein will attract Indian buyers.



Palm oil end stocks fell in Indonesia in May due to slow rise in production of palm oil in the country and rise in exports of palm oil. End stocks of palm oil fell below 3 MMT. Removal of export levy has led to clearing of palm oil stocks in the country and will palm oil prices in medium term. Stocks will fall in June as production will be slow in July due to switch between peak production cycle and exports will rise.

Indonesia imposed 5 percent import duty on sugar imports from India as Indonesia requested India to reduce import duty on palm oil to bring it in lines with import duty on palm oil on Malaysia by India in exchange of higher sugar imports from in India by Indonesia.

Production of palm oil is expected to rise 10 percent in Indonesia in 2019 on higher produce from maturing plantations, according to GAPKI.

Depreciation of Ringgit is expected to support palm oil prices. Ringgit has depreciated below 4.15/USD. This will make exports of palm oil competitive compared to other oil and same oils with different destinations.

Production of palm oil will rise in Malaysia in 2019 and exports will rise in 2019 compared to 2018. Higher plant cycle and increasing use of fertilizer due to rise in prices of palm oil will support production.

Increasing use of biodiesel in Indonesia will reduce palm oil stocks in the country. The country has mandated 20 percent bio content in any type of gasoline use in the country. Also, Indonesia is working on B30 standards which will increase bio component in gasoline to 30 percent to reduce imports of crude oil.

Malaysia has unveiled plans to double biodiesel production in the country in an effort to clear stocks of palm oil in the country.

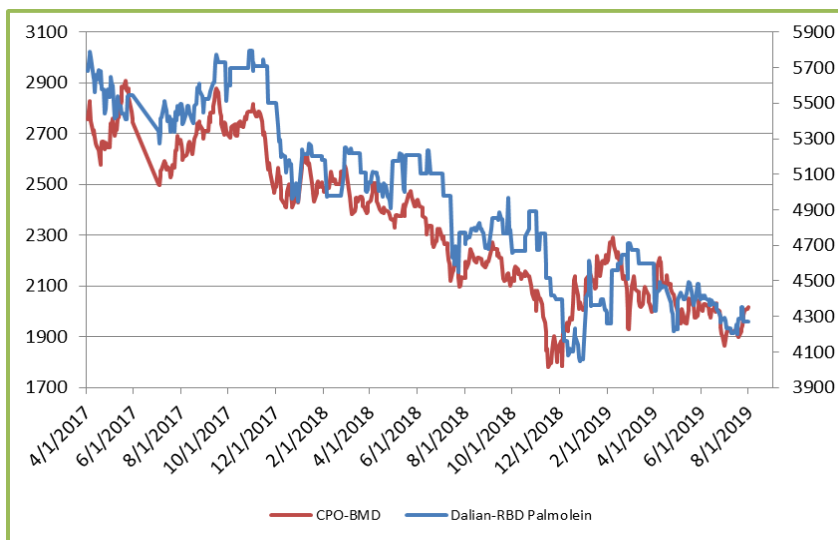
RBD Palmolein Malaysia premium has increased over Indonesia CPO

due to firm demand. Export demand will fall from Malaysia due to rising premium of Malaysian palmolein.

Indonesia removed export levy on exports of palm products from the country due to fall in prices of palm oil and record stocks of palm oil in the country. Plantations were bleeding due to fall in prices of palm oil and Indonesia intends to clear extra stocks of palm oil due to record production of palm oil.

CBOT soy oil is expected to be underpinned by fall in soybean complex prices due rising global soybean supply situation amid US-China trade dispute.

Malaysia kept palm oil export duty at zero for Aug and has indicated that it will keep palm oil export duty unchanged at zero until Dec to clear stocks of palm oil from the country.



Indonesia has also kept palm oil export duty unchanged at zero for Aug. Rise production of palm oil in Indonesia and fall in exports of palm oil from the country will lead to rise in palm oil stocks in the country in 2019.

Global palm oil consumption is expected to fall in 2019 for the first time in history will keep palm oil prices under pressure in longer term.

