

## **Executive Summary**

### **Domestic Veg. Oil Market Summary**

*Weak sentiment witnessed in edible oil basket during the week tracking losses in the CBOT soybean oil and BMD CPO. Both Soybean oil and Palm oil ended lower. Groundnut oil and Sunflower oil ended lower while Rapeseed oil and coconut oil traded sideways.*

*On the currency front, Indian rupee against USD closed at 63.55, down 0.50 paisa as compared to the previous week. Factors to watch in the coming weeks will be on the movement of Indian rupee against US dollar, crude oil prices, and Malaysian Palm Oil exports along with producing countries exports tax policy.*

*We expect edible oil complex to trade sideways to weak tone due to expectation of slow demand and strengthening INR against USD. Moreover, fine supplies from South American countries and strong USD may cap gains.*

### **Recommendation:**

*Weekly Call - Market participants are advised to go short in RSO below 580 level for a target of 565 and 560 with a stop loss at 587 on closing basis and go short in CPO below 452 for a target of 443 and 441 with a stop loss at 456 on closing basis.*

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

*According to SGS, Malaysia's June 1-15 palm oil exports rose by 6.7 percent at 782,854 tons (733,613). European Union imported 152,300 tons (133,930), China 149,770 tons (196,735), India 148,800 tons (162,280), Pakistan 22,300 tons (31,500) and United States 21,650 tons (23,800). Value in bracket implies values of last month.*

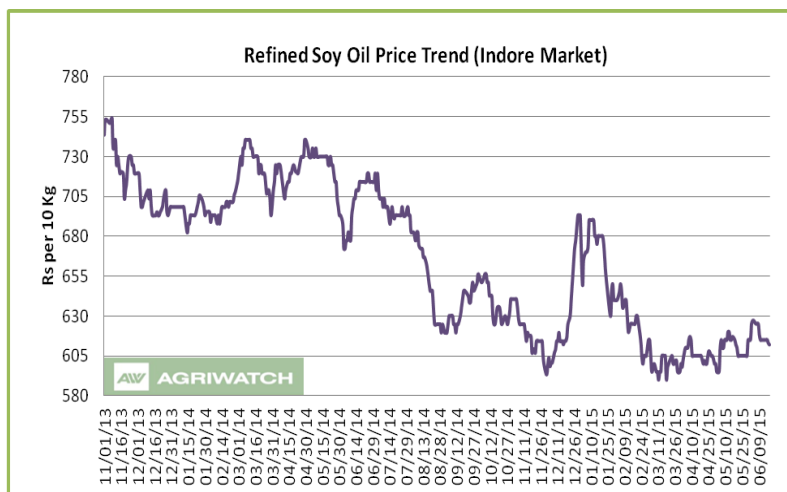
*On the international front, good demand for soybean from major importers and gains in the international crude oil prices may support the soy complex in the coming days. However, new supplies from South American countries and stronger dollar on the back of expectation of FED interest rate hike might cap the gains.*

*Renewed demand at lower quotes from top importers and supportive tax policies by South East Asian countries may support the CPO prices at lower levels. However, seasonally higher palm production period and South American soy crop may cushion palm oil prices in medium term.*

## Soy oil Fundamental Analysis and Outlook:-

### Domestic Front

- Soybean oil featured losses during the week in review due high stocks at Indian ports and in pipelines coupled with bearish USDA report on India that increased imports by India with higher ending stocks.
- Need based demand and onset of monsoons in Soybean producing regions has depressed prices of Soybean seed that has also impacted soyoil prices.
- CACP has revised MSP of Soybean Yellow for Kharif crops from Rs 2560 to Rs 2600 an increase of Rs 40.
- Soybean oil import scenario – According to SEA India imported 289,266 tons of Soybean Oil in May v/s 174,209 tons, up 66 percent on y-o-y basis. From November-May India imported 1.350 million tons v/s 8.15 lakh tons, up 65 percent y-o-y basis.
- According to latest estimates, sowing of oilseeds reported higher than last year at 2.79 lakh hectares in current year from 2.22 lakh hectares in 2014-15. (Source-SS: weather watch)
- As per IMD, monsoon rainfall in India until 14 June is 11 percent higher than long-term average. Initially Indian Meteorological Department (IMD) had slashed its rainfall forecast to 88 percent, down 5 percent from previous forecast, i.e. from 'below normal' to 'deficient'. Market participants cited reasons behind poor monsoon this year due to onset of El Nino pattern in the current year.
- Imported crude soybean oil CIF at west coast port is offered at USD 751 per ton for JJ delivery as on 18 June and AS delivery is quoted around USD 748 per ton. Last month, CIF CDSO May average price was USD 783.15 per tons.
- We expect soy oil may trade range bound to slightly firm tone in the coming days.



