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# **Veg. Oil Monthly Research Report**

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

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

*Coconut oil (Kangayan) was the best performer among the edible oil complex due to weak supply in cash markets. Groundnut oil (Rajkot) was the worst performer among edible oils 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 73.13 compared to 74.94 last month. Rupee is expected to depreciate in September. Crude oil prices are expected to rise in September.*

**Recommendation:**

*Market participants can buy refined soy oil in the cash markets at 870-880 for the target of 910-920 levels (Indore). Market participants can buy CPO Kandla 5% in the cash markets at 760-770 for the target of 790-800 levels.*

**International Veg. Oil Market Summary**

*CBOT soy oil (October) is expected to stay in the range of 31 cents/lb to 36 cents/lb. CPO at BMD (October) is likely to stay in the range of 2700-3200 ringgits per ton. Focus during the coming days will be status of coronavirus in world, US-China trade tensions, crude oil prices, soybean crop condition in US, soy oil stocks in US, soybean demand by China, palm oil stocks in Malaysia and Indonesia, palm oil production in Malaysia and Indonesia, palm oil exports from Malaysia and Indonesia, biodiesel use of palm oil in Indonesia and Malaysia and India and China palm oil demand.*

*On the international front, rise in crude prices, lower stocks of soy oil in US, weakening crop condition of soybean in US, higher use of soy oil in biodiesel in US, firm demand of soybean by China and rise in competing oil prices is expected to support soy oil prices in coming days.*

*Fall in palm oil stocks in Malaysia, fall in production of palm oil in Malaysia, rise in exports of palm oil in Malaysia and Indonesia, firm demand from India and China and rise in crude oil prices are expected to support CPO prices in coming days.*

## Soy oil: Domestic Market Fundamentals

- Refined soybean oil prices featured uptrend at its benchmark market at Indore during the month of August on firm demand and rise in prices of soy oil in international markets.

Demand of soy oil rose in Aug on demand at lower levels. The rise in prices of soy oil in international markets has led parity to fall.

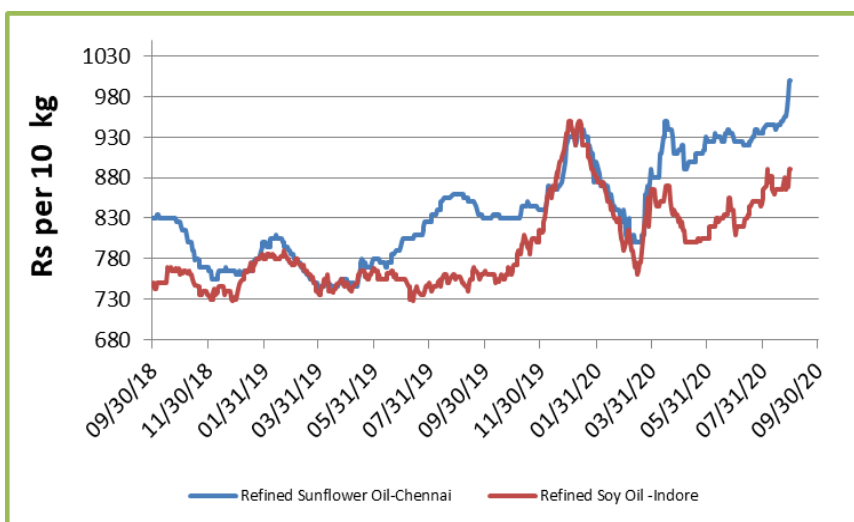
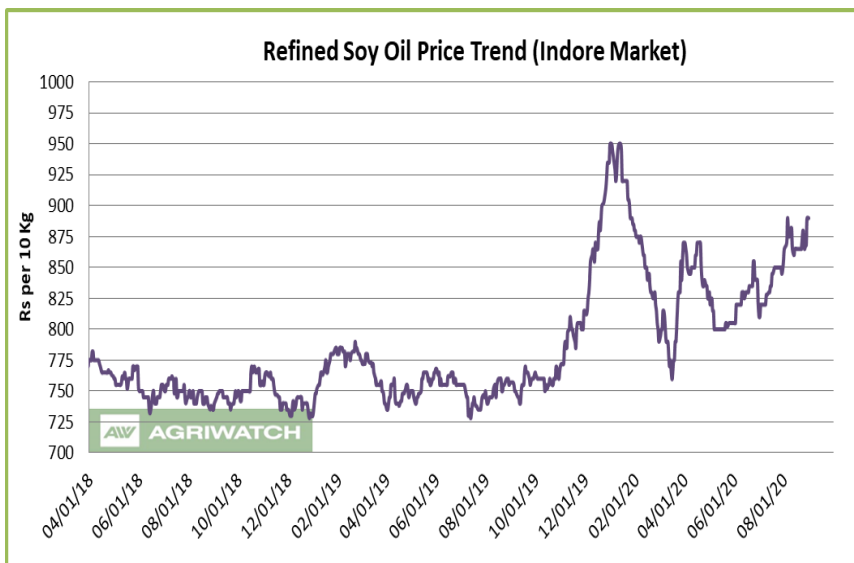
Supply of soy oil rose in India in Aug after a surge in imports following lower domestic supply of soy oil due to lower demand of soymeal.

Stocks of soy oil in domestic market will fall in oil year 2019-20 on lower domestic soy oil production and high domestic demand. Balance sheet of soy oil is stretched despite firm imports in last two months. If imports slow the prices will rise due to falling stocks.

Stocks of soy oil at ports rose from June after on higher imports in June and July.

Imports of soy oil will be higher in oil year 2019-20 compared to last oil year due to lower domestic production and higher consumption.

Consumption remained firm during lockdown as soy oil is mostly used in home consumption and which rose due to fall in out of home consumption mainly dominated by



palm oil whose demand fell during lockdown.

Supply of soy oil in international market was normal across countries including Argentina and Brazil.

Import demand of soy oil rose on lower supply of soy oil in the domestic market and stocking ahead of festival season. Imports rose on seasonal uptrend of imports when arrivals of soybean dip in the market.



Higher demand of soy oil from Argentina and rising basis in soy oil will lead to higher FOB prices of soy oil.

Prices of CDSO rose more at high seas compared to CNF markets indicating firm demand at high seas.

Import parity of soy oil fell in Aug due to rise in prices of soy oil in international markets and is at disparity of Rs 20-25 per 10 kg compared to disparity of Rs 5-10 per 10 kg in Mar.

Refining margins fell in Aug and is at disparity of Rs 25-30 per 10 kg compared to disparity of Rs 5-10 per kg in July.

Negative import parity and weakening refining margins may slow import demand of soy oil.

Refined soy oil premium over CPO is at Rs 121 (Rs 122 last month) per 10 Kg which is high and will cap soy oil prices. Refined soy oil premium over RBD palmolein was at Rs 45 (Rs 50 last month) per 10 Kg, which is low and may increase soy oil prices in domestic markets.

Refined soy oil premium over CDSO high seas is at Rs 47 (Rs 45) per 10 kg indicating firm demand of refined soy oil compared to CDSO in domestic markets.

Difference increased between CDSO-CNF-India West coast and Soy oil CBOT fell due to fall in basis (spot prices – futures prices) due to lower demand of soy oil from Argentina.

Import demand of soy oil will rise in Aug-Sep due to low stocks of soy oil in India, low port stocks, higher seasonal import demand and lower imports of palm oil in 2020.

Prices of soy oil may rise due to firm demand and falling stocks of soy oil in domestic markets. High premium over palm oil will cap gains.

- Soy oil import scenario – According to SEA, soy oil imports rose 51.46 percent y-o-y in July to 4.85 lakh tons from 3.2 lakh tons in July 2019. In the oil year 2019-20 (Nov 2019 -July 2020), imports of soy oil were 23.95 lakh tons compared to 20.12 lakh tons in corresponding period last oil year, higher by 19.04 percent compared to corresponding period last oil year.

- According to Solvent Extractors Association (SEA), India's July edible oil stocks at ports and pipelines rose 42.13 percent m-o-m to 15.35 lakh tons from 10.8 lakh tons in June 2020. Stocks of edible oil at ports in July rose to 765,000 tons (CPO 415,000 tons, RBD Palmolein 0 tons, Degummed Soybean Oil 150,000 tons and Crude Sunflower Oil 200,000 ton) and about 770,000 tons in pipelines. (Stocks at ports were 580,000 tons and in pipelines were 500,000 tons in June 2020). India is presently holding 27 days of edible oil requirement on 1st Augsut, 2020 at 15.35 lakh tons compared to 17 days of requirements of 10.80 lakh tons on 1st July, 2020. India held 19.95 lakh tons of stocks in ports and pipelines on 1st Aug 2019. India's monthly edible oil requirement is 19.0 lakh tons.
- Imported crude soy oil CIF at West coast port is offered at USD 831 (USD 815) per ton for Sep delivery, Oct/Nov/Dec delivery is quoted at USD 834 (USD 795) per ton. Last month, CNF CDSO Aug average price was USD 802.30 (USD 765.85 per ton in July 2020) per ton. Refined soy oil (Indore) is quoted at Rs 895 (Rs 875) per 10 kg on Sep 3, 2020. Values in brackets are figures of last month.
- On the parity front, margins fell 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 lose USD 35-40/ton v/s loss of USD 10-15/ton (last month) margin in processing the imported Soybean Oil (Argentina Origin).
- All India Kharif sowing reached 120.534 lakh hectares as on 28.08.2020 compared to 112.698 lakh hectares in corresponding period last year. Sowing is higher in MP, Maharashtra, Rajasthan, Karnataka and Gujarat while it is lower in Telangana.

### **International Soy oil Market Fundamentals**

- Soy oil prices are expected to be supported due to lower stocks of soy oil in US, firm global demand, worsening crop condition of soybean in US, firm demand of soybean from China, rise in competing oil prices and rise in crude oil prices.

Second wave of coronavirus eruption especially in US has led to worries in global markets. Coronavirus cases globally have risen above 20 million and led to death of more than half a million individuals, have led to worries that coronavirus upward cycle has not been contained.

However, coronavirus lockdown is being lifted in various countries in the world including India. Many economies have opened their countries partially to save themselves from economic disaster after health disaster. Agricultural services like harvesting, processing and transit are normal. India opened from June 8 gradually after the lockdown after more than 70 days of lockdown will increase imports of soy oil as domestic crushed soy oil is in short supply.

Rise in prices of commodities in the world have been due to extreme monetary and fiscal stimulus of over USD 20 trillion across the world leading to weaker dollar in which most commodities are priced in the world. Improving global economic sentiment led by US and China will add to prices.

Soy oil stocks fell in US in July as reported by NOPA on despite higher crush of soybean. Higher domestic disappearance led to lower supply of soy oil. Fall was more than trade estimate. This will support global soy oil prices.

US has shown record use of soy oil in biodiesel, on lower use of corn in biodiesel. This will cut stocks of soy oil in US and prompt USDA to hike price expectation in 2020/21.

Soybean crop condition worsened in last three weeks due to dry conditions in various states in US. Good to excellent crop condition fell sharply was lower than 5-year average. Crop development will fall below 5-year average in Sep due to dry spell. This will lead to lower soybean crop yield than previously expected and will lead to lower crop from earlier estimate. However, area recorded this year was much higher than last year.

USDA has estimated US soybean crop at 120.4 MMT in 2020/21 compared to 96.6 MMT in 2019/20. However, size of soybean crop will be cut in Sep USDA update. Stocks of soybean should end lower due to higher exports especially to China and improving US global share of soybean exports.

Chinese economy has picked up pace after opening from coronavirus closure. This has led to increase in meat consumption increasing demand of soybean in the country. Further, China has vowed to increase swine count in the country by providing incentives to farmers. Despite record shrinkage of swine count in China, it is stocking soybean to meet its needs in future. It is importing record amount of soybean from Brazil and Argentina. Moreover, China is expected stock 2 MMT of soy oil in its strategic reserve, according to trade sources. However, there has not been official confirmation on this update.

US refused to hold next levels of trade talks as was expected in Aug and said that it will focus on implementation of Phase 1 of trade deal. China is much below in purchases of US agricultural commodities as was promised in trade deal. However, China has increased purchases of soybean from US despite it being locked with US on its handling of coronavirus. According to trade estimated, China is expected to purchase 40 MMT of US soybean to bridge its deficit of trade deal with US and increase supply of soybean in its country. Further, China is buying record meats from US and South America to meet its needs as it lost meat output due to swine flu. USDA increased soybean import estimate of China at 99 MMT in 2020/21 and 98 MMT in 2019/20 from 85 MMT in 2019/20.