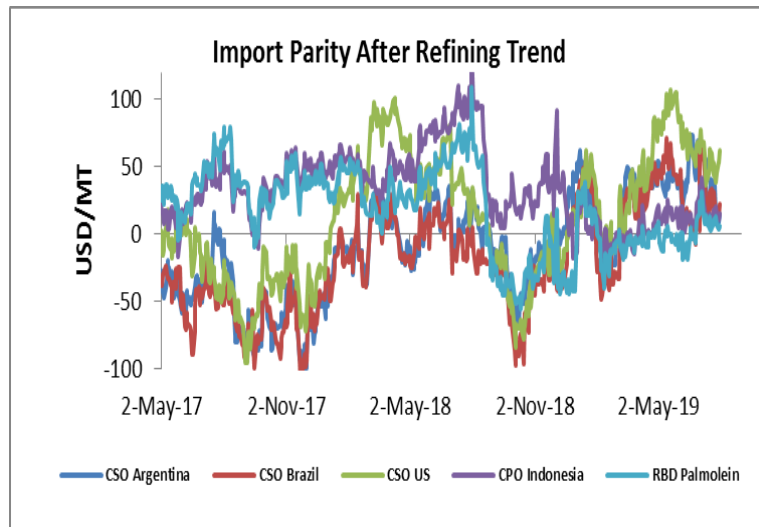
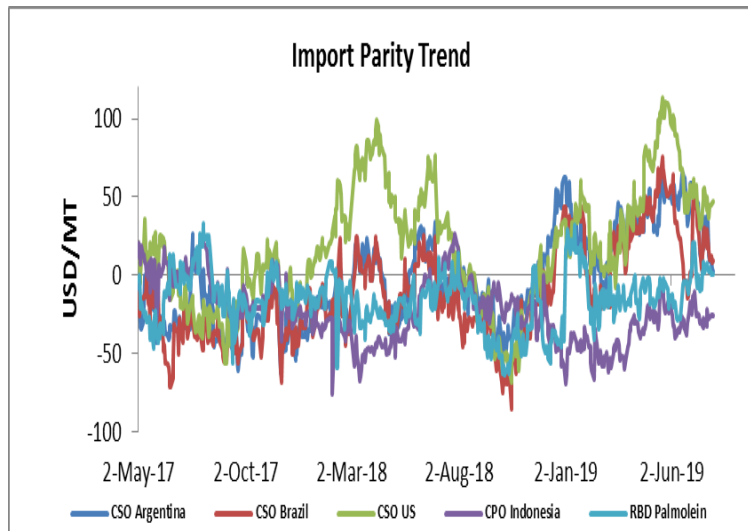
Competitive oils like RBD palmolein DALIAN and CBOT soy oil is expected to underpin palm oil prices.

Global crude oil prices are expected to rise on expected cut on crude oil production by OPEC and sanctions on Iran and Venezuela will support palm oil prices.

- According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's July palm oil exports rose 4.8 percent to 1,437,790 tons compared from 1,371,636 tons last month. Top buyers were India at 424,525 tons (394,934 tons), European Union 304,615 tons (239,285 tons), China at 135,690 tons (160,250 tons), United States at 75,078 tons (92,355 tons) and Pakistan at 39,000 tons (56,000 tons). Values in brackets are figures of last month.
- According to cargo surveyor Intertek Testing Services (ITS), Malaysia's July palm oil exports rose 5.1 percent to 1,411,535 tons compared to 1,343,428 tons last month. Top buyers were India & subcontinent 489,795 tons (447,989 tons), European Union 306,335 tons (338,589 tons) and China at 116,990 tons (76,350 tons). Values in brackets are figures of last month.
- According to Indonesia Palm Oil Association (GAPKI), exports of palm oil (CPO and PKO) from Indonesia rose 12.0 percent in May y-o-y to 2.40 MMT from 2.14 MMT in May 2018. Exports of palm oil (CPO and PKO) rose 18 percent m-o-m in May at 2.40 MMT compared to Apr 2019 at 2.03 MMT. Stocks of palm oil in May 2019 rose to 3.53 MMT from 2.43 MMT in Mar.
- According to Malaysia Palm Oil Board (MPOB), Malaysia's June palm oil stocks fell 0.97 percent to 24.24 lakh tons compared to 24.47 lakh tons in May 2019. Production of palm oil in June fell 9.17 percent to 15.18 lakh tons compared to 16.72 lakh tons in May 2019. Exports of palm oil in June fell 19.35 percent to 13.83 lakh tons compared to 17.15 lakh tons in May 2019. Imports of palm oil in June rose 63.86 percent to 1.01 lakh tons compared to 0.62 lakh tons in May 2019. End stocks of palm oil fell less than trade expectation on lower exports and higher imports of palm oil.
- Policy review: According to Malaysia Palm Oil Board (MPOB), Malaysia kept Aug crude palm oil export tax unchanged at 0.0 percent. Export duty of palm oil is calculated at reference price of 1905.38 ringgit (\$463.93) 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 kept August crude palm oil export duty unchanged at zero. The reference price is set at USD 532.30 per ton, a fall of 1.9 percent from last months, much lower than lower threshold for export duty and below threshold of USD 570 to calculate export levy. Indonesia has kept crude palm oil export duty at zero since May 2017.