### International Front

- US soybean planting is reported at 87% by 14 June which is slightly below 5 year average of 90% and also below from 91% during the same period last year. Soybean emergence is reported at 75% slightly lower than 5 year average of 77% and below from 81% during the same period last year. Further, about 66% of the crop is under good to excellent condition that was 73% during the same period last year.
- NOPA reported said in its monthly report that US crushers crushed 148.416 million bushels of soybeans in May 2015, up 15 percent from the same period last year. Soyoil stocks rose from 1.441 billion lbs in April to 1.578 billion lbs in May.
- USDA' WASDE Oilseeds Highlights - Projected prices for soybeans is left unchanged while soybean oil has been increased this month. The 2015/16 season-average price for soybeans is projected at \$8.25 to \$9.75 per bushel, unchanged from last month. Soybean oil prices are projected at 30.5 to 33.5 cents per pound, up 1 cent at the midpoint.
- On the international front, good demand for soybean from major importers and higher crush in US and gains in the international crude oil prices may support the soy complex in the coming days. However, higher supplies from South American countries especially Argentina and expectation of FED hiking interest rates coupled with strengthening dollar, might cap the excessive gains.

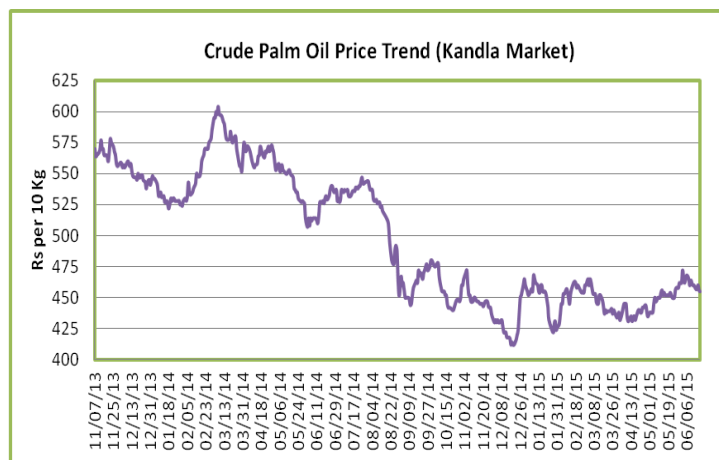
### Price Outlook:

We expect refined soy oil at Indore (with VAT) to stay in the range of Rs 605-620 per 10 Kg in the near term.

## **Palm oil Fundamental Analysis and Outlook -:**

### **Domestic Front**

- Crude palm oil at Kandla witnessed downward tone in line with the international palm oil market and need based buying.
- On the trade front, CNF CPO (Indonesian origin) at Indian port quoted at USD 640 (648) per tons for June delivery. Moreover, RBD palmolein (Malaysian origin) CNF at Indian port, offered at USD 660 (668) per tons for June delivery. Values in bracket depict last week quotes. CPO duty paid prices ready lift quoted at Rs 455 per 10 Kg and July delivery duty paid offered at Rs 458 per 10 Kg on 19 June 2015.
- SEA reported imports of Palm oil amounting to 624,201 tons in May 2015 from 547,151 tons in May 2014, rise of 14 percent y-o-y.
- Market sentiments – Strong exports from Malaysia and higher crush of Soybean in US (as a feedstock) and narrowing of CIF Soybean oil premium against crude palm oil, which is hovering at USD 111 per ton (USD 122 per ton last week) versus, may underpin palm oil prices in the near term.
- On the parity front, margins had weakened during the month of June due to higher prices of palm oil products and we expect margins to be on higher side in the coming days. Currently refiners get US \$60-75/ton v/s US \$70-75/tons (last month) margin in processing the imported CPO but on the imports of ready to use palmolein gets US \$45-60/tons v/s US \$60-65/tons (last month) parity. Higher palm oil imports may be witnessed in the coming days due to lower oilseeds supplies and positive import parity.
- We expect palm oil to trade range bound to weak tone in the days ahead.