Brazil is expected to plant record soybean as it increases area and conditions are conducive for plantation. This comes after record soybean crop last year. Soybean crop of Brazil in 2020/21 is expected to be 131 MMT, up from 126 MMT last year, making this year crop in Brazil to record in history.

There has been surge in exports of soybean from Brazil, since April especially due to demand from China. Due to sharp depreciation of Real, Brazilian soybean is quoted competitively. If US-China tensions escalate then more imports of soybean will take place from Brazil.

USDA has lowered exports of soybean from Brazil to 93.5 MMT from 85 MMT in 2019/20 based on higher global demand especially China. However, it expects the 2020/21 exports of Brazil to be lower at 85 MMT due to competition from US as higher crop of soybean in US will prompt higher exports to global market. Also, trade deal between US-China will hurt Brazil's soybean exports.

Competitive oil like palm oil, rapeseed oil and sunflower oil prices are expected to rise in coming months supporting global soy oil prices.

Soy oil prices are supported by rise in crude oil prices on OPEC and Russia going for deeper cuts in production to rebalance global crude oil market.

- In the weekly USDA crop progress report released on 30 August 2020; The US Soybean is setting pods 95% up from 84% same period last year and 93% from 5 year average. Soybeans dropping leaves at 8% up from 3% same period last year and 8% from 5 year average. About 66% of the crop is under good to excellent condition, compared to 54% in corresponding period last year.
- According to National Oilseed Processors Association (NOPA), U.S. July soybean crush rose by 3.31 percent m-o-m to 172.794 million bushels from 167.263 million bushels in June 2020, above market expectation. Crush of soybean in July was higher by 2.80 percent y-o-y compared to July 2019 figure of 168.093 million bushels. Soy oil stocks in U.S. at the end of July fell 8.94 percent m-o-m to 1.619 billion lbs compared to 1.778 billion lbs in end June 2020. Stocks of soy oil in end July was higher by 10.64 percent y-o-y compared to end July 2019, which was reported at 1.467 million lbs. Soy oil stocks was below trade expectation.
- According to United States Department of Agriculture (USDA) August estimate, U.S 2020/21 ending stocks of soy oil estimate has been increased to 2,075 million lbs compared to 2,055 million lbs in July estimate. Opening stocks are increased to 2,060 million lbs in 2020/21 from 2,020 million lbs in its earlier estimate. Production of soy oil in 2020/21 is increased to 25,265 million lbs from 25,035 million lbs in its earlier estimate. Imports in 2020/21 are reduced to 350 million lbs compared to 400 million lbs earlier estimate. Biodiesel use in 2020/21 is kept unchanged at 8,000 million lbs. Food, feed and other industrial use in 2020/21 is kept unchanged at 15,000 million lbs. Exports in 2020/21 are increased to 2,600 million lbs compared to 2,400 million lbs in its earlier estimate. Average price range estimate of 2020/21 is raised to 30.0 cents/lbs from 29.0 cents/lbs in its earlier estimate.
- The U.S. Department of Agriculture monthly supply and demand report for the month of August forecasts U.S. 2020/21 soybean stocks at 610 million bushels compared to 425 million bushels in its July estimate. Opening stocks in 2020/21 is reduced to 615 million bushels compared to 620 million bushels in its earlier estimate. Soybean production in increased in 2020/21 at 4,425 million bushels compared to 4,135 million bushels in its earlier estimate. U.S. soybean exports estimate in 2020/21 are raised to 2,125 million bushels from 2,050 million bushels in its earlier estimate. Imports estimate in 2020/21 is unchanged 15 million bushels. Crush in 2020/21 is increased to 2,180 million bushels compared to 2,160 million bushels in its earlier estimate. Seed use in 2020/21 has been kept unchanged at 100 million bushels. Residual use in 2020/21 is raised to 40 million bushels from 35 million bushels in its earlier estimate. Average price range in 2020/21 is reduced to 8.35 cents/bushel compared to 8.50 cents/bushel in its earlier estimate.
- According to China's General Administration of Customs (CNGOIC), China's July edible vegetable oils imports fell 6.09 percent m-o-m to 9.56 LT compared to 10.18 LT in June 2020. Imports rose 4.25 percent y-o-y in July from 9.17 LT in July 2019. Year to date imports of edible vegetable oil rose 1.60 percent to 49.90 lakh tons.
- According to China's General Administration of Customs (CNGOIC), China's July soybean imports fell 9.58 percent m-o-m to 10.09 MMT from 11.16 MMT in June 2020. Imports rose 16.79 percent y-o-y from July 2019 imports at 8.64 MMT. Year to date soybean imports rose 17.7 percent to 55.135 MMT.



- USDA WASDE highlights:- The U.S. season-average soybean price for 2020/21 is forecast at \$8.35 per bushel, down 15 cents from last month. The soybean meal price is forecast at \$290 per short ton, down 10 dollars. The soybean oil price is forecast at 30.0 cents per pound, up 1 cent.

**Price Outlook:** We expect refined soy oil (without GST) at Indore to stay in the range of Rs 840-940 per 10 Kg in the near term.



## Palm oil: Domestic Market Fundamentals

- CPO prices witnessed firm tone in the month of August at its benchmark market at Kandla on firm demand and rise in prices of palm oil in international markets..

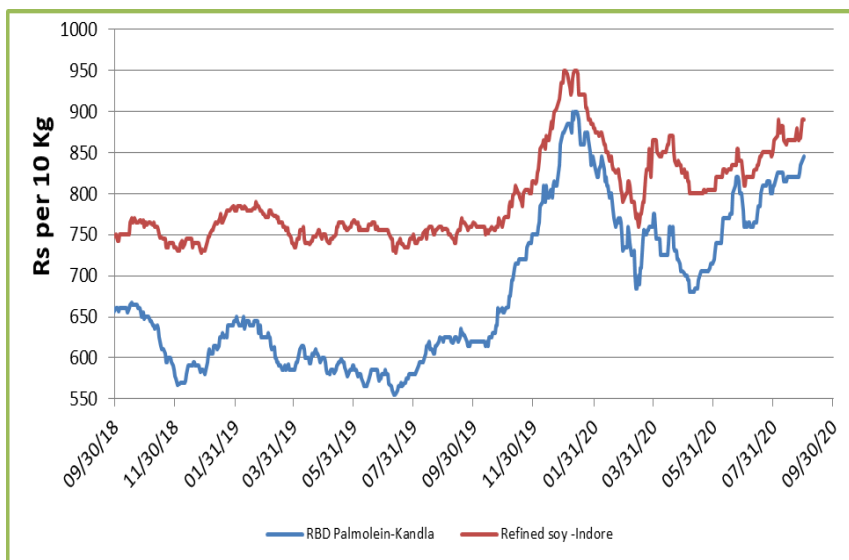
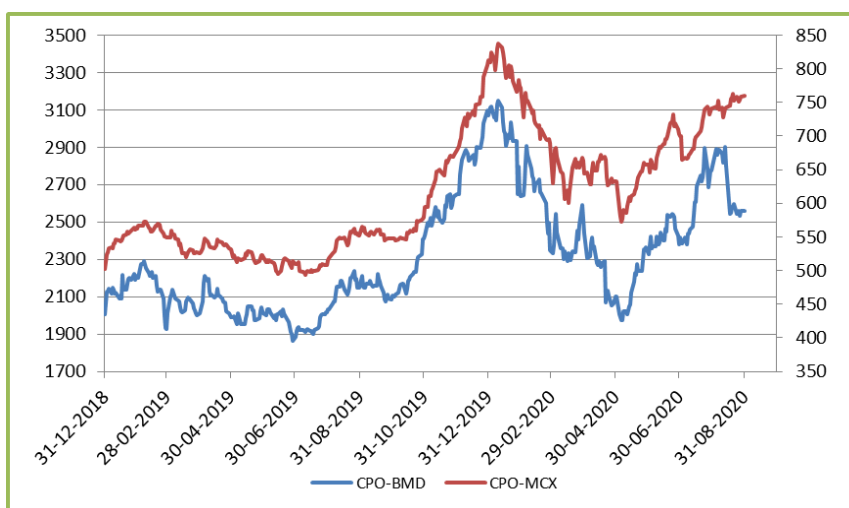
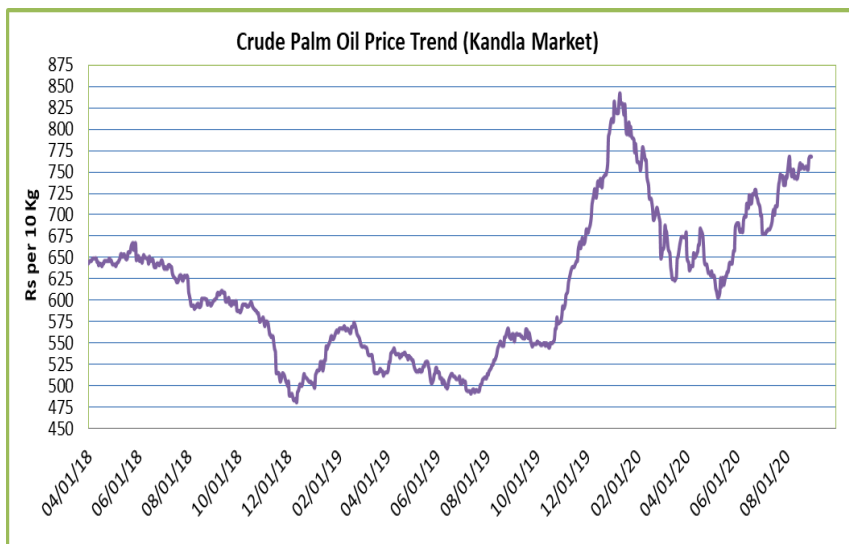
Prices of CPO rose less at high seas compared to CNF markets compared to last month indicating weak demand at high seas.

Demand of palm oil from households and biscuit sectors are normal. HoReCa demand has fallen and demand from bakery and shortening has fallen. These fall in demand will effectively cut demand of palm oil by 1.5-2 MMT in oil year 2019-20 leading lower imports of palm oil in this oil year, depending on if and when demand increases substantially.

Demand of palm oil in India rose due to fall in palm oil prices in 2020 stroking demand at lower levels. Further, due to opening of Indian economy sentiment is improving and leading to higher demand.

Demand was low in HoReCa segment due to lockdown as palm oil is mainly used in street food, joints and restaurant chains and all of them were closed during the lockdown of India. However, due to opening of India demand will improve in this segment.

Palm oil consumption will fall in India in oil year 2019-20 from its



earlier consumption estimate due to demand loss during lockdown. Consumption will fall in 2019-20 from its previous year in more than two and half decades. Imports of palm oil will also be lower in oil year 2019-20 and could lead to lower carryout of palm oil in oil year 2019-20.

There is short supply of palm oil in Indian market due to lower imports of palm oil in oil year 2019-20. However, port and pipelines stocks are expected to rise from July due to rise in imports of palm oil in June-July.

Imports parity of CPO fell due to rise in prices of CPO in international markets. In Rupee terms, disparity currently stands at Rs 30-35 per 10 kg compared to disparity of Rs 5-10 per 10 kg last month.

Rise in prices of CPO in international markets will make imports costlier will decrease imports in coming months.

Appreciation of Rupee may increase palm oil to parity in September. Further, fall in prices of palm oil in international markets will increase parity in imports and refining margins.

CPO trade has improved due to rise in prices of CPO in Aug and improving palm oil demand from the country. Forward prices of CPO and RBD palmolein is quoting at discount in expectation of lower demand and prices going ahead.

Data from cargo surveyor ITS shows a lower imports of palm oil by India from Malaysia in Aug due to higher prices of CPO in international markets. Prices of CPO in Malaysia is lower compared to Indonesia.

Zero refined palm oil imports if refined palm oil in July will lead to increased refining margins of Indian refiners as India has restricted refined palm oil imports. These steps will support India's domestic refiners reeling in under capacity and debt.



Imports of palm oil by India rose in July mainly due to rise in CPO imports while RBD palmolein imports were zero as India has restricted palmolein imports. Imports of palm oil rose in July m-o-m due to rise in demand, lower stocks of palm oil at ports and pipelines, positive import parity and refining margins, high discount over competing oils, removal of lockdown progressively in India.

RBD palmolein featured firm tone in its benchmark market on rise in prices of RBD palmolein in international markets, demand at lower levels and gradual opening of India has improved sentiment and may improve demand.