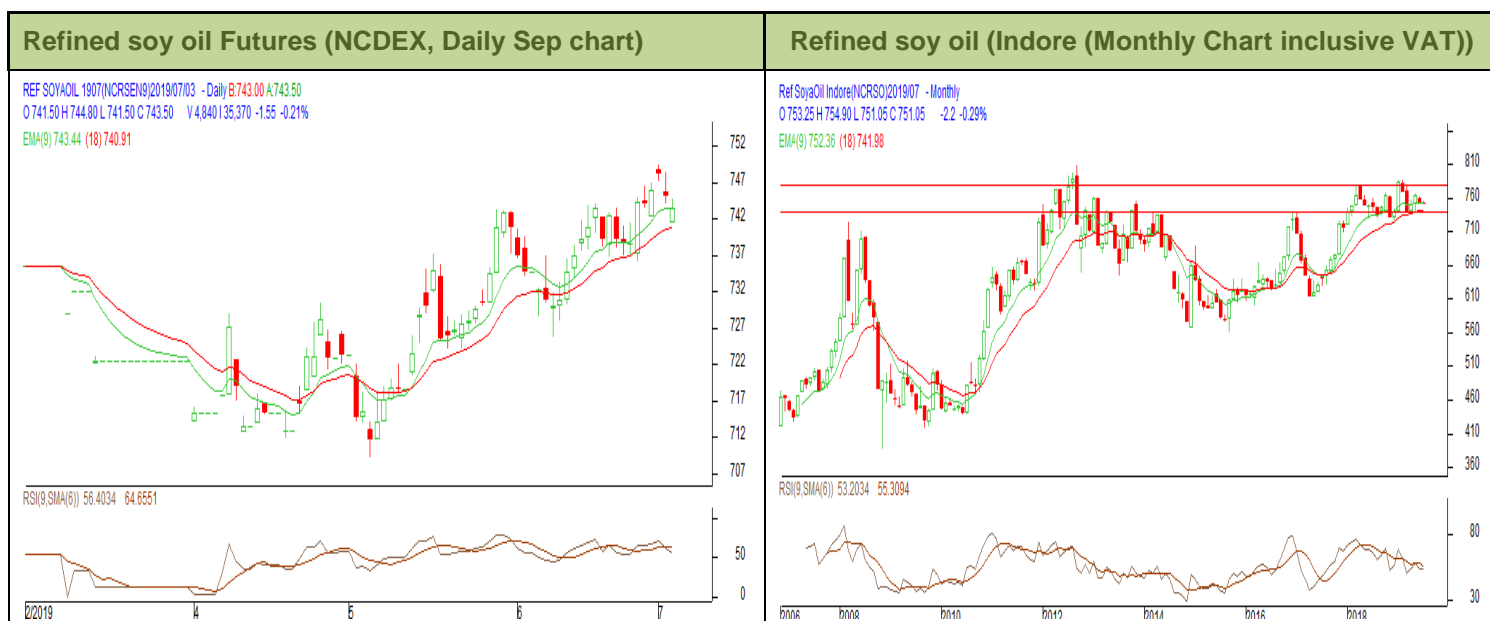
**Price Outlook:** We expect CPO Kandla 5% to trade in the price band of Rs 480-560 per 10 Kg.

**Import Parity Trend**

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

	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
<b>May, 2019</b>	41.91	50.60	91.58	14.59	-3.53
<b>June, 2019</b>	48.13	12.68	67.51	12.17	-4.33
<b>July, 2019</b>	37.60	30.53	54.22	18.19	11.50

**Outlook:-**

Import parity for CDSO Argentina has decreased due to rise in international prices of soy oil. We expect CDSO import parity to remain in parity in August due to firm prices of soy oil in Indian markets. Parity in CPO is higher than RBD palmolein. Parity in imports of palm oil may increase due to rise in prices of palm oil in Indian markets.

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


**Outlook – Prices are likely to trade sideways to firm tone in the days ahead. Investors are advised to buy refined soy oil (September contract) on dips.**

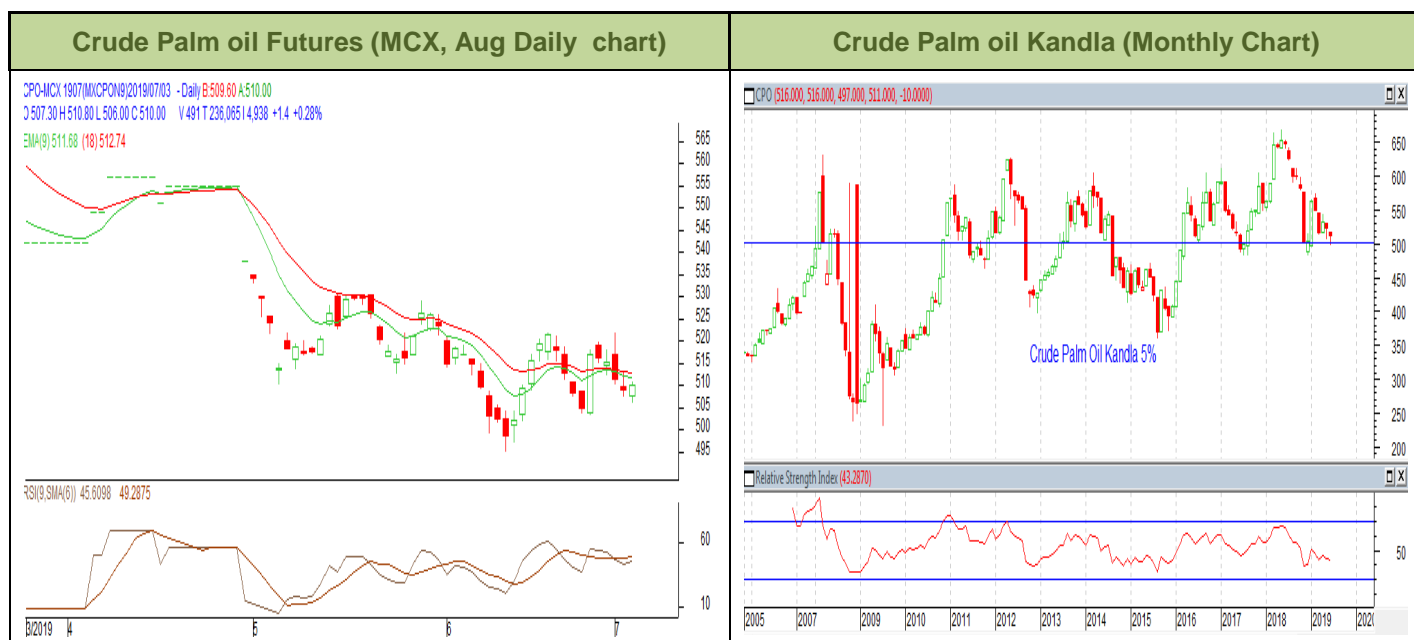
- Monthly chart of refined soy oil at NCDEX featured gains in the prices. We expect sideways to firm movement in the coming days.
- Any close above 750 in monthly chart will bring prices to 760 levels.
- Expected price band for next month is 700-780 level in near to medium term. RSI and MACD are indicating uptrend at current levels.