### **International Front**

- Weekly review & Outlook – According to MPOB Palm Oil production for Malaysia rose by 6.92 percent from 1,693,424 tonnes to 1,810,692 tonnes while exports rose by 37.32 percent from 1,175,248 tonnes to 1,613,566 tonnes. Ending stocks ended higher by 2.51 percent from 2,189,479 tonnes to 2,244,524 tonnes. Imports were also higher by 113.67 percent from 34,277 tonnes to 73,241 tonnes. Palm Oil exports of Malaysia from June 1-10 rose 37.4%.
- Malaysia kept CPO export tax duty-free during the month of July 2015. The reference price is RM 2203.69(\$587.81) per tonne. Price above RM 2250 incurs tax, which starts from 4.5 percent to max of 8.5percent.
- Indonesia's exports of palm and palm kernel oils for May fell 1 percent from April to 2.215 million tonnes: GAPKI
- According to SGS, Malaysia's June 1-15 palm oil exports rose by 6.7 percent at 782,854 tons (733,613). European Union imported 152,300 tons (133,930), China 149,770 tons (196,735), India 148,800 tons (162,280), Pakistan 22,300 tons (31,500) and United States 21,650 tons (23,800). Value in bracket implies values of last month.
- Indonesia imposed \$50 levy on Palm Oil exports and \$30 for Palm oil products exports as part of new biodiesel regulation which was effective from June 15, 2015. This has been rescheduled to 1 July, 2015.
- Malaysia plans to increase its biodiesel mandate from 7 percent to 10 percent by October, 2015. This program will use approximately 1 million tons of Crude Palm Oil per year.
- Japan Meteorological Agency has warned that El Nino is strengthening and its effect could last until the winter may threaten key palm growing regions of South East Asia with the dry conditions. Australian forecasters noted extensive warming of sea surface not seen since 1997, which wrecked havoc in agricultural harvests across globe. According to sources, the effect of El Nino will make its impact from September 2015 impacting yields.
- Production of Palm oil will be affected due to Ramzan festival in Malaysia and Indonesia which goes on for a month.

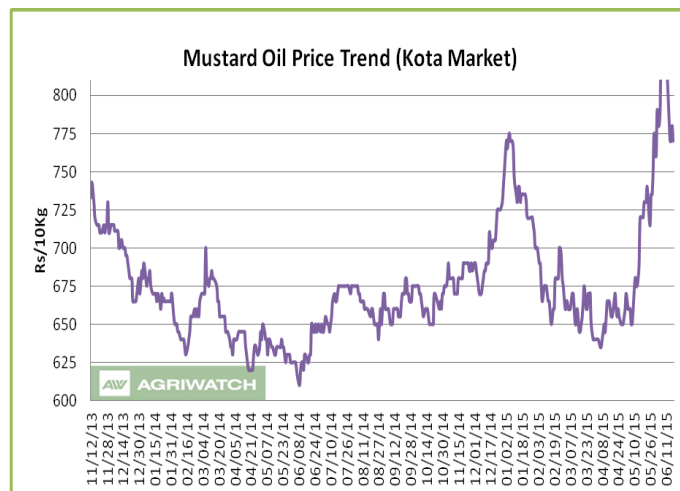
- Renewed demand at lower quotes from top importers and supportive biodiesel policies by South East Asian countries may support the CPO prices in the near term. However, seasonally higher palm production period and higher South American soy crop may cushion palm oil prices in medium term.

**Price Outlook:** We expect CPO Kandla 5 percent (with VAT) to stay in the range of Rs 445-460 per 10 Kg in the near term.