Refiners of palm oil are enjoying healthy margins and are not ready to lower prices.

Higher discount of RBD palmolein over soy oil, sunflower oil and rapeseed oil will increase its demand.

Expectation of fall in stocks of palm oil in Malaysia in coming months due to fall in production of palm oil and higher competing oils will support palm oil prices.

RBD palmolein premium over CPO decreased to Rs 76 (Rs 72 last month) per 10 kg indicating firm demand of RBD palmolein compared to CPO at high seas.

Import demand of CPO and RBD palmolein may weaken due to rise in prices of palm oil in international markets.

High soy oil premium over crude palm oil which is hovering at Rs 121 (Rs 122 last month) per 10 Kg will increase demand of CPO and increase imports.

Premium of soy oil over palm oil has increased in Aug at CNF and domestic markets. High premium of crude sunflower CNF India West coast and CPO CNF at USD 230 (USD 150) per ton will increase CPO prices and RBD palmolein prices in medium term. High premium of CSFO-CNF-India West coast over CPO-CNF indicates weak demand of CPO at CNF markets compared to CSFO-CNF.

Falling CDSO CNF premium over CPO CNF will decrease imports of CPO in medium term at USD 81 (USD 112 last month) per 10 kg. Premium of CDSO soy oil high seas over CPO high seas is at Rs 74 (Rs 92 last week) per 10 Kg, which is low and will decrease CPO demand at high seas. Premium of refined soy oil over RBD palmolein is Rs 45 (Rs 50 last week) per 10 kg is low and will decrease 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 July rose 1.48 percent y-o-y to 8.25 lakh tons from 8.13 lakh tons in July 2019. Imports in the oil year 2019-20 (November 2019-July 2020) are reported lower by 26.93 percent y-o-y at 50.39 lakh tons compared to 68.97 in last oil year.

Crude Palm oil import scenario- According to Solvent Extractors Association (SEA), CPO Imports in rose 53.85 percent y-o-y in July to 8.20 lakh tons from 5.33 lakh tons in July 2019. Imports in oil year 2019-20 (November 2019-July 2019) were reported lower by 2.51 percent y-o-y at 45.81 lakh tons compared to 46.99 lakh tons in last oil year.

RBD palmolein import scenario- RBD palmolein imports were zero in July vs. 2.65 lakh tons in July 2019. Imports in oil year 2019-20 (November 2019-Jul 2020) were reported lower by 81.80 percent y-o-y at 3.80 lakh tons compared to 20.90 lakh tons in last oil year.

- On the trade front, CNF CPO (Indonesian origin) at Indian port quoted at USD 750 (USD 722.5) per ton for Sep delivery and Oct delivery is quoted at USD 745 per ton. Last month, CNF CPO Aug average price was at USD 720.52 per ton (USD 658.11 per ton in July 2020). Values in brackets are figures of last week.

Moreover, RBD palmolein (Malaysian origin) CNF at Indian port, offered at USD 760 (USD 732.5) per ton for Sep delivery and Oct delivery is quoted at USD 755 per ton. Last month, CIF RBD palmolein Aug average price was USD 668.03 (USD 730.52 in July 2020) per ton. Values in bracket depict last month quotes.

Ready lift CPO duty paid prices quoted at Rs 774 (Rs 753) per 10 Kg and Sep delivery duty paid is offered at Rs 772 (Rs 751) per 10 kg. Ready lift RBD palmolein is quoted at Rs 850 (Rs 825) per 10 kg as on Sep 3, 2020. Values in brackets are figures of last month.

- On the parity front, margins fell during the month of Aug on higher price of palm oil products in international markets and we expect margins to improve in coming days. Currently refiners lose USD 5-10/ton (Aug average) v/s gain of USD 40-45/ton (July average) margin in processing the imported CPO but on the imports of ready to use palmolein lose USD 25-30/ton (July average) v/s gain of USD 25-30 (June average).

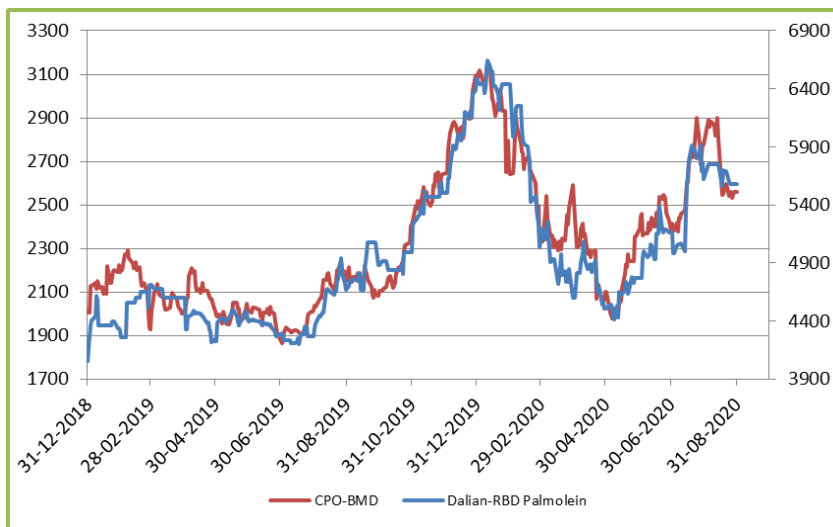
## International Palm oil Market Fundamentals

- Palm oil prices are likely to rise due to expectation of slow rise in end stocks of palm oil in Malaysia and Indonesia, fall in production of palm oil in Malaysia, rise in competing oils and rise in crude oil prices.

Palm oil stocks fell in Malaysia in July due to rise in exports and slow rise in production of palm oil and higher domestic demand of Malaysia.

Palm oil stocks are expected to fall in Aug in Malaysia on fall production of palm oil despite fall rate of growth of exports.

Palm oil production is expected to fall in Malaysia in Aug due to flooding and shortage of labor on COVID. However, production of palm oil will rise from Sep on seasonal uptrend of production on both Malaysia and Indonesia.



Due to heavy rains in East Malaysia and Kalimantan, Indonesia harvesting of fresh fruit bunches has slowed. These rains are due to La Nina pattern emerging in second half of 2020 in Southeast Asia. This pattern is expected to last through rest of 2020 will hamper palm oil production in both countries.

Further, Malaysia is grappling with labor shortage due to coronavirus effectively cutting resources to harvest palm leading to lower production. This trend may continue in August.

Palm oil global demand is expected to rise in Sep on firm demand on opening of various countries after especially from India and China.

Exports of palm oil fell 13 percent in Malaysia in July due to weak demand from India and EU while imports from China rose.

China has started to stock palm oil after opening of country from coronavirus. This is a broader trend where it is stocking almost all commodities it deems essential. China has indicated in past that it will try to stock to ensure food security as it is net importer commodities and as its relations are worsening across world.

Palm oil demand by India from Malaysia had decreased in Aug compared to July due to higher prices of palm oil.

Imports of palm oil from Malaysia by India rose in July due to toning down of tensions between India and Malaysia due to ouster of Mahatir Mohammad as PM of Malaysia and Malaysia buying India's sugar and rice in bulk. Also, Malaysia reduced CPO export duty to zero and Malaysia's CPO consignments are trading at discount to Indonesia's consignments. Further, Indonesia increasing export levy on exports of CPO has made its shipments of CPO uncompetitive.

However, India has restricted refined palm oil imports indicating Malaysia and Indonesia will only be able export CPO and that will net benefit refiners in Malaysia and Indonesia.

Use of biodiesel in Malaysia will rise in 2021 on Malaysia commitment to start B20 biodiesel norms from Sep. This will increase use of palm oil in biodiesel. Palm oil based biodiesel production will increase in Malaysia at 1.6 MMT in 2021 from 1.3 MMT in 2020. This will cut palm oil end stocks in Malaysia.

Indonesia has stuck with its biodiesel program despite fall in crude oil prices. The country has mandated 30 percent bio content in all type of gasoline and has planned 40 percent bio content by 2021 and has increased levy on CPO export to fund the program after 2020. However, Indonesia will fall short of biodiesel target due to higher prices of palm oil has led to lower Palm-Crude spread, pricing out palm oil compared to crude oil.

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

Palm oil prices are supported by rise in crude oil prices due to cut in production by OPEC and Russia to rebalance global crude oil markets.

- According to Malaysia Palm Oil Board (MPOB), Malaysia's July palm oil stocks fell 10.55 percent to 16.98 lakh tons compared to 18.98 lakh tons in June 2020. Production of palm oil in July fell 4.14 percent to 18.8 lakh tons compared to 18.86 lakh tons in June 2020. Exports of palm oil in July rose 4.19 percent to 17.82 lakh tons compared to 17.10 lakh tons in June 2020. Imports of palm oil in July rose 7.88 percent to 0.53 lakh tons

compared to 0.49 lakh tons in June 2020. End stocks of palm oil fell less compared to trade expectation of rise in stocks. Fall in stocks was mainly due to higher exports and lower production.

- According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's Aug palm oil exports fell 13.7 percent to 1,442,905 tons compared to 1,671,656 tons last month. Top buyers were China at 320,265 tons (301,131 tons), India at 308,500 tons (423,015 tons), European Union 254,535 tons (282,476 tons), United States at 45,480 tons (89,705 tons) and Pakistan at 0 tons (68,002 tons). Values in brackets are figures of last month.
- According of Indonesia Palm Oil Association (GAPKI), Indonesia palm oil exports in 2020 including refined palm oil exports is expected at 24.92 MMT from 30.63 MMT last year. Production of palm oil in 2020 is estimated at 46.02 MMT compared to 47.11 last year due to lower use on fertilizer on lower palm oil prices. Indonesia is estimated to export 33-35 MMT of palm oil in 2020.
- According to Indonesia Palm Oil Association (GAPKI), exports of palm oil (CPO and PKO), biodiesel and oleochemical exports from Indonesia rose by 13.99 percent in June m-o-m to 2.77 MMT from 2.43 MMT in May 2020. Exports from Indonesia fell by 1.1 percent in June y-o-y from 2.80 MMT recorded in June 2019. In the period Jan-June 2020 exports fell by 11.7 percent to 15.5 MMT from 17.55 MMT. Stocks of palm oil at the end of June was 3.95 MMT compared to May 2020 figure of 3.53 MMT, up 11.89 percent m-o-m. Stocks in June was higher by 11.27 percent from June 2019 which was reported at 3.55 MMT. Palm oil production in Jan-June 2020 is at 23.5 MMT vs. 25.8 MMT in corresponding period last year. Biodiesel production in Jan-June 2020 is reported at 4.88 Million KL while consumption was 4.18 Million KL. Exports of palm oil from Indonesia fell due to adverse effect of coronavirus faced by consuming countries.
- Policy review: Malaysian PM presented economic stimulus plan in Malaysian parliament, crude palm oil exports will be not be taxed in 2020. This will give boost to exports of palm oil struggling under rise in palm oil stocks. It is estimated that total of 1.0 MMT of extra shipments will be done by Malaysia in second half of 2020.

According to Indonesia trade ministry, Indonesia will not charge export duty on crude palm oil for August. Reference prices of August was set at USD 656.89 per ton compared to USD 622.47 per ton last month, below threshold price of USD 750 per ton. Export duty on CPO was brought down to zero ton in April due to fall in threshold price of USD 750 per ton. Indonesia charges export levy of USD 55 per ton on CPO prices above USD 570 per ton.

**Price Outlook:** We expect CPO Kandla 5 percent (without GST) to stay in the range of Rs 720-820 per 10 Kg in the near term.



## Rapeseed oil: Domestic Market Fundamentals

- Rapeseed oil featured firm trend at various markets on firm demand. All India arrivals of rapeseed fell in August.

Demand remained firm in the month of August on firm buying in cash markets due to rapeseed oil seen as immunity booster even as India opens its economy and people realize that they have to learn to live with coronavirus before vaccines arrive.