**Strategy:** Market participants are advised to go long in RSO above 735 for a target of 755 and 760 with a stop loss at 725 on closing basis.

**RSO NCDEX**

Support and Resistance				
S2	S1	PCP	R1	R2
710.00	730.00	741.25	750.00	765.00

**Spot Market outlook:** Refined soy oil Indore (including VAT) is likely to stay in the range of 720-800 per 10 Kg.

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


**Outlook - Prices may trade with a sideways to firm tone in the coming days. Investors are advised to buy MCX CPO (Aug contract) on dips.**

- Candlestick monthly chart of crude palm oil at MCX depicts rise in prices. We expect prices to feature sideways to firm tone in the near term.
- Any close below 520 in monthly chart might bring the prices to 500 levels.
- Expected price band for next month is 480-560 level in near to medium term. RSI and MACD are indicating uptrend.

**Strategy:** Market participants are advised to go long in CPO above 525 for a target of 545 and 550 with a stop loss at 515 on closing basis.

**CPO MCX**

Support and Resistance				
S2	S1	PCP	R1	R2
500.00	510.00	528.80	540.00	550.00

**Spot Market outlook:** Crude palm oil Kandla is likely to stay in the range of 480-560 per 10 Kg.

**Monthly spot prices comparison**

Commodity	Centre	Prices(Per 10 Kg)		Change
		31-Jul-19	29-Jun-19	
Refined Soybean Oil	Indore	750	755	-5
	Indore (Soy Solvent Crude)	715	715	Unch
	Mumbai	745	745	Unch
	Mumbai (Soy Degum)	695	702	-7
	Kandla/Mundra	725	738	-13
	Kandla/Mundra (Soy Degum)	697	705	-8
	Kolkata	730	740	-10
	Delhi	773	770	3
	Nagpur	751	757	-6
	Rajkot	725	735	-10
	Kota	735	750	-15
	Hyderabad	Unq	750	-
	Akola	752	756	-4
	Amrawati	751	755	-4
	Bundi	740	755	-15
	Jalna	745	770	-25
	Solapur	740	746	-6
	Dhule	748	769	-21
Palm Oil*	Kandla (Crude Palm Oil)	534	528	6
	Kandla (RBD Palm oil)	572	572	Unch
	Kandla RBD Pamolein	609	609	Unch
	Kakinada (Crude Palm Oil)	530	520	11
	Kakinada RBD Pamolein	593	599	-5
	Haldia Pamolein	609	609	Unch
	Chennai RBD Pamolein	601	601	Unch
	KPT (krishna patnam) Pamolein	593	588	5
	Mumbai RBD Pamolein	614	614	Unch
	Mangalore RBD Pamolein	609	609	Unch
	Tuticorin (RBD Palmolein)	603	602	1
	Delhi	642	645	-3
	Rajkot	607	609	-2
	Hyderabad	581	575	6
	PFAD (Kandla)	336	331	5
	Refined Palm Stearin (Kandla)	530	520	11
	Superolien (Kandla)	630	630	Unch
	Superolien (Mumbai)	641	651	-11
* inclusive of GST				
Refined Sunflower Oil	Chennai	825	795	30