### **Rapeseed oil Fundamental Review and Analysis:-**

#### **Domestic Front**

- Mustard oil featured range bound trade last week in review on higher demand compared to other competing edible oils, which suffered losses last week.
- Lower rapeseed oil production in the current season will lead to shortage of Rapeseed Oil in the country and will lead to higher Rapeseed Oil (Canola Oil) imports to surge in year 2015/16. Currently, RM oil at Jaipur market, (expeller) is offered at Rs 828 per 10 Kg and at Kota market, is quoted around Rs 770 per 10 kg as on 19 June 2015.
- Removal of imports of rapeseed meal sourced from India will support prices in 2015/16. Chinese imports of rapeseed meal are estimated at 150,000 tonnes during 2015/16 (June/May), which is lower by 25% from a year ago. China's demand is projected around 10.8 million tonnes for the year, according to a CNGOIC estimate published this week.
- We have lowered our India's mustard production forecast for 2014-15 to 5.9 million tons from last estimate of 6.3 million tons due to unseasonal rains, which lead to lower yield. The yield is estimated to be 905 kg/ha v/s 1084 kg/ha (AW's March estimate). Moreover, domestic RM seed oil output for 2014/15 oil year pegged at 2.242 million tons v/s 2.318 MMT previous estimates. Lower production mainly attributed to lower area under rapeseed and heavy rains in March - Agriwatch estimates. Trade estimates for mustard seed output pegged at 52-54 lakh tons.
- As per sources, around 2.57 million hectares of mustard seed crop had been damaged due to unseasonal rains and hailstorm over key RM seed producing regions (Rajasthan-1.5 million ha., Haryana – 0.12 million ha., and UP – 0.95 million ha.).
- India imported 9,027 tons of Rapeseed Oil (Canola) in May, 2015 v/s 14,787 tons in same period last year, down by 39 percent y-o-y. Import of Rapeseed Oil (Canola) from November 2014-May 2015 was 201,427 tons compared to 79,158 tons corresponding period last year, higher by 154 percent y-o-y. (SEA of India figures).
- USDA Rapeseed Oil (Canola) update- India is expected to import 3.5 lakh tons of Rapeseed Oil (Canola) in 2015/16 compared 2.5 lakh tons y-o-y basis.
- We expect RM seed oil prices may trade range bound to firm tone in the coming days.