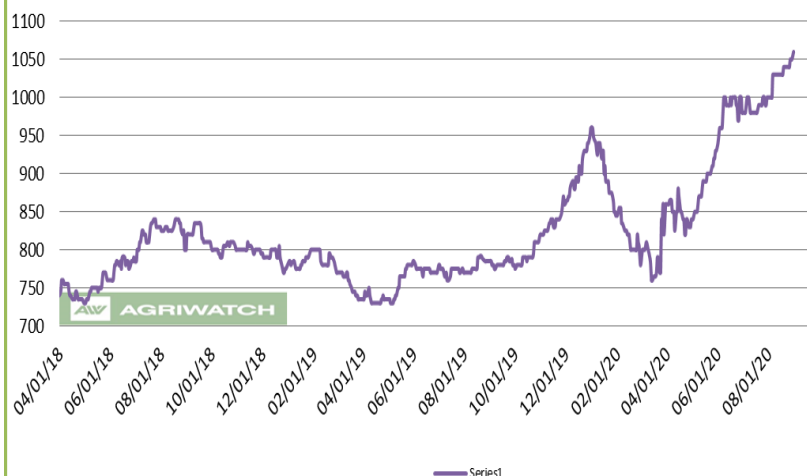
Demand of rapeseed oil may fall due to rise in its prices. Further prices of rapeseed has surged leading disparity in crushing of rapeseed oil. This may lead to lower production of rapeseed oil while demand of rapeseed oil remains firm. This will lend support to rapeseed oil.

Stock position of rapeseed oil is expected to tighten in coming months as firm demand draws down on stocks combined with lower imports of rapeseed oil. Lower carryout of rapeseed oil in oil year 2019-20 will lead to higher prices of rapeseed oil in this oil year.

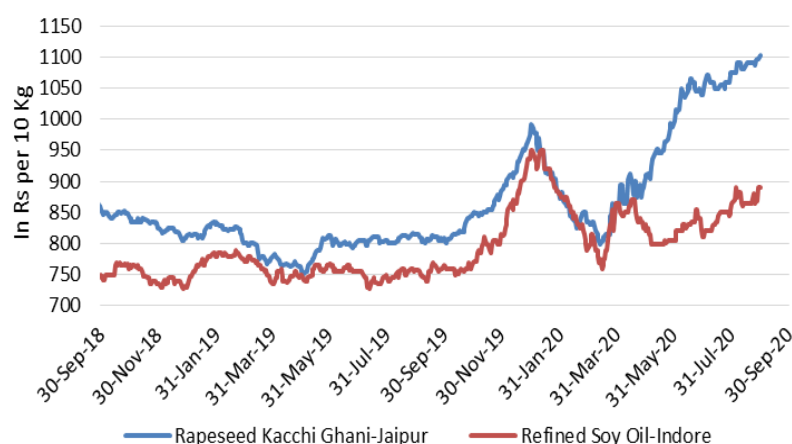
Rapeseed oil has surged in last three months may lead to oil substitution to cheaper oils like palm, soy and sun oils.

Demand of rapeseed oil will rise ahead of festivals in North and East India. However, lockdown imposed by West Bengal and Bihar may

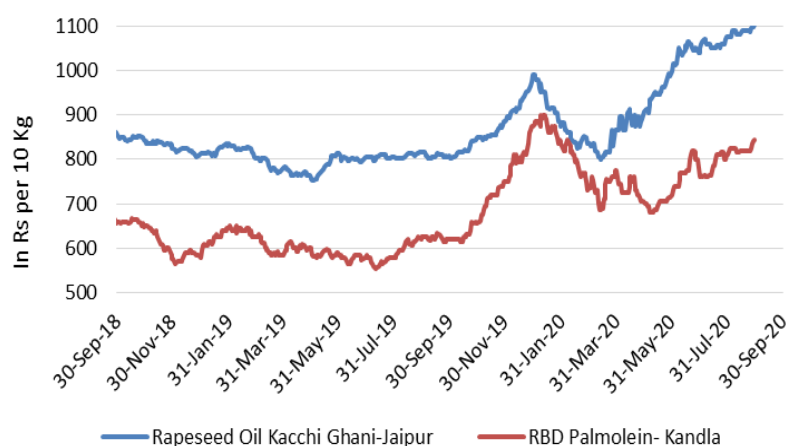
### Mustard Oil Price Trend (Kota Market)



### Comparison Between Rapeseed Oil & Refined Soy Oil



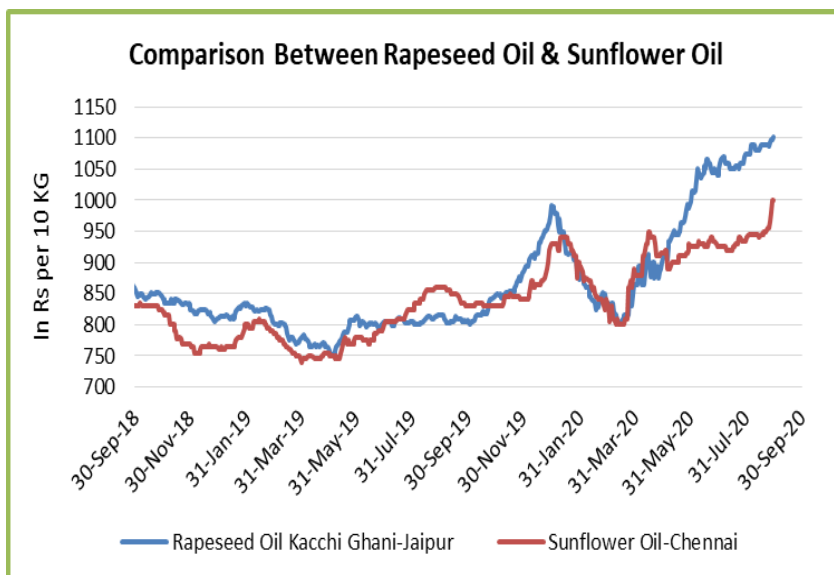
### Comparison Between Rapeseed Oil & RBD Palmolein



impact demand adversely.

Due to exceptional lockdown of India retail demand firmed as most of the population were confined at home and it is mostly used in home food. However, due to opening of India in passed will increase demand of palm oil as more people go outside home. So consumption of rapeseed oil may slow in coming months.

Rapeseed oil also substituted due to lower supply of domestic crushed soy oil as soy meal demand has waned.



Agriwatch estimates rapeseed crop in MY 2020-21 at 72 lakh tons compared to last year crop at 79 lakh tons. Lower crop of rapeseed in MY 2020-21 will support rapeseed and rapeseed oil prices

Arrivals of rapeseed fell at various key markets during the week. Better crush margins had encouraged mills to crush more in last five months. Arrivals will slow going ahead.

Cumulative purchase of K-19 rapeseed by NAFED has been 8.03 lakh tons and majority of the procurement is in Haryana and Rajasthan of 3.09 lakh tons and 3.46 lakh tons respectively. Total stocks after sale of mustard seed in MY 2019-20 is 3.30 lakh tons. Therefore, total stocks of rapeseed with NAFED stood at 11.33 lakh tons after the procurement.

Haryana, MP and Rajasthan has sold 3.3 lakh tons of old crop. Rajasthan is disposing K-19 stocks and around 0.40 lakh tons of new crop is sold. It will start K-19 sale after disposing K-18 stocks.

MP has sold 0.15 lakh tons of new crop and 0.50 lakh tons procured.

Haryana has sold 1.0 lakh tons of new crop after disposing old crop. Around 2.1 lakh tons of new stock is left after sale. HAFED has sold 1.5 lakh tons from procured quantity of 4.5 lakh tons.

So, stock left with NAFED is 5.51 lakh tons plus 3.0 lakh tons with HAFED.

High premium of Jaipur kacchi ghani rapeseed oil over refined soy oil in domestic market will cap gains in rapeseed oil prices.

Jaipur kacchi ghani rapeseed oil premium over RBD palmolein is high will cap gains in rapeseed oil prices.

There was no import of canola oil in the last 4 months. Imports of canola oil is 0.17 lakh tons in oil year 2019-20 (Nov-19-Oct-20) v/s 0.59 lakh tons last oil year indicating weak demand. Lower imports of canola oil will stretch rapeseed oil balance sheet in oil year 2019-20 (Nov-Oct).

Prices of rapeseed oil will remain be supported owing to falling stocks of rapeseed oil in domestic market.

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





- Rapeseed oil import scenario- India imported 0.0 lakh tons rapeseed (Canola) oil in July 2020 v/s 0.15 lakh tons imports in July 2019. In the oil year 2019-20 (Nov 2019-July 2020) imports were 0.17 lakh tons compared to 0.59 lakh tons in last oil year, down 71.18 percent y-o-y.
- Currently, RM oil at Jaipur market (expeller) is offered at Rs 1090 (Rs 1047) per 10 Kg and at Kota market is quoted around Rs 1060 (Rs 1000) per 10 kg as on Sep 3, 2020. 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 1000-1150 per 10 Kg.

## Sunflower oil: Domestic Market Fundamentals

- Sunflower oil featured firm trend at its various markets in India during the month of August on firm demand and rise in prices of sunflower oil in international markets due to lower crop of sunflower in Ukraine.

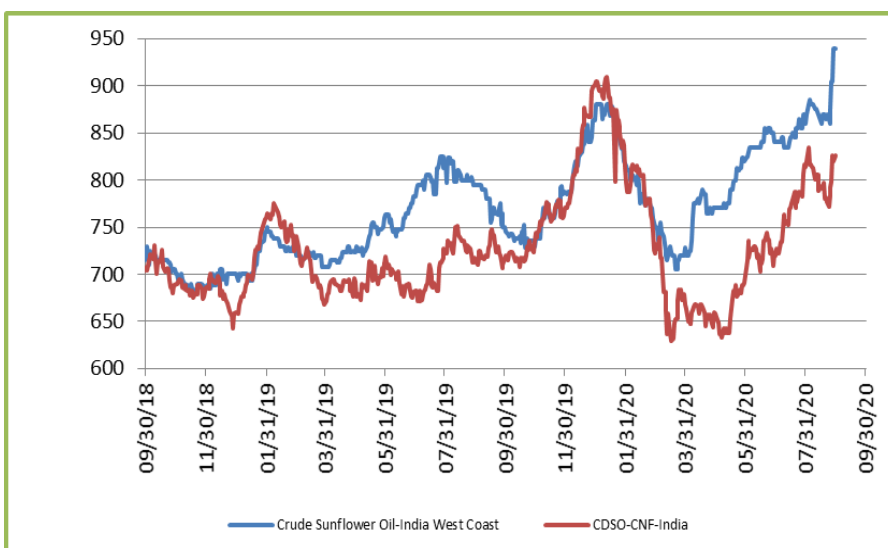
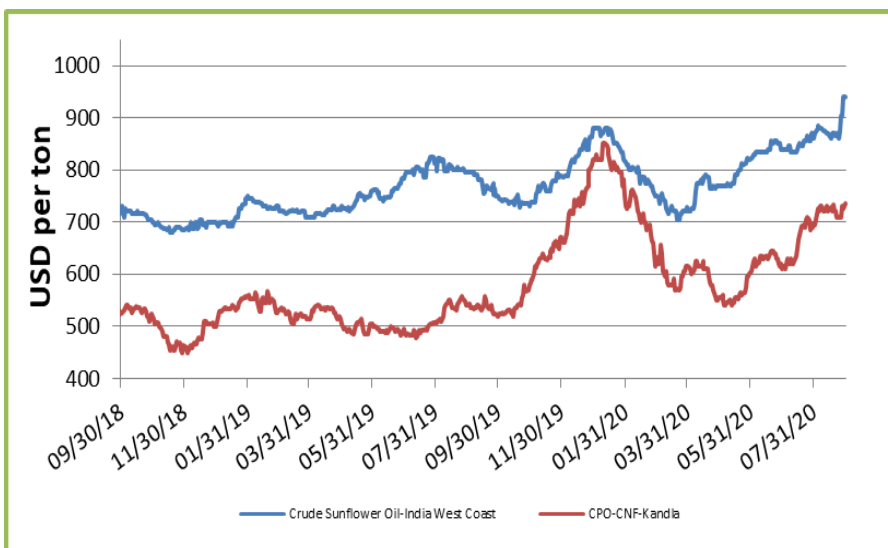
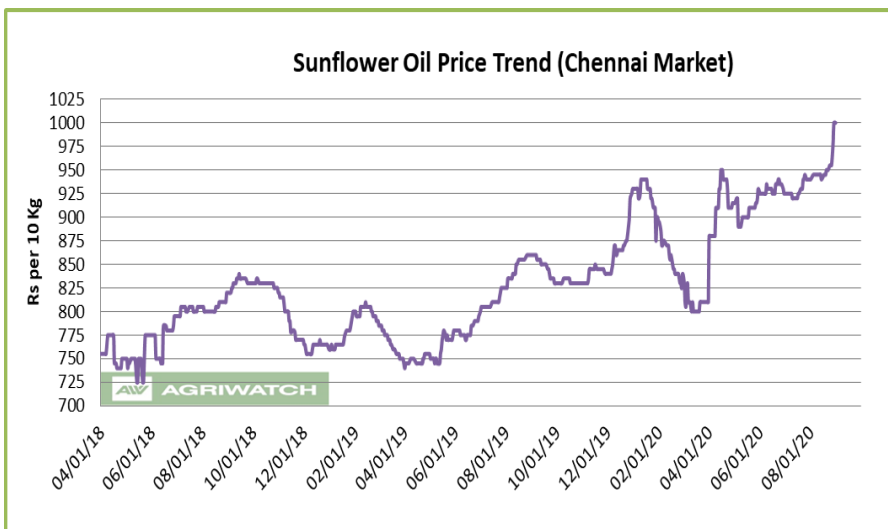
Sunflower oil prices rose less at high seas compared to CNF markets indicating weak demand at high seas.