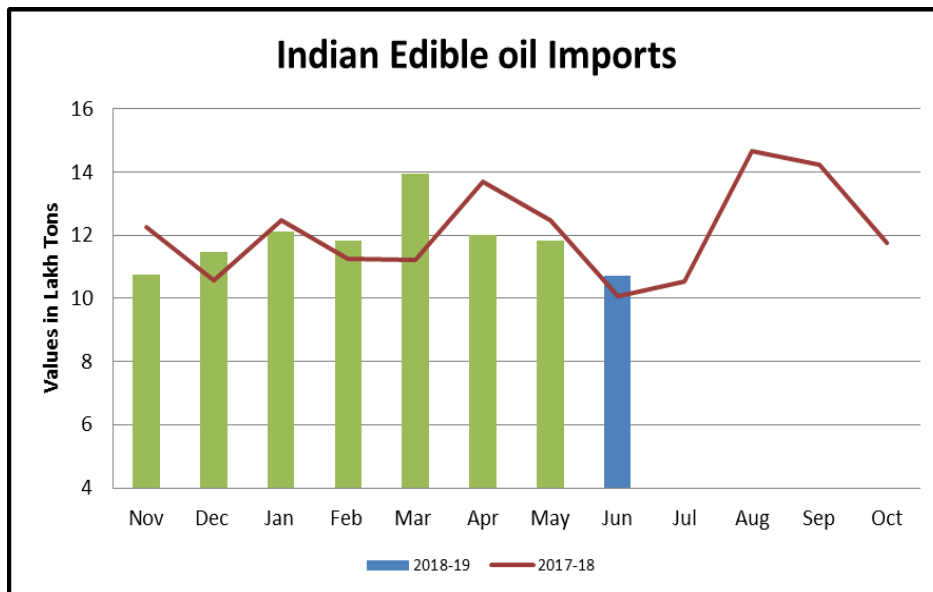


	Mumbai	830	790	40
	Mumbai(Expeller Oil)	795	755	40
	Kandla (Ref.)	825	785	40
	Hyderabad (Ref)	830	805	25
	Latur (Expeller Oil)	790	775	15
	Chellakere (Expeller Oil)	760	730	30
	Erode (Expeller Oil)	865	825	40
Groundnut Oil	Rajkot	1150	1150	Unch
	Chennai	1030	1050	-20
	Delhi	1100	950	150
	Hyderabad *	1070	1050	20
	Mumbai	1100	1100	Unch
	Gondal	1100	1080	20
	Jamnagar	1100	1150	-50
Rapeseed Oil/Mustard Oil	Jaipur (Expeller Oil)	785	777	8
	Jaipur (Kacchi Ghani Oil)	805	802	3
	Kota (Expeller Oil)	770	770	Unch
	Kota (Kacchi Ghani Oil)	795	790	5
	Neewai (Expeller Oil)	775	770	5
	Neewai (Kacchi Ghani Oil)	790	788	2
	Bharatpur (Kacchi Ghani Oil)	805	805	Unch
	Sri-Ganga Nagar(Exp Oil)	770	765	5
	Sri-Ganga Nagar (Kacchi Ghani Oil)	795	790	5
	Mumbai (Expeller Oil)	790	795	-5
	Kolkata(Expeller Oil)	910	910	Unch
	New Delhi (Expeller Oil)	797	787	10
	Hapur (Expeller Oil)	880	875	5
	Hapur (Kacchi Ghani Oil)	915	910	5
	Agra (Kacchi Ghani Oil)	810	810	Unch
Refined Cottonseed Oil	Rajkot	790	780	10
	Hyderabad	Unq	733	-
	Mumbai	810	768	42
	New Delhi	755	740	15
Coconut Oil	Kangayan (Crude)	1300	1230	70
	Cochin	1390	1390	Unch
Sesame Oil	New Delhi	1500	1130	370
	Mumbai	Unq	0	-



Kardi	Mumbai	880	880	Unch
Rice Bran Oil (40%)	New Delhi	600	578	22
Rice Bran Oil (4%)	Punjab	620	620	Unch
Malaysia Palmolein USD/MT	FOB	520	498	22
	CNF India	548	528	20
Indonesia CPO USD/MT	FOB	483	465	18
	CNF India	508	485	23
RBD Palm oil (Malaysia Origin USD/MT)	FOB	515	493	22
RBD Palm Stearin (Malaysia Origin USD/MT)	FOB	493	473	20
RBD Palm Kernel Oil (Malaysia Origin USD/MT)	FOB	670	630	40
Palm Fatty Acid Distillate (Malaysia Origin USD/MT)	FOB	368	363	5
Crude palm Kernel Oil India (USD/MT)	CNF India	Unq	580	-
Ukraine Origin CSFO USD/MT Kandla	CIF	813	783	30
Rapeseed Oil Rotterdam Euro/MT	FOB	770	730	40
Argentina FOB (\$/MT)		30-Jul-19	29-Jun-19	Change
Crude Soybean Oil Ship		657	624	33
Refined Soy Oil (Bulk) Ship		680	646	34
Sunflower Oil Ship		720	705	15
Cottonseed Oil Ship		637	604	33
Refined Linseed Oil (Bulk) Ship		Unq	0	-
* indicates including GST				

\*\*\*

**Annexure:**
**Indian Edible Oil Imports Scenario –:**


As per Solvent Extractors' Association of India, India imported 15.08 million tons of veg. oils in the 2016-17 oil year. Edible oils imports were 14.52 million tons 2017-18 (November 2017-October 2018). Edible oils (including CPO, CDSO, CSFO, and RBD Palmolein imports for June is pegged at 10.71 lakh tons.