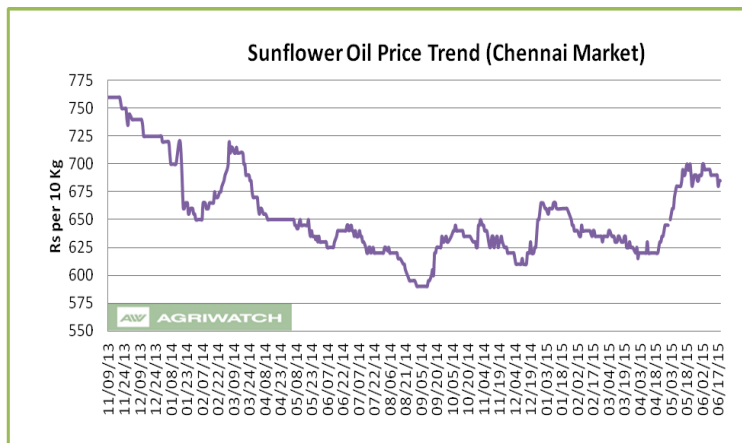


**Price Outlook:** Rapeseed oil (without VAT) prices in Kota may stay in the range of Rs 750-800 per 10 Kg.

## Sunflower oil Fundamental Review and Analysis:-

### Domestic Front

- Sunflower oil prices fared weakly during the week in review tracking need-based demand against adequate supplies.
- Sunflower oil import scenario – According to SEA India imported 1.53 lakh tons of crude sunflower oil during May versus 1.79 lakh tons in last month same period majorly from Ukraine. Also from November- May India imported 1.031 lakh tons compared to 8.68 million tonnes, higher by 19 percent from the corresponding period of the last year.
- Ukraine exported 265 thsd tons of sunflower oil in May 2015, 19 percent lower compared to April 2015, and down 48% y-o-y basis. India imported 48 percent of the total while Iran and China were 13 percent and 5 percent each.
- On the trade front, CIF sunflower oil prices (Ukraine origin) at west coast of India quoted around USD 895 per tons for JAS delivery and OND delivery offered at USD 830 per tons, as on 18 June 2015. Last month, CIF sun oil (Ukraine origin) monthly average was around USD 909.50 per tons.
- Prices are likely to stay in the range of USD 880-910 per ton in the near term. CIF Sunflower oil premium against crude soybean oil had narrowed from last week and is hovering at USD 144 per ton versus USD 130 in the corresponding period last month.