Sunflower oil is mainly used in home consumption and demand has risen in in home consumption due to less out of home consumption especially palm oil. Consumption has risen about 20 percent in some states.

Sunflower oil prices rose in Aug on rise palm oil and soy oil prices. Sunflower oil prices are mostly correlated to soy oil prices in domestic market. CNF prices of sunflower oil and soy oil are diverging. Further, the prices have diverging in domestic market.

Old stock of sunflower is discharged and fresh stocking has not started.

Carryout of sunflower oil will fall in oil year 2019-20 due to rise in consumption. Further, imports may capped from here due to high premium over soy oil and palm oil may lead to fall in end stocks.



Imports of sunflower oil rose in July due to positive import parity and positive refining margins and higher use due to replacement demand of palm oil as less use of palm oil in out of home use.

Import demand of sunflower oil may slow due to negative import parity and refining margins. Import parity and refining margins parity fell last month on rise in prices of sunflower oil in international markets.

However, imports of sunflower oil may rise in oil year 2019-20 due to replacement demand of palm oil, lower stocks of sunflower oil in India in 2019-20 compared to last oil year and lower stocks of sunflower oil at India ports and pipelines. This may lead to higher imports of sunflower oil in coming months. Imports will rise by 20 percent from last year and will end the oil year above 2.7 MMT.

Depreciation of Rupee in coming months will make imports costly and will limit sunflower oil imports in coming months.

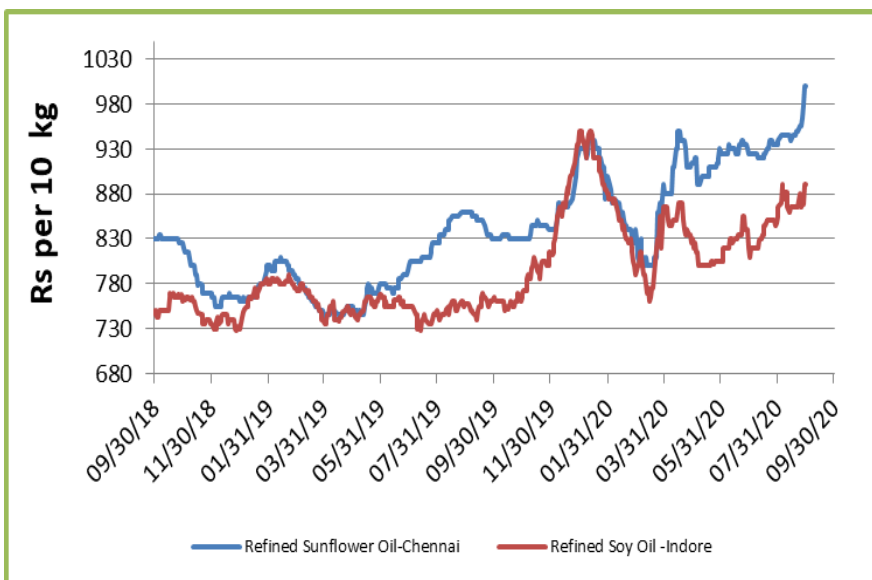
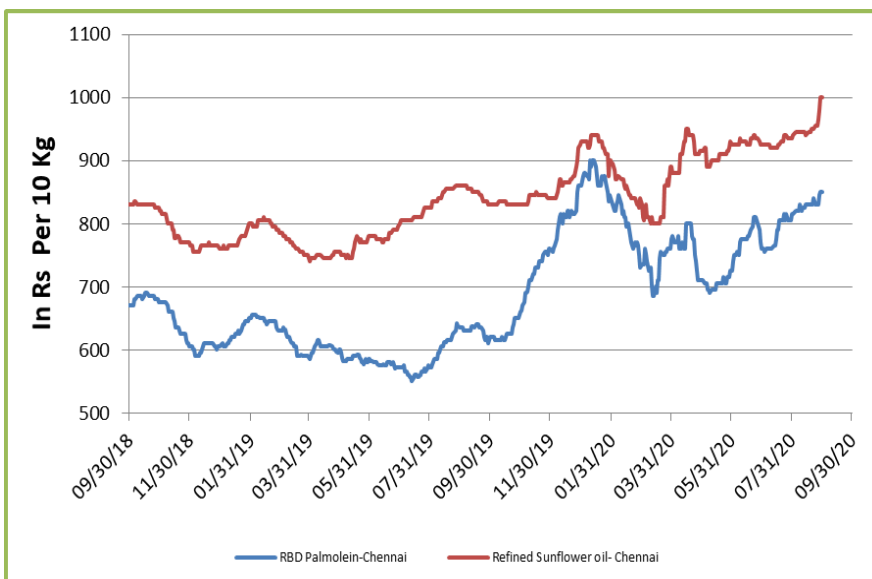
In Ukraine, the Sunflower crop in 2020-21 is expected to be lower than last year. This will keep sunflower CNF prices supported in coming months.

Prices of sunflower oil are expected to rise on firm demand and rise in prices of sunflower oil in international markets.

Rising premium of CSFO over CDSO in CNF markets and domestic markets coupled with rising premium of sunflower oil at CNF markets and domestic market will cap its prices in medium term. Further, falling discount of sunflower oil over groundnut will cap gains in its prices.

Prices of sunflower oil are expected to remain in a range with upward bias in September.

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



- Sunflower oil imports scenario- According to Solvent Extractors Association (SEA), Sunflower oil imports rose 3.98 percent y-o-y in July to 2.09 lakh tons from 2.01 lakh tons in July 2019. Imports in oil year 2019-20 (November 2019-July 2020) were reported higher by 15.36 percent y-o-y at 21.17 lakh tons compared to 18.35 lakh tons in last oil year.
- All India Kharif sowing reached 1.113 lakh hectares as on 28.08.2020 compared to 0.863 lakh hectares in corresponding period last year. Sowing is higher in Karnataka, Andhra Pradesh and Maharashtra.
- On the trade front, CIF sunflower oil prices (Ukraine origin) at West coast of India quoted at USD 980 (USD 875) per ton for Sep delivery delivery, Oct delivery is quoted at USD 950 (USD 860) per ton and ND delivery is quoted at USD 930 per ton. CNF sun oil (Ukraine origin) August monthly average was at USD 880.87 per ton compared to USD 847.22 per ton in July. Values in brackets are figures of last week.
- Prices are likely to stay in the range of USD 940-1040 per ton in the near term. CNF Sunflower oil premium over CDSO is hovering at USD 149 (USD 65 last week) per ton for Sep delivery. CNF sunflower oil premium over RBD palmolein is hovering around USD 220 (USD 160) per ton.
- Currently, refined sunflower oil at Chennai market is offered at Rs 1010 (Rs 945) per 10 Kg, and at Kandla/Mudra market, it is offered at Rs 1020 (Rs 970) per 10 kg as on Sep 3, 2020. 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 950-1100 per 10 Kg.

## Groundnut oil: Domestic Market Fundamentals

- Groundnut oil featured weak trend during the month in review on weak demand as prices of groundnut oil has surged.

Groundnut oil demand has weakened due to seasonal slowdown of demand and expectation of fall in its prices in coming days.

Groundnut oil demand was expected fall also due to its high premium over soy oil, sunflower oil and palm oil prices, which led to higher demand of these other oils and hence higher imports of palm and sunflower oil.

Groundnut oil demand is low due to lower purchasing power with consumers on COVID leading to oil substitution.

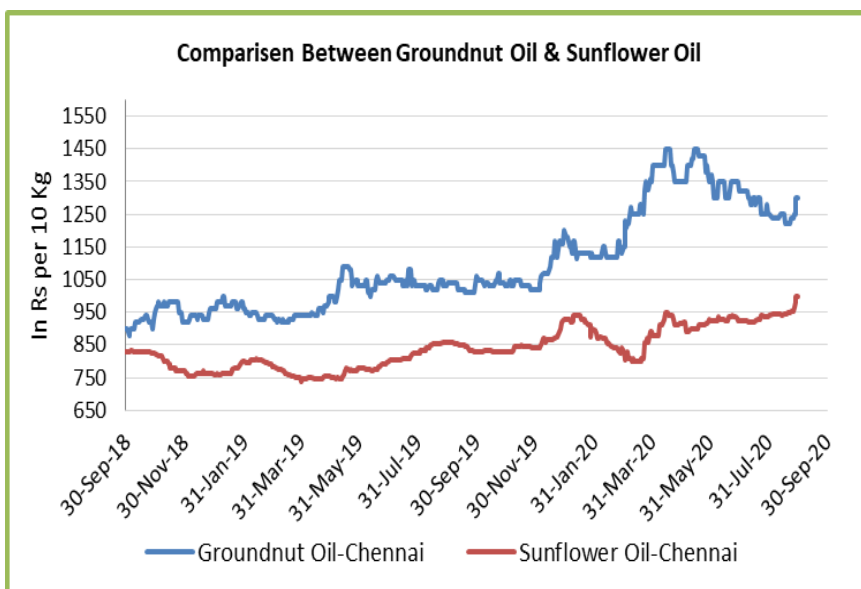
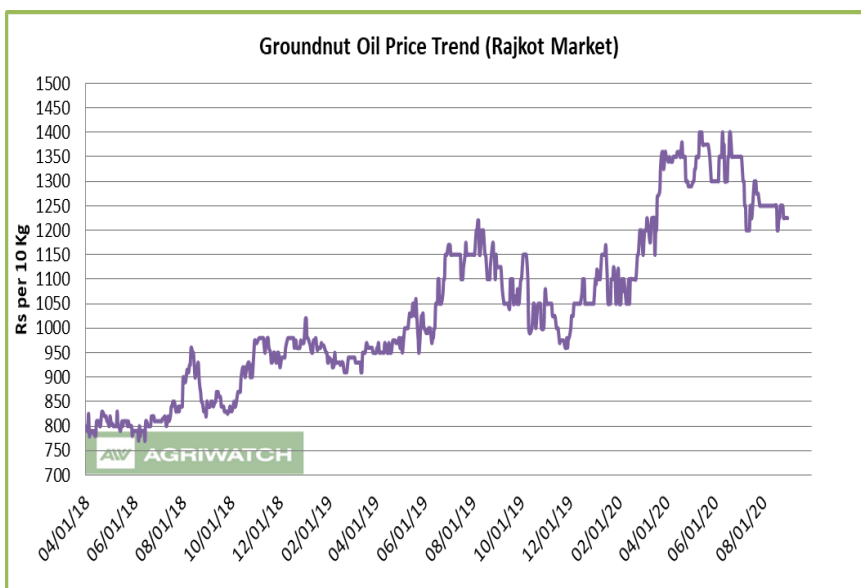
Groundnut oil demand will rise in October ahead of festivals. Need based demand of groundnut oil is from outside Gujarat.

There are less numbers of mills operating due to low stocks of groundnut and labor shortage.

Demand for groundnut meal is also low. There is parity in crush of groundnut.

Exports of groundnut oil has improved in July from weak May and June as Indian prices were competitive Imports are mainly to China in Apr-July 2020. Moreover, the pace of exports of groundnut has increased due to strong demand from importing nations, mainly Indonesia due to lower prices quoted at India FOB mostly on higher demand from Indonesia.

Groundnut sowing is higher compared to last year. However, due to incessant rains in Gujarat will affect groundnut crop adversely. However, despite fall in the yield this crop will be higher than last year due to higher area.



NAFED has procured 7.21 lakh tons of K-19 groundnut. NAFED stocks of K-18 groundnut is 1.38 lakh tons at the end of sale of groundnut. NAFED has sold total stock of whole K-18 crop. Further, sales of K-19 in Gujarat is around 2.0 lakh tons in Gujarat and 0.5 lakh tons in Rajasthan. Therefore, stocks left in Gujarat and Rajasthan is around 2.8 lakh tons and 1.9 lakh tons respectively. So total stock left with NAFED is 4.7 lakh tons.