**Indian Supply and Demand Scenario:**

Balance sheet of Indian Edible Oil	2016-17	2017-18	2018-19-F	% Change
Value in million tons				
Beginning Stock	2.18	2.35	1.82	-22.75%
Production	8.49	8.12	8.16	0.53%
Imports	15.08	14.52	15.39	6.00%
Total Supply	25.75	24.99	25.37	1.52%
Exports	0.01	0.02	0.02	0.00%
Total Demand(Consumption)	23.39	23.16	23.62	2.00%
Ending Stock	2.35	1.82	1.73	-4.64%

\* Value in million tons

**Balance Sheet Highlights**

Net edible oil output is likely to be 8.16 million tons (up 0.53 percent y-o-y basis) in 2018-19 led by higher oilseed sowing in Kharif and rabi season in the current oil year.

On import front, edible oil imports seen at 15.39 million tons for 2018/19 oil year v/s 14.52 million tons last year.

On the consumption side, India's edible oil consumption for 2018-19 oil year seen at 23.62 million tons, higher by 2.0 percent from last year. Ending stocks are projected higher compared to 2018-19 at 1.73 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. \*\* 2017-18- SEA of India & 2018-19 Agriwatch Estimates, \*\*\* (USDA estimates).

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

Landed Cost Calculation as on 02/08/2019	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
FOB USD per ton	662	664	605	485	520
Freight (USD/MT)	47	47	47	35	29.0
C & F	709.0	711.0	652.0	520.0	549.0
Weight loss (0.25% of FOB)	1.66	1.66	1.51	1.21	1.30
Finance charges (0.4% on CNF)	2.84	2.84	2.61	2.08	2.20
Insurance (0.3% of C&F)	2.13	2.13	1.96	1.56	1.65
CIF (Indian Port - Kandla)	716	718	658	525	554
Duty (Values in USD per tons)	271.43	271.43	271.43	220.88	267.30
GST (5% on duty) USD per ton	13.57	13.57	13.57	11.04	13.37
Exchange rate	69.58	69.58	69.58	69.58	69.58
Landed cost without customs duty in INR per ton	49793	49933	45789	36519	38557
Customs duty %	35.00%	35.00%	35.00%	40.00%	45.00%
Social Welfare Surcharge@10%	3.50%	3.50%	3.50%	4.00%	4.50%
Total Duty %	38.50%	38.50%	38.50%	44.00%	49.50%
Base import price	705	705	705	502	540
Fixed exchange rate by customs department	70.00	70.00	70.00	70.00	70.00
Duty component in INR per ton	18999.75	18999.75	18999.75	15461.60	18711.00
Clearing charges INR per ton	1200	1200	1200	1200	1200
Brokerage INR per ton	200	200	200	200	200
Total landed cost INR per ton	70192	70333	66189	53381	58668
Domestic Market price INR/ton Soy Degum Kandla/CPO Kandla/RBD Kandla	69700	69700	69700	51300	58000
Total landed cost USD per ton	1009	1011	951	767	843
Domestic Market price USD/tons Soy Degum Kandla/CPO Kandla 5%	1002	1002	1002	737	834
<b>Parity INR/MT (Domestic - Landed)</b>	<b>-492</b>	<b>-633</b>	<b>3511</b>	<b>-2081</b>	<b>-668</b>
<b>Parity USD/MT (Domestic - Landed)</b>	<b>-7.08</b>	<b>-9.10</b>	<b>50.46</b>	<b>-29.91</b>	<b>-9.60</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 Palm oil)	2500.00	2500.00	2500.00	2800.00	2800.00
Cost of Imported oil after refining/Processing	74692.45	74832.93	70688.71	60880.84	61468.27
Soy/Palm oil imported Price (Including tax)	78427.07	78574.58	74223.15	63924.88	64541.68
Loose price of Soy/Palm in Indore and Delhi market	77700.00	77700.00	77700.00	64000.00	64000.00
<b>Parity after processing and Taxes (Rs per MT)</b>	<b>-727.07</b>	<b>-874.58</b>	<b>3476.85</b>	<b>75.12</b>	<b>-541.68</b>
<b>Parity after processing and Taxes (USD per MT)</b>	<b>-10.45</b>	<b>-12.57</b>	<b>49.97</b>	<b>1.08</b>	<b>-7.79</b>
Source: Agriwatch					