- Sunflower oil global production is seen at 15.102 million tons in 2014/15 compared to 15.964 million tons in 2013/14 down 5.7 percent y-o-y basis-USDA. India imported 15.50 lakh tons in 2014-15 compared to 15.28 lakh tons a gain of 1.4 percent y-o-y making India largest importer of Sunflower Oil in the world: USDA.
- We expect sunflower oil prices to trade range bound to weaker tone in the coming days.



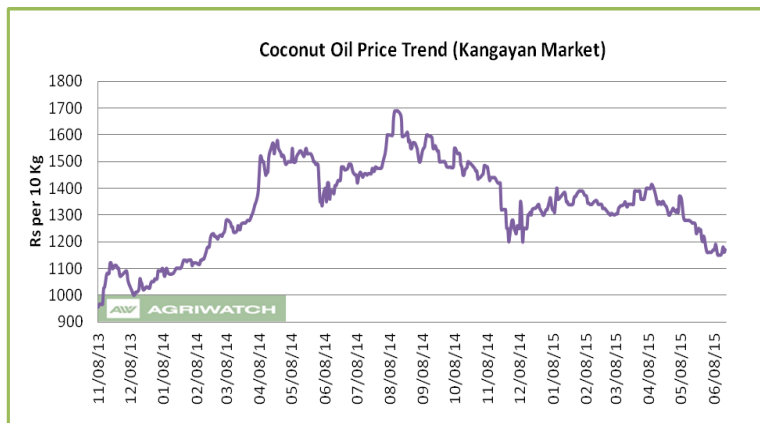
**Price Outlook:** Sunflower oil (with VAT) prices in Chennai may stay in the range of Rs 660-700 per 10 Kg.

Groundnut oil (without VAT) in Rajkot market is likely to trade in the price band of Rs 940-1020 per 10 Kg.



### Coconut Oil Fundamental Review and Analysis:- Domestic Front

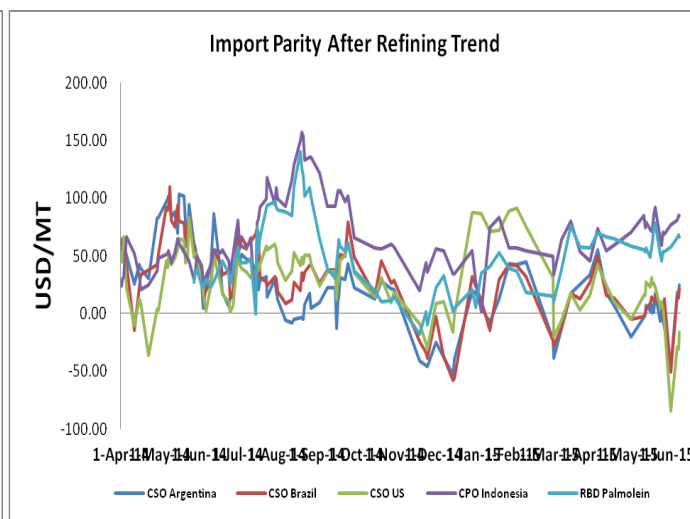
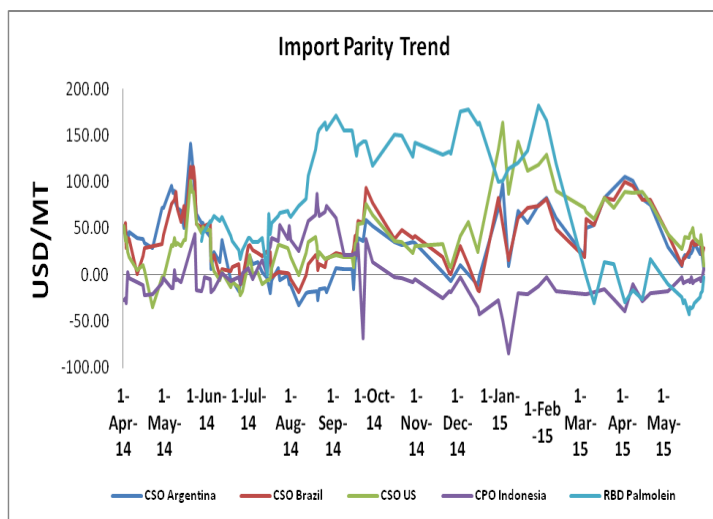
- Coconut oil featured firm to sideways trend at its benchmark market in Kangeyam during the week owing to higher demand in the cash market and limited supply.
- Prices are higher due to higher demand because of Ramzan festival. Traders and upcountry buyers are staying away from markets anticipating further fall in prices as demand will decrease after Ramzan season and harvesting pressure.
- Onset of Monsoon in Kerala has not slowed arrivals but higher based demand has kept prices sideways to firm.
- On the price front, currently the coconut oil prices in Trissur is hovering near Rs 12,000 per quintal due to need based demand and quoting Rs 11,700 per quintal in Erode market on June 18.
- Coconut oil prices may trade sideways to firm weak tone tracking cheaper availability of edible oils like sunflower and palm oil and need based demand.