Sales of groundnut picked up due to millers stocking ahead of festivals and NAFED quoting lower rates. Further, arrivals has decreased leading to higher demand from NAFED.

However, if rains adversely affect groundnut crop then NAFED demand will rise.

In South India, prices weekend on weak demand and parity with Gujarat. Prices of groundnut fell as demand season in South India is over. Stock position of groundnut oil is good. Groundnut sowing is higher compared to last year and crop condition is good will increase yields leading to higher crop size. Prices may fall in Sep as the peak demand season has ended.

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

- Groundnut oil exports more than doubled to 7,611 tons in Apr-May 2020, from 2,954 tons in corresponding period last year. It was mainly exported to China at 7,266 tons.
- According to Ministry of Agriculture, sowing of groundnut is reported at 50.364 lakh hectares as on 28.08. 2020 compared to 37.071 lakh hectares in corresponding period last year. Sowing is reported higher in all the states.
- On the price front, currently the groundnut oil prices in Rajkot is hovering near Rs 12,500 (13,500) per quintal and quoting at Rs 12,400 (Rs 13,500) per quintal in Chennai market.
- Groundnut oil prices are likely to trade with a sideways to weak tone in the coming days.

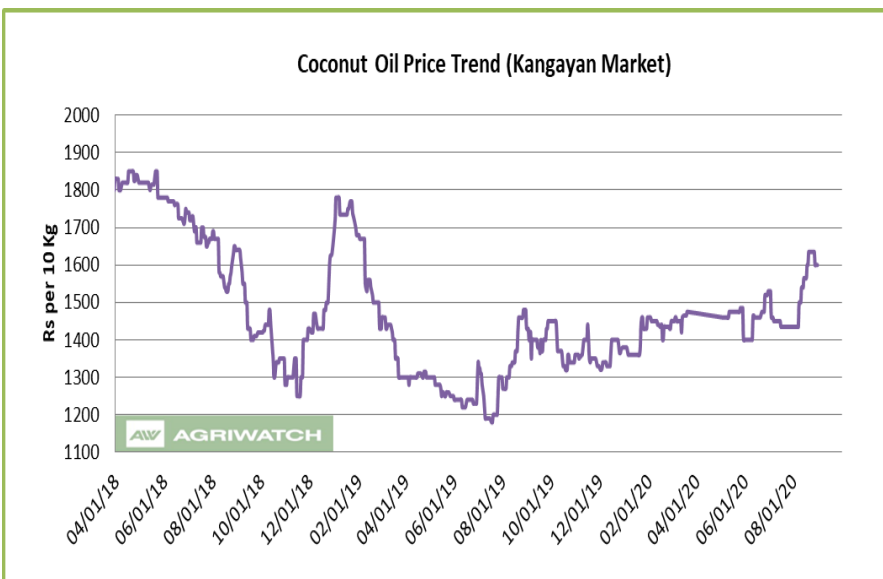
**Price Outlook:** We expect Groundnut oil (Rajkot) to trade in the price band of Rs 1150-1350 per 10 Kg.

## Coconut oil: Domestic Market Fundamentals

➤ Coconut oil benchmark market Kangayam prices were quoted higher for the month due to weak supply.

Supply of coconut oil is weak due to lower crush of copra on labor shortage.

Harvest of coconut has slowed due to incessant rains in South India. Moreover, there is problem of drying of copra due to wet conditions leading to lower crush of copra.



Rise in prices of palm oil and sunflower oil supported prices.

Demand of coconut oil may fall due to rise in its prices.

Demand may weaken as Onam demand is over and upcountry demand was weak.

Demand from North India is weak.

However, demand is supported by coconut oil distributed by civil supplies of various governments coupled with state agencies selling coconut oil at subsidized rates.

Demand fell due to rise in its prices and high premium over palm oil and sunflower oil.

Demand of copra is improving due to opening of India in various phases. Copra prices will be supported by Tamil Nadu government procurement of copra at MSP.

Millers operating capacity is improving due to improving demand in food and industrial segment and branded segment. Demand of coconut may fall, as there is demand destruction in costly oils like coconut oil, on weak sentiment and weak purchasing power in the country due to coronavirus. However, due to opening of the country demand may revive in coming days.

Traders are selling copra to international markets like Bangladesh as demand at home is less and stocks is high. Further, many consignments of coconut oil have been shipped to Middle East and Taiwan.

Prices of coconut oil prices rose in Kerala on rise in prices of copra.

Retail demand is firm in Kerala.

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

Higher coconut oil prices may increase RBD palmolein consumption. Prices of RBD palmolein are competitive compared to coconut oil. However, coconut consumers generally do not shift out of its consumption irrespective of prices.

There is higher trade of coconut products due to higher demand from importing countries. Regular supply by Indian companies to international markets during COVID lockdown has won them international buyers.

India has imposed higher import duty on desiccated coconut (DC) to stop surge in imports of desiccated coconut (DC), which has improved demand of domestic 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. Import above Rs 150 per kg is free while below these prices imports are restricted.

India is importing 15000 tons of copra under license to export coconut oil derived from such copra. However, Indian importers are selling coconut oil derived from copra imported from Indonesia in domestic market as it is of high quality and exporting Indian coconut oil. So, good quality coconut oil in Indian market is from imported copra.

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.

Prices are expected to fall in September on weak demand. Prices are expected to trade sideways to weak in medium term.

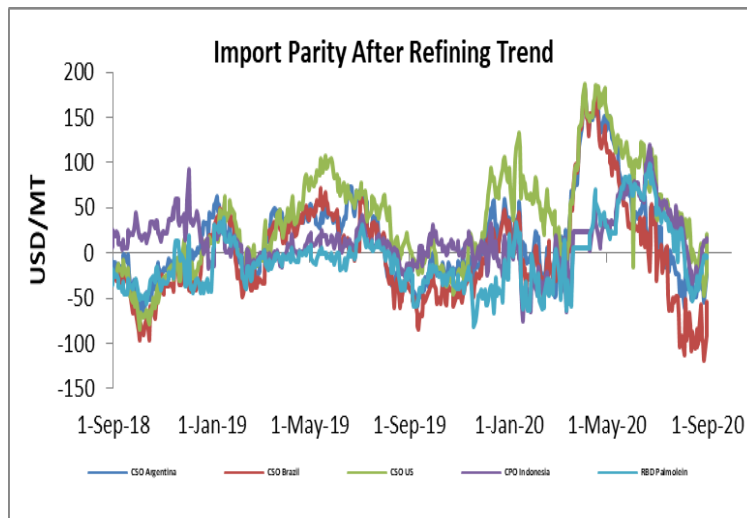
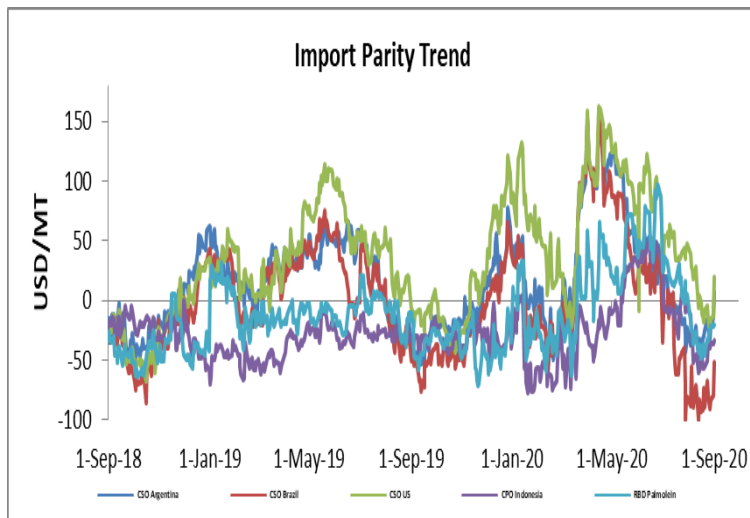
- On the price front, currently the coconut oil prices in Kochi are hovering near Rs 15,600 (14,900) per quintal, and Rs 16,000 (14,350) per quintal in Erode market on Sep 3, 2020.
- Coconut oil prices may trade sideways to weak tone tracking weak demand in ready markets.

**Price Outlook:** We expect coconut oil (Erode) to trade in the price band of Rs 1450-1650 per 10 Kg.



### Import Parity Trend

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

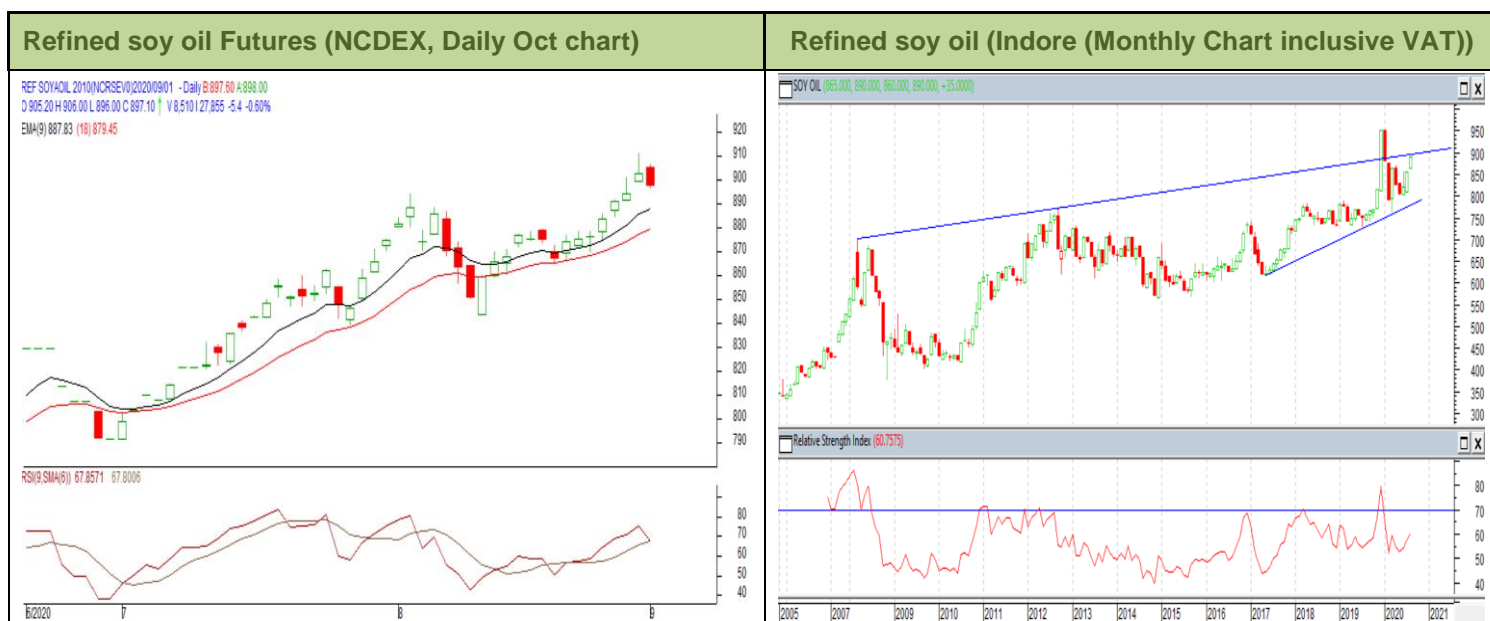


|                   | CSO Argentina | CSO Brazil | CSO US | CPO Indonesia | RBD Palmolein |
|-------------------|---------------|------------|--------|---------------|---------------|
| <b>June, 2020</b> | 38.97         | 22.94      | 90.91  | 81.54         | 73.90         |
| <b>July, 2020</b> | -10.86        | -39.27     | 45.52  | 43.63         | 29.19         |
| <b>Aug, 2020</b>  | -35.60        | -90.75     | -3.50  | -8.31         | -26.33        |

### Outlook:-

Import parity for CDSO Argentina fell due to rise in prices of soy oil in international markets. We expect CDSO import parity to improve in September due to higher prices of soy oil in Indian markets. Parity in CPO is higher than RBD palmolein. Parity in CPO may decrease its imports. Palm oil parity will rise 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 (Ocotber contract) on dips.