### Balance Sheets of various edible oils

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

*Fig. in lakh tons*

	2017-18	2018-19-F	Nov-Jan	Feb-Apr-F	May-July-F	Aug-Oct-F
<b>Opening Stock</b>	5.67	2.73	2.73	1.88	2.42	2.97
<b>Production (Domestic)</b>	14.94	18.72	9.36	2.81	2.81	3.74
<b>Imports</b>	30.47	31.35	4.75	7.84	7.84	10.93
<b>Imported oil processing</b>	29.65	30.50	4.62	7.63	7.63	10.63
<b>Total Production (Domestic production and imported oil production)</b>	44.59	49.22	13.98	10.43	10.43	14.37
<b>Total Supply</b>	50.26	51.95				
<b>Quarterly add-on</b>			13.98	10.43	10.43	14.37
<b>Consumption</b>	47.53	49.44	14.83	9.89	9.89	14.83
<b>Ending Stock</b>	2.73	2.51	1.88	2.42	2.97	2.51

Source: AW estimates

Oil year- November-October

#### Highlights

- Prices of soy oil in 2018-19 are expected to be higher on lower carryout in oil year 2018-19.
- Soy oil production is expected to be higher in oil year 2018-19 on higher soybean crush due to higher soybean crop in 2018-19.
- Lower carry out in Nov-Jan is due to lower imports.
- Carryout stocks of oil year 2018-19 is 2.51 lakh tons on higher soy oil imports.
- Carry out of oil 2017-18 is 2.73 lakh tons
- Carryout of 2018-19 is lower than 2017-18 on higher consumption.

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

	2017-18	2018-19-F	Nov-Jan	Feb-Apr-F	May-July-F	July-Oct-F
<b>Opening Stock</b>	1.14	0.68	0.68	1.11	1.71	1.34
<b>Production</b>	0.20	0.20	0.05	0.05	0.05	0.05
<b>Imports</b>	8.70	10.01	2.32	2.50	2.50	2.68
<b>Total Supply</b>	10.04	10.89				
<b>Exports</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>Quarterly add-on</b>			2.37	2.55	2.55	2.73
<b>Consumption</b>	9.36	9.73	1.95	1.95	2.92	2.92
<b>Ending Stocks</b>	0.68	1.16	1.11	1.71	1.34	1.16

Source: AW estimates

Oil year- November-October

**Highlights**

- Prices of palm oil in 2018-19 are expected to be weak on higher carryout compared to oil year 2018-19.
- Imports are expected to be higher in 2018-19 compared to last year oil year 2017-18.
- Carryout stocks of oil year 2017-18 are 0.68 million tons fall in imports.
- Carryout of 2018-19 is higher than 2017-18 due to higher imports of palm oil.
- Carry out of second quarter of oil year 2018-19 will be higher than first quarter of oil year 2018-19

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

	2017-18-F	2018-19-F	Nov-Jan	Feb-Apr-F	May-July-F	Aug-Oct-F
<b>Opening Stock</b>	3.43	4.00	4.00	3.42	2.91	2.55
<b>Production</b>	0.80	0.80	0.15	0.12	0.27	0.27
<b>Imports</b>	25.25	24.49	6.02	6.12	6.12	6.23
<b>Total Supply</b>	29.48	29.29				
<b>Quarterly add-on</b>			6.17	6.24	6.39	6.49
<b>Exports</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>Consumption</b>	25.47	27.00	6.75	6.75	6.75	6.75
<b>Ending Stocks</b>	4.00	2.29	3.42	2.91	2.55	2.29

Source: AW estimates

Oil year- November-October

**Highlights**

- Prices will be firm in lower carry out for oil year 2018-19 compared to of 2017-18.
- Sunflower oil production is expected to be sideways in oil year 2018-19 on lower sunflower crop.
- Carryout stocks of oil year 2017-18 is 4.0 lakh tons on higher sunflower oil imports.

- Carryout of 2018-19 is lower than 2017-18 due to lower imports.

### Balance Sheet- Rapeseed Oil, India

*Fig. in lakh tons*

	2017-18	2018-19-F	Nov-Jan	Feb-Apr-F	May-July-F	Aug-Oct-F
	1.93	2.65	2.65	2.28	10.39	10.52
<b>Production</b>	<b>29.82</b>	<b>31.92</b>	<b>5.964</b>	<b>15.96</b>	<b>7.98</b>	<b>2.016</b>
<b>Imports</b>	<b>2.40</b>	<b>1.84</b>	<b>0.34</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>
<b>Total Supply</b>	<b>34.15</b>	<b>36.41</b>	<b>8.96</b>	<b>18.74</b>	<b>18.87</b>	<b>13.04</b>
<b>Exports</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Consumption</b>	<b>31.50</b>	<b>33.39</b>	<b>6.68</b>	<b>8.35</b>	<b>8.35</b>	<b>10.02</b>
<b>Ending Stocks</b>	<b>2.65</b>	<b>3.02</b>	<b>2.28</b>	<b>10.39</b>	<b>10.52</b>	<b>3.02</b>

Source: AW estimates

Oil year- November-October

### Highlights

- Prices of rapeseed oil in 2018-19 are expected to be weak on higher carryout.
- Rapeseed oil production is higher in oil year 2018-19 on higher rapeseed crop.
- Higher oil production in 2018-19 is due to higher marketable surplus of rapeseed resulting in higher crush.
- Carryout stocks of oil year 2017-18 is 2.65 lakh tons on higher rapeseed oil production.
- Carryout of 2018-19 is higher than 2017-18 due to higher production of rapeseed oil.
- Carryout in second quarter of 2018-19 is higher than first quarter of 2018-19.