**Price Outlook:** Coconut oil (withut VAT) prices in Erode may stay in the range of Rs 1100-1200 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
Apr., 2015	18.55	20.22	17.67	60.78	63.16
May., 2015	-0.53	5.96	14.93	74.40	57.57

### Outlook:-

Import parity for crude soy oil from Argentina and palm oil after refining is hovering in positive territory due to low prices of imported oils. We expect CDSO import parity to continue in positive side. However, parity in palm oil products may favor higher palm oil imports in the coming days.

### Technical Analysis (Refined soy oil)



**Outlook – Refined soybean oil witnessed downward trend during the week in review and likely to trade with a range bound to firm tone in the coming days.**

- ❖ Weekly chart of refined soy oil at NCDEX depicts losses during the week in review. We expect that prices may trade with a weak to range bound in the near term.
- ❖ Any close below 580 in weekly chart shall change the sentiments and might take the prices to a bearish phase.
- ❖ Expected price band for next week is 565-585 level in near to medium term. RSI, Stochastic and MACD moving towards oversold zone indicating bearishness.

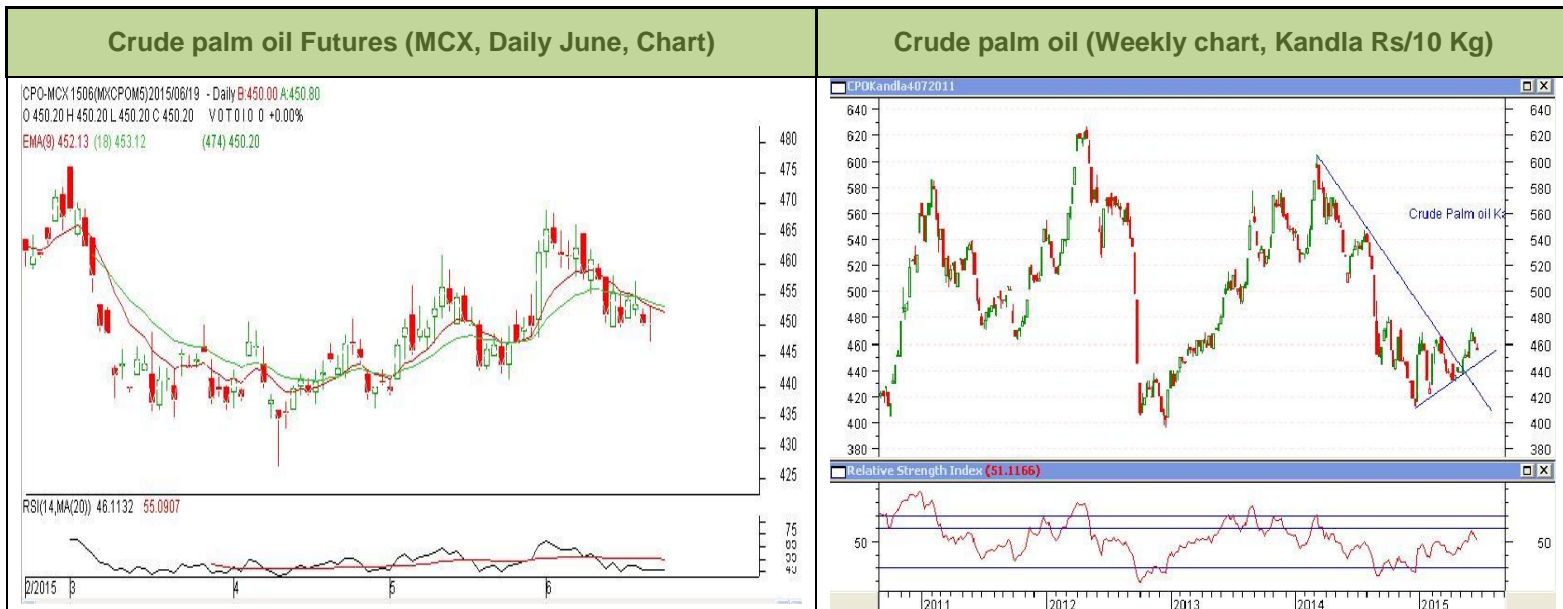
**Strategy:** Market participants are advised to go short in RSO below 580 levels for a target of 565 and 560 with a stop loss at 587 on closing basis.

### RSO NCDEX (Aug)

Support and Resistance				
S2	S1	PCP	R1	R2
569.00	572.00	581.80	593.00	599.00

**Spot Market outlook:** Refined soy oil Indore (with VAT) is likely to stay in the range of Rs 605-620 per 10 Kg.



**Technical Analysis (Crude Palm oil)**


**Outlook -** Prices are showing sideways to firm tone during the week. We expect that CPO May contract may trade sideways to slightly firm note.

- ❖ Candlestick weekly chart of crude palm oil at MCX depicts consolidation in the prices. We expect prices to trade with a steady to firm note in the near term.
- ❖ Any close below 441 in weekly chart shall change the sentiments and might bring the prices to a bearish tone.
- ❖ Expected price band for next week is 440-456 level. RSI is moving towards oversold zone suggesting range bound to weak movement in the coming week.

**Strategy:** Market participants are advised to go short in CPO below 452 for a target of 443 and 441 with a stop loss at 456 on closing basis.

**CPO MCX (May)**

Support and Resistance				
S2	S1	PCP	R1	R2
438.00	443.00	450.20	462.00	465.00

**Spot Market outlook:** Crude palm oil is likely to stay in the range of Rs 445-460 per 10 Kg.

Veg. Oil Prices at Key Spot Markets

Commodity	Centre	Prices(Per 10 Kg)		Change
		20-Jun-15	19-Jun-15	
Refined Soybean Oil	Kota	605	610	-5
	Rajkot	575	575	Unch
	Delhi	650	650	Unch
	Mumbai	-	590	-
	Indore	615	612	3
	Kandla/Mundra	-	590	-
	Kolkata	610	610	Unch
	Indore (Soy Solvent Crude)	590	585	5
	Mumbai (Soy Degum)	-	555	-
	Kandla/Mundra (Soy Degum)	-	565	-
	Akola	634	632	2
	Amrawati	634	631	3
	Jalna	639	639	Unch
	Nagpur	632	632	Unch
	Alwar	NR	NR	-
	Solapur	642	642	Unch
	Bundi	608	612	-4
	Dhule	642	642	Unch
Palm Oil	Rajkot	500	510	-10
	Hyderabad	504	508	-4
	Delhi	565	565	Unch
	Kandla (Crude Palm Oil)	-	455	-
	Kandla (RBD Palm oil)	-	488	-
	Mumbai RBD Pamolein	-	512	-
	Kandla RBD Pamolein	-	515	-
	Mangalore RBD Pamolein	-	505	-
	Chennai RBD Pamolein	-	505	-
	Kakinada RBD Pamolein	-	495	-
	KPT (krishna patnam)	-	490	-
	Haldia	-	508	-
	PFAD (Kandla)	-	385	-
	Refined Palm Stearin (Kandla)	-	365	-
Refined Sunflower Oil	Mumbai	-	705	-
	Mumbai(Expeller Oil)	-	625	-
	Kandla/Mundra (Crude)	-	630	-
	Erode (Expeller Oil)	705	710	-5
	Hyderabad (Ref)	675	675	Unch