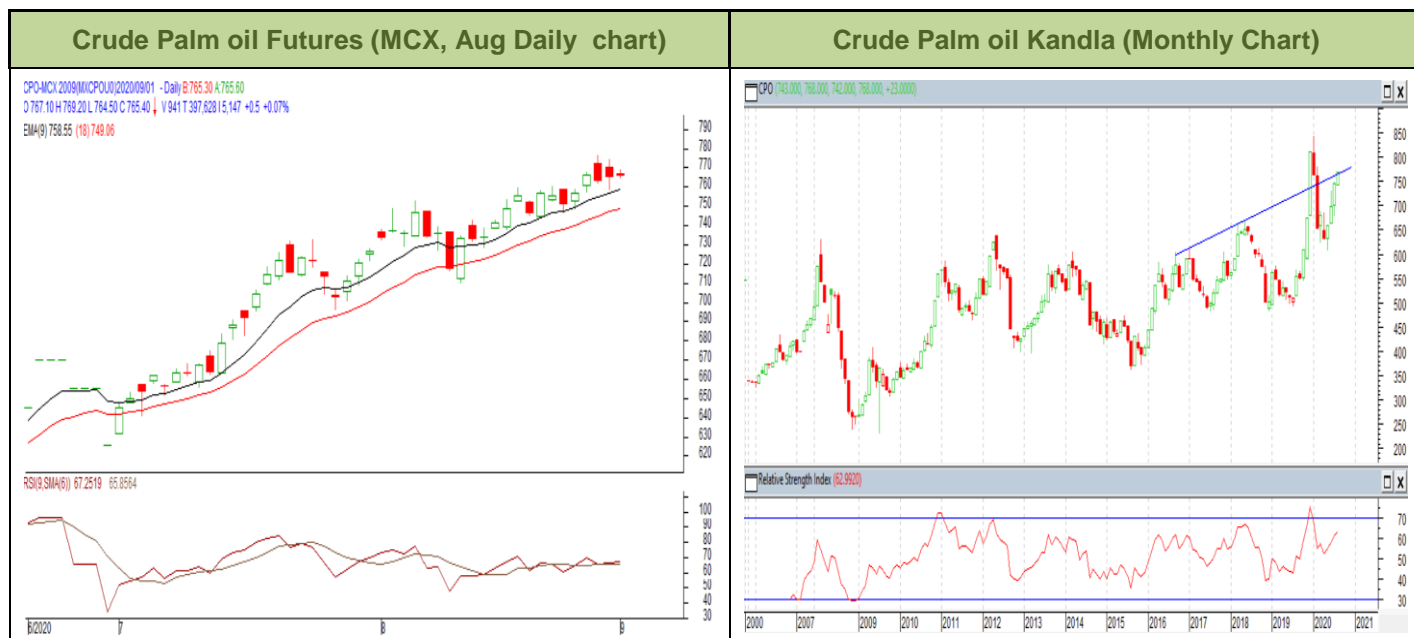
- Monthly chart of refined soy oil at NCDEX featured losses in the prices. We expect sideways to firm movement in the coming days.
- Any close above 900 in monthly chart will bring prices to 940 levels.
- Expected price band for next month is 850-940 level in near to medium term. RSI and MACD are indicating uptrend at current levels.

**Strategy:** Market participants are advised to go long in RSO above 880 for a target of 900 and 905 with a stop loss at 870 on closing basis.

#### RSO NCDEX

| Support and Resistance |        |       |        |        |
|------------------------|--------|-------|--------|--------|
| S2                     | S1     | PCP   | R1     | R2     |
| 862.00                 | 871.00 | 888.4 | 900.00 | 920.00 |

**Spot Market outlook:** Refined soy oil Indore (including VAT) is likely to stay in the range of 840-940 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 (September 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 above 770 in monthly chart might bring the prices to 790 levels.
- Expected price band for next month is 720-800 level in near to medium term. RSI and MACD are indicating uptrend.

**Strategy:** Market participants are advised to go long in CPO above 755 for a target of 775 and 780 with a stop loss at 745 on closing basis.

**CPO MCX**

| Support and Resistance |        |        |        |        |
|------------------------|--------|--------|--------|--------|
| S2                     | S1     | PCP    | R1     | R2     |
| 733.00                 | 744.00 | 760.80 | 778.00 | 790.00 |

**Spot Market outlook:** Crude palm oil Kandla is likely to stay in the range of 720-820 per 10 Kg.

**Monthly spot prices comparison**

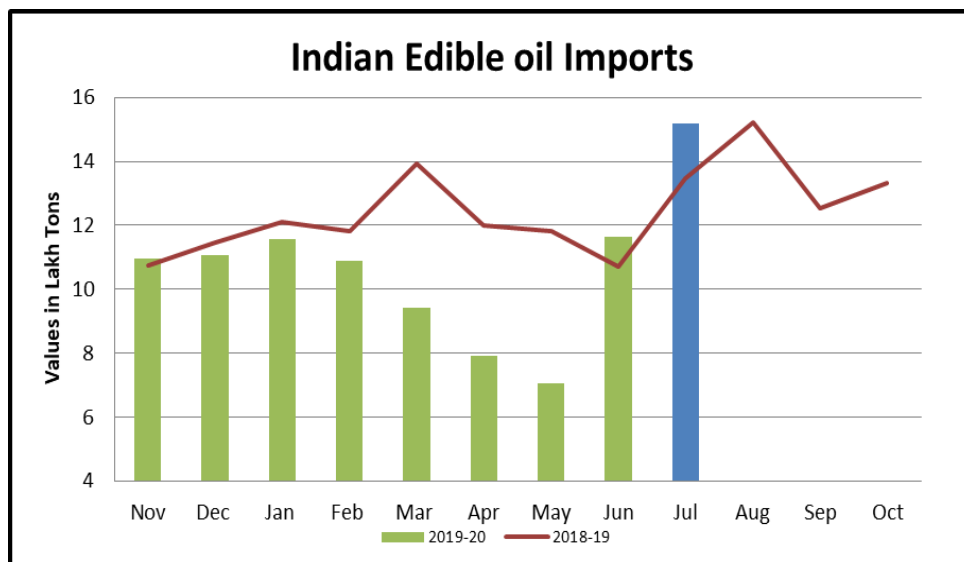
| Commodity             | Centre                        | Prices(Per 10 Kg) |           | Change |
|-----------------------|-------------------------------|-------------------|-----------|--------|
|                       |                               | 31-Aug-20         | 31-Jul-20 |        |
| Refined Soybean Oil   | Indore                        | 890               | 855       | 35     |
|                       | Indore (Soy Solvent Crude)    | 855               | 815       | 40     |
|                       | Mumbai                        | 885               | 850       | 35     |
|                       | Mumbai (Soy Degum)            | 848               | 815       | 33     |
|                       | Kandla/Mundra                 | 880               | 855       | 25     |
|                       | Kandla/Mundra (Soy Degum)     | 850               | 815       | 35     |
|                       | Kolkata                       | 885               | 850       | 35     |
|                       | Delhi                         | 932               | 905       | 27     |
|                       | Nagpur                        | 909               | 930       | -21    |
|                       | Rajkot                        | 880               | 845       | 35     |
|                       | Kota                          | 890               | 855       | 35     |
|                       | Hyderabad                     | -                 | -         | -      |
|                       | Akola                         | 908               | 870       | 38     |
|                       | Amrawati                      | 905               | 868       | 37     |
|                       | Bundi                         | 895               | 860       | 35     |
|                       | Jalna                         | 912               | 940       | -28    |
|                       | Solapur                       | 898               | 920       | -22    |
|                       | Dhule                         | 895               | 940       | -45    |
| Palm Oil*             | Kandla (Crude Palm Oil)       | 806               | 782       | 24     |
|                       | Kandla (RBD Palm oil)         | 861               | 830       | 32     |
|                       | Kandla RBD Pamolein           | 887               | 851       | 37     |
|                       | Kakinada (Crude Palm Oil)     | 777               | 730       | 47     |
|                       | Kakinada RBD Pamolein         | 882               | 840       | 42     |
|                       | Haldia Pamolein               | 887               | 851       | 37     |
|                       | Chennai RBD Pamolein          | 893               | 856       | 37     |
|                       | KPT (krishna patnam) Pamolein | 887               | 845       | 42     |
|                       | Mumbai RBD Pamolein           | 914               | 877       | 37     |
|                       | Mangalore RBD Pamolein        | 903               | 866       | 37     |
|                       | Tuticorin (RBD Palmolein)     | 900               | 858       | 42     |
|                       | Delhi                         | 925               | 890       | 35     |
|                       | Rajkot                        | 882               | 845       | 37     |
|                       | Hyderabad                     | 850               | 807       | 43     |
|                       | PFAD (Kandla)                 | 541               | 525       | 16     |
|                       | Refined Palm Stearin (Kandla) | 777               | 730       | 47     |
|                       | Superolien (Kandla)           | 882               | 872       | 11     |
|                       | Superolien (Mumbai)           | 903               | 882       | 21     |
| * inclusive of GST    |                               |                   |           |        |
| Refined Sunflower Oil | Chennai                       | 1000              | 935       | 65     |

|                          |                                    |      |      |      |
|--------------------------|------------------------------------|------|------|------|
|                          | Mumbai                             | 1000 | 950  | 50   |
|                          | Mumbai(Expeller Oil)               | 960  | 910  | 50   |
|                          | Kandla (Ref.)                      | 1020 | 960  | 60   |
|                          | Hyderabad (Ref)                    | 1000 | 940  | 60   |
|                          | Latur (Expeller Oil)               | 910  | 890  | 20   |
|                          | Chellakere (Expeller Oil)          | 920  | 900  | 20   |
|                          | Erode (Expeller Oil)               | 1000 | 975  | 25   |
|                          |                                    |      |      |      |
| Groundnut Oil            | Rajkot                             | 1225 | 1250 | -25  |
|                          | Chennai                            | 1300 | 1250 | 50   |
|                          | Delhi                              | 1260 | 1260 | Unch |
|                          | Hyderabad *                        | 1250 | 1300 | -50  |
|                          | Mumbai                             | 1280 | 1280 | Unch |
|                          | Gondal                             | 1225 | 1250 | -25  |
|                          | Jamnagar                           | 1225 | 1250 | -25  |
|                          |                                    |      |      |      |
| Rapeseed Oil/Mustard Oil | Jaipur (Expeller Oil)              | 1074 | 1047 | 27   |
|                          | Jaipur (Kacchi Ghani Oil)          | 1102 | 1075 | 27   |
|                          | Kota (Expeller Oil)                | 1060 | 1000 | 60   |
|                          | Kota (Kacchi Ghani Oil)            | 1100 | 1060 | 40   |
|                          | Neewai (Expeller Oil)              | 1080 | 1045 | 35   |
|                          | Neewai (Kacchi Ghani Oil)          | 1090 | 1055 | 35   |
|                          | Bharatpur (Kacchi Ghani Oil)       | 1100 | 1060 | 40   |
|                          | Sri-Ganga Nagar(Exp Oil)           | 1065 | 1025 | 40   |
|                          | Sri-Ganga Nagar (Kacchi Ghani Oil) | 1105 | 1065 | 40   |
|                          | Mumbai (Expeller Oil)              | 1100 | 1020 | 80   |
|                          | Kolkata(Expeller Oil)              | 1170 | 1120 | 50   |
|                          | New Delhi (Expeller Oil)           | 1080 | 1040 | 40   |
|                          | Hapur (Expeller Oil)               | 1070 | 1020 | 50   |
|                          | Hapur (Kacchi Ghani Oil)           | 1100 | 1050 | 50   |
|                          | Agra (Kacchi Ghani Oil)            | 1105 | 1065 | 40   |
|                          |                                    |      |      |      |
| Refined Cottonseed Oil   | Rajkot                             | 900  | 850  | 50   |
|                          | Hyderabad                          | 840  | 815  | 25   |
|                          | Mumbai                             | 915  | 870  | 45   |
|                          | New Delhi                          | 865  | 830  | 35   |
|                          |                                    |      |      |      |
| Coconut Oil              | Kangayan (Crude)                   | 1600 | 1435 | 165  |
|                          | Cochin                             | 1530 | 1500 | 30   |
|                          |                                    |      |      |      |
| Sesame Oil               | New Delhi                          | 1400 | 1470 | -70  |
|                          | Mumbai                             | NA   | 0    | -    |

|   |           |           |           |        |
|---|-----------|-----------|-----------|--------|
| Kardi   | Mumbai    | NA        | 0         | -      |
| Rice Bran Oil (40%)                                 | New Delhi | 812       | 765       | 47     |
| Rice Bran Oil (4%)                                  | Punjab    | 860       | 790       | 70     |
|   |           |           |           |        |
| Malaysia Palmolein USD/MT                           | FOB       | Closed    | 685       | -      |
|   | CNF India | 745       | 708       | 37     |
| Indonesia CPO USD/MT                                | FOB       | Closed    | 668       | -      |
|   | CNF India | 735       | 698       | 37     |
| RBD Palm oil (Malaysia Origin USD/MT)               | FOB       | Closed    | 683       | -      |
| RBD Palm Stearin (Malaysia Origin USD/MT)           | FOB       | Closed    | 658       | -      |
| RBD Palm Kernel Oil (Malaysia Origin USD/MT)        | FOB       | Closed    | 760       | -      |
| Palm Fatty Acid Distillate (Malaysia Origin USD/MT) | FOB       | Closed    | 575       | -      |
| Crude palm Kernel Oil India (USD/MT)                | CNF India | 830       | 770       | 60     |
| Ukraine Origin CSFO USD/MT Kandla                   | CIF       | 940       | 860       | 80     |
| Rapeseed Oil Rotterdam Euro/MT                      | FOB       | 795       | 790       | 5      |
|   |           |           |           |        |
| Argentina FOB (\$/MT)                               |           | 31-Aug-20 | 31-Jul-20 | Change |
| Crude Soybean Oil Ship                              |           | 756       | 771       | -15    |
| Refined Soy Oil (Bulk) Ship                         |           | 782       | 798       | -16    |
| Sunflower Oil Ship                                  |           | 810       | 780       | 30     |
| Cottonseed Oil Ship                                 |           | 736       | 751       | -15    |
| Refined Linseed Oil (Bulk) Ship                     |           | NA        | 0         | -      |
| * indicates including GST                           |           |           |           |        |