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

*Fig. in lakh tons*

	2017-18	2018-19-F	Nov-Jan-F	Feb-Apr-F	May-July-F	Aug-Oct-F
<b>Opening stocks</b>	0.31	0.32	0.32	0.43	0.30	0.23
<b>Oil availability (Production)</b>	7.35	3.55	1.30	1.07	0.59	0.59
<b>Imports</b>	0	0	0	0	0	0
<b>Total Supply</b>	7.66	3.87				
<b>Quarterly add-on</b>			1.30	1.07	0.59	0.59
<b>Exports</b>	0.40	0.40	0.10	0.10	0.10	0.10
<b>Consumption</b>	6.94	3.31	1.09	1.09	0.56	0.56
<b>End stocks</b>	0.32	0.16	0.43	0.30	0.23	0.16

Source: AW estimate

Oil year-November-October

### Highlights

- Groundnut oil production is expected to be lower in oil year 2018-19 on lower groundnut crop.
- Lower oil production in 2018-19 is due to lower marketable surplus of groundnut seed resulting in lower crush.
- Carryout stocks of oil year 2017-18 is 0.32 lakh tons on higher groundnut oil production.
- Carryout stocks of oil year 2018-19 is 0.16 lakh tons on lower groundnut oil production.
- Lower supply of groundnut oil in 2018-19 is due to lower marketable surplus.
- Carryout of 2018-19 is lower than 2017-18 due to lower production of groundnut oil.

### Coconut oil balance sheet

Qty in '000 MT

Demand and Supply Balance -Coconut Oil					
	Qty in Lakh tons				
	2014-15	2015-16	2016-17	2017-18	2018-19-F
Opening Stocks	9.78	14.74	37.1	30.53	26.35
Production	562.5	522.5	606.9	635	621.3
Imports	9.67	5.17	0.01	0.57	0.47
Exports	7.21	6.81	33.5	7.32	6.81
Consumption/Crushing	520	582.9	579.98	632.42	615.65
Ending Stock	14.74	37.1	30.53	26.35	25.65

Source: Coconut Development Board

### International Balance Sheets

#### Balance Sheet (Annual) - Soy Oil, United States

Fig. in million tons

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Beginning Stocks	0.841	0.765	0.776	0.905	0.885
Production	9.956	10.035	10.783	11.115	11.129
Imports	0.13	0.145	0.152	0.181	0.204
Total Supply	10.927	10.945	11.711	12.201	12.218
Exports	1.017	1.159	1.11	0.975	0.816
Industrial Dom. Cons.	2.572	2.812	3.236	3.719	3.946
Food Use Dom. Cons.	6.573	6.198	6.46	6.622	6.759
Domestic Consumption	9.145	9.01	9.696	10.341	10.705
Ending Stocks	0.765	0.776	0.905	0.885	0.697

Source: USDA

#### Balance Sheet (Annual) - Soybean, United States

Fig. in million tons

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
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Beginning Stocks	5.188	5.354	8.208	11.923	29.127
Production	106.869	116.931	120.065	123.664	112.945
Imports	0.641	0.606	0.594	0.463	0.544
Total Supply	112.698	122.891	128.867	136.05	142.616
Exports	52.87	58.96	57.945	46.266	53.07
Crush	51.335	51.742	55.926	57.153	57.561
Domestic Consumption	54.474	55.723	58.999	60.657	61.093
Ending Stocks	5.354	8.208	11.923	29.127	28.453
Yield (MT/HA)	3.23	3.49	3.31	3.47	3.33

Source: USDA

### Balance Sheet (Annual) - Soybean, Brazil

*Fig. in million tons*

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Beginning Stocks	24.428	24.558	33.212	32.7	26
Production	96.5	114.6	122	117	123
Imports	0.41	0.252	0.175	0.15	0.2
Total Supply	121.338	139.41	155.387	149.85	149.2
Exports	54.383	63.137	76.175	78.5	75
Crush	39.747	40.411	44.515	42.7	43.75
Domestic Consumption	42.397	43.061	46.512	45.35	46.5
Ending Stocks	24.558	33.212	32.7	26	27.7
Yield (MT/HA)	2.9	3.38	3.47	3.24	3.33

Source: USDA

### Balance Sheet (Annual) - Soybean, Argentina

*Fig. in million tons*

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Beginning Stocks	27.069	27.156	26.995	23.753	29.45
Production	58.8	55	37.8	56	53
Imports	0.676	1.674	4.703	6.35	3.9
Total Supply	86.545	83.83	69.498	86.103	86.35
Exports	9.922	7.026	2.112	7.75	7
Crush	43.267	43.309	36.933	42	45
Domestic Consumption	49.467	49.809	43.633	48.903	52.15
Ending Stocks	27.156	26.995	23.753	29.45	27.2
Yield (MT/HA)	3.04	3.17	2.32	3.28	3.03

Source: USDA





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