	Chennai	680	685	-5
	Latur (Expeller Oil)	655	655	Unch
	Chellakere (Expeller Oil)	620	625	-5
Groundnut Oil	Rajkot	1000	980	20
	Chennai	970	980	-10
	Delhi	950	950	Unch
	Hyderabad *	990	990	Unch
	Mumbai	-	950	-
	Gondal	1000	1000	Unch
	Jamnagar	1000	1000	Unch
Rapeseed Oil/Mustard Oil	Mumbai (Expeller Oil)	-	842	-
	Sri-GangaNagar(Exp Oil)	-	790	-
	Alwar (Expeller Oil)	NA	NA	-
	Kota (Expeller Oil)	760	770	-10
	Jaipur (Expeller Oil)	821	828	-7
	New Delhi (Expeller Oil)	812	812	Unch
	Hapur (Expeller Oil)	850	850	Unch
	Sri-Ganga Nagar (Kacchi Ghani Oil)	-	860	-
	Kota (Kacchi Ghani Oil)	860	865	-5
	Jaipur (Kacchi Ghani Oil)	871	878	-7
	Agra (Kacchi Ghani Oil)	900	910	-10
	Bharatpur (Kacchi Ghani Oil)	895	905	-10
	Neewai (Kacchi Ghani Oil)	860	860	Unch
	Hapur (Kacchi Ghani Oil)	890	890	Unch
Refined Cottonseed Oil	Mumbai	-	610	-
	Rajkot	618	615	3
	New Delhi	605	605	Unch
	Hyderabad	585	590	-5
Coconut Oil	Kangayan (Crude)	1160	1170	-10
	Cochin	-	1210	-
	Trissur	1180	1200	-20
Sesame Oil	New Delhi	800	800	Unch
	Mumbai	-	800	-
Kardi	Mumbai	-	870	-
Rice Bran Oil (40%)	New Delhi	435	435	Unch
Rice Bran Oil (4%)	Punjab	-	500	-
Rice Bran Oil (4%)	Uttar Pradesh	-	500	-



<b>Malaysia Palmolein USD/MT</b>	FOB	-	633	-
	CNF India	-	660	-
<b>Indonesia CPO USD/MT</b>	FOB	-	623	-
	CNF India	-	640	-
<b>RBD Palm oil (Malaysia Origin USD/MT)</b>	FOB	Closed	633	-
<b>RBD Palm Stearin (Malaysia Origin USD/MT)</b>	FOB	Closed	575	-
<b>RBD Palm Kernel Oil (Malaysia Origin USD/MT)</b>	FOB	Closed	960	-
<b>Crude palm Kernel Oil India (USD/MT)</b>	CNF India	NA	NA	-
<b>Palm Fatty Acid Distillate (Malaysia Origin USD/MT)</b>	FOB	Closed	565	-
<b>Ukraine Origin CSFO USD/MT Kandla</b>	CIF	-	895	-
<b>Rapeseed Oil Rotterdam Euro/MT</b>	FOB	Closed	750	-
<b>Argentina FOB (\$/MT)</b>		<b>19-Jun-15</b>	<b>18-Jun-15</b>	<b>Change</b>
Crude Soybean Oil Ship		687	684	3
Refined Soy Oil (Bulk) Ship		711	708	3
Sunflower Oil Ship		NA	NA	-
Cottonseed Oil Ship		667	664	3
Refined Linseed Oil (Bulk) Ship		NA	NA	-
<i>* indicates including VAT</i>				

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