### Annexure:

#### Indian Edible Oil Imports Scenario –:



As per Solvent Extractors' Association of India, India imported 14.52 million tons of veg. oils in the 2017-18 oil year. Edible oils imports were 14.91 million tons 2018-19 (November 2018-October 2019). Edible oils (including CPO, CDSO, CSFO, and RBD Palmolein imports for July is pegged at 15.17 lakh tons. Edible oils (including CPO, CDSO, CSFO, and RBD Palmolein imports for (Nov 2019-July 2020) is pegged at 95.69 lakh tons.

#### Indian Supply and Demand Scenario:

| Balance sheet of Indian Edible Oil | 2017-18 | 2018-19 | 2019-20-F | % Change |
|------------------------------------|---------|---------|-----------|----------|
| Value in million tons              |         |         |           |          |
| Beginning Stock                    | 7.77    | 6.65    | 4.37      | -34.31%  |
| Production                         | 8.50    | 8.39    | 8.45      | 0.72%    |
| Imports                            | 14.52   | 14.91   | 13.68     | -8.23%   |
| Total Supply                       | 30.79   | 29.95   | 26.50     | -11.52%  |
| Exports                            | 0.02    | 0.02    | 0.02      | 0.00%    |
| Total Demand(Consumption)          | 24.12   | 25.56   | 24.54     | -4.00%   |
| Ending Stock                       | 6.65    | 4.37    | 1.94      | -55.53%  |

\* Value in million tons

#### Balance Sheet Highlights

Net edible oil output is likely to be 8.45 million tons (up 0.72 percent y-o-y basis) in 2019-20 led by higher oilseed sowing in Kharif and rabi season in the current oil year.

On import front, edible oil imports seen at 13.68 million tons for 2019/20 oil year v/s 14.91 million tons last year.

On the consumption side, India's edible oil consumption for 2019-20 oil year seen at 24.54 million tons, lower by 4.0 percent from last year. Ending stocks are projected higher compared to 2019-20 at 1.94 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. \*\* 2019-19- SEA of India & 2019-20 Agriwatch Estimates, \*\*\* (USDA estimates).

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

| <b>Landed Cost Calculation as on 04/09/2020</b>                      | <b>CSO Argentina</b> | <b>CSO Brazil</b> | <b>CSO US</b>  | <b>CPO Indonesia</b> | <b>RBD Palmolein Malaysia</b> |
|--|----------------------|-------------------|----------------|----------------------|-------------------------------|
| FOB USD per ton  | 771                  | 836               | 753            | 725                  | 748                           |
| Freight (USD/MT)   | 47                   | 47                | 47             | 35                   | 26.0                          |
| C & F  | 818.0                | 883.0             | 800.0          | 760.0                | 774.0                         |
| Weight loss (0.25% of FOB)   | 1.93                 | 2.09              | 1.88           | 1.81                 | 1.87                          |
| Finance charges (0.4% on CNF)  | 3.27                 | 3.53              | 3.20           | 3.04                 | 3.10                          |
| Insurance (0.3% of C&F)  | 2.45                 | 2.65              | 2.40           | 2.28                 | 2.32                          |
| CIF (Indian Port - Kandla)   | 826                  | 891               | 807            | 767                  | 781                           |
| Duty (Values in USD per tons)  | 316.09               | 316.09            | 316.09         | 301.13               | 378.18                        |
| GST (5% on duty) USD per ton   | 15.80                | 15.80             | 15.80          | 15.06                | 18.91                         |
| Exchange rate  | 73.14                | 73.14             | 73.14          | 73.14                | 73.14                         |
| Landed cost without customs duty in INR per ton                      | 60388                | 65188             | 59059          | 56108                | 57143                         |
| Customs duty %   | 35.00%               | 35.00%            | 35.00%         | 37.50%               | 45.00%                        |
| Social Welfare Surcharge@10%   | 3.50%                | 3.50%             | 3.50%          | 3.75%                | 4.50%                         |
| Total Duty %   | 38.50%               | 38.50%            | 38.50%         | 41.25%               | 49.50%                        |
| Base import price  | 821                  | 821               | 821            | 730                  | 764                           |
| Fixed exchange rate by customs department                            | 74.10                | 74.10             | 74.10          | 74.10                | 74.10                         |
| Duty component in INR per ton  | 23421.90             | 23421.90          | 23421.90       | 22313.36             | 28023.14                      |
| 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  | 85210                | 90009             | 83881          | 79821                | 86567                         |
| Domestic Market price INR/ton Soy Degum Kandla/CPO Kandla/RBD Kandla | 84800                | 84800             | 84800          | 77400                | 85000                         |
| Total landed cost USD per ton  | 1165                 | 1231              | 1147           | 1091                 | 1184                          |
| Domestic Market price USD/tons Soy Degum Kandla/ CPO Kandla 5%       | 1159                 | 1159              | 1159           | 1058                 | 1162                          |
| <b>Parity INR/MT (Domestic - Landed)</b>                             | <b>-410</b>          | <b>-5209</b>      | <b>919</b>     | <b>-2421</b>         | <b>-1567</b>                  |
| <b>Parity USD/MT (Domestic - Landed)</b>                             | <b>-5.61</b>         | <b>-71.23</b>     | <b>12.56</b>   | <b>-33.11</b>        | <b>-21.42</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                       | 89710.20             | 94509.46          | 88381.17       | 87321.43             | 89366.54                      |
| Soy/Palm oil imported Price (Including tax)                          | 94195.71             | 99234.93          | 92800.23       | 91687.51             | 93834.87                      |
| Loose price of Soy/Palm in Indore and Delhi market                   | 93975.00             | 93975.00          | 93975.00       | 92000.00             | 92000.00                      |
| <b>Parity after processing and Taxes (Rs per MT)</b>                 | <b>-220.71</b>       | <b>-5259.93</b>   | <b>1174.77</b> | <b>312.49</b>        | <b>-1834.87</b>               |
| <b>Parity after processing and Taxes (USD per MT)</b>                | <b>-3.02</b>         | <b>-71.92</b>     | <b>16.06</b>   | <b>4.27</b>          | <b>-25.09</b>                 |
|  |                      |                   |                |                      | Source: Agriwatch             |



International Balance Sheets
Balance Sheet (Annual) - Soy Oil, Global
*Fig in million tons.*

|                      | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 |
|----------------------|-----------|-----------|-----------|-----------|-----------|
| Beginning Stocks     | 3.838     | 3.982     | 3.831     | 3.806     | 4.118     |
| Production           | 53.823    | 55.088    | 55.644    | 56.516    | 58.533    |
| Imports              | 10.971    | 9.858     | 10.431    | 10.759    | 11.122    |
| Total Supply         | 68.632    | 68.928    | 69.906    | 71.081    | 73.773    |
| Exports              | 11.357    | 10.542    | 11.178    | 11.5      | 11.752    |
| Food Use Dom. Cons.  | 43.626    | 43.996    | 44.174    | 44.808    | 46.766    |
| Domestic Consumption | 53.293    | 54.555    | 54.922    | 55.463    | 57.882    |
| Ending Stocks        | 3.982     | 3.831     | 3.806     | 4.118     | 4.139     |

Balance Sheet (Annual) - Soy Oil, United States
*Fig. in million tons*

|                       | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 |
|-----------------------|-----------|-----------|-----------|-----------|-----------|
| Beginning Stocks      | 0.765     | 0.776     | 0.905     | 0.805     | 0.853     |
| Production            | 10.035    | 10.783    | 10.976    | 11.104    | 11.197    |
| Imports               | 0.145     | 0.152     | 0.18      | 0.17      | 0.181     |
| Total Supply          | 10.945    | 11.711    | 12.061    | 12.079    | 12.231    |
| Exports               | 1.159     | 1.108     | 0.881     | 1.157     | 0.953     |
| Industrial Dom. Cons. | 6.198     | 6.462     | 6.808     | 6.667     | 6.803     |
| Food Use Dom. Cons.   | 9.01      | 9.698     | 10.375    | 10.069    | 10.432    |
| Domestic Consumption  | 0.776     | 0.905     | 0.805     | 0.853     | 0.846     |
| Ending Stocks         | 0.765     | 0.776     | 0.905     | 0.805     | 0.853     |

Source: USDA

Balance Sheet (Annual) - Soybean, United States
*Fig. in million tons*

|                      | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 |
|----------------------|-----------|-----------|-----------|-----------|-----------|
| Beginning Stocks     | 5.354     | 8.208     | 11.923    | 24.74     | 15.787    |
| Production           | 116.931   | 120.065   | 120.515   | 96.793    | 112.264   |
| Imports              | 0.606     | 0.594     | 0.383     | 0.408     | 0.408     |
| Total Supply         | 122.891   | 128.867   | 132.821   | 121.941   | 128.459   |
| Exports              | 58.963    | 58.071    | 47.564    | 45.586    | 55.792    |
| Domestic Consumption | 55.72     | 58.873    | 60.517    | 60.568    | 61.639    |
| Ending Stocks        | 8.208     | 11.923    | 24.74     | 15.787    | 11.028    |

Source: USDA

Balance Sheet (Annual) - Soybean, Brazil
*Fig. in million tons*

|                             | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 |
|-----------------------------|-----------|-----------|-----------|-----------|-----------|
| <b>Beginning Stocks</b>     | 24.558    | 33.212    | 32.74     | 32.481    | 25.731    |
| <b>Production</b>           | 114.6     | 122       | 119       | 124       | 131       |
| <b>Imports</b>              | 0.252     | 0.175     | 0.14      | 0.15      | 0.15      |
| <b>Total Supply</b>         | 139.41    | 155.387   | 151.88    | 156.631   | 156.881   |
| <b>Exports</b>              | 63.137    | 76.136    | 74.594    | 84        | 83        |
| <b>Domestic Consumption</b> | 43.061    | 46.511    | 44.805    | 46.9      | 47.65     |
| <b>Ending Stocks</b>        | 33.212    | 32.74     | 32.481    | 25.731    | 26.231    |

Source: USDA

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

*Fig. in million tons*

|                             | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 |
|-----------------------------|-----------|-----------|-----------|-----------|-----------|
| <b>Beginning Stocks</b>     | 27.156    | 26.996    | 23.734    | 28.89     | 27        |
| <b>Production</b>           | 55        | 37.8      | 55.3      | 51        | 53.5      |
| <b>Imports</b>              | 1.674     | 4.703     | 6.408     | 3.8       | 3.6       |
| <b>Total Supply</b>         | 83.83     | 69.499    | 85.442    | 83.69     | 84.1      |
| <b>Exports</b>              | 7.025     | 2.132     | 9.104     | 8         | 6.5       |
| <b>Domestic Consumption</b> | 49.809    | 43.633    | 47.448    | 48.69     | 50.2      |
| <b>Ending Stocks</b>        | 26.996    | 23.734    | 28.89     | 27        | 27.4      |

Source: USDA

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