

# Veg. Oil Weekly Research Report

## Contents

- ❖ Executive Summary
- ❖ Recommendations
- ❖ AW Edible Oils Index
- ❖ International Veg. Oil Market Summary
- ❖ Domestic Market Fundamentals
- ❖ Technical Analysis (Spot Market)
- ❖ Technical Analysis (Futures Market)
- ❖ Veg. Oil Prices at Key Spot Markets

## **Executive Summary**

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

*Edible oil witnessed firm sentiment during the week on losses in CBOT soy oil and BMD CPO. Soy oil, palm oil, rapeseed oil, groundnut oil and coconut oil closed higher while sunflower oil closed lower.*

*On the currency front, Indian rupee against USD closed at 66.81, up 19 paisa compared to the previous week. Factors to watch in the coming weeks will be movement of Indian rupee against US dollar and crude oil prices. Rupee is expected to depreciate and crude oil prices will rise.*

*We expect edible oil complex to trade firm on strong fundamentals. Low stocks at ports and pipelines will support prices in near term.*

### **Recommendation:**

*Weekly Call - : Market participants are advised to go long above 660 levels for a target of 675 and 680 with a stop loss at 650 on closing basis. We expect refined soy oil at Indore (with VAT) to stay in the range of Rs 650-710 per 10 Kg in the near term.*

*Market participants are advised to go long in CPO above 535 for a target of 550 and 555 with a stop loss at 525 on closing basis. We expect CPO Kandla 5 percent (with VAT) to stay in the range of Rs 530-580 per 10 Kg in the near term.*

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

*Malaysia's February palm oil exports fell 12 percent to 1,018,604 tons compared to 1,157,288 tons last month. Top buyers were European Union at 195,090 tons (213,950 tons), China at 143,560 tons (145,510 tons), India at 139,790 tons (140,550 tons), United States at 70,030 tons (50,350 tons) and Pakistan at 24,000 tons (31,500 tons). Values in brackets are figures of last month: SGS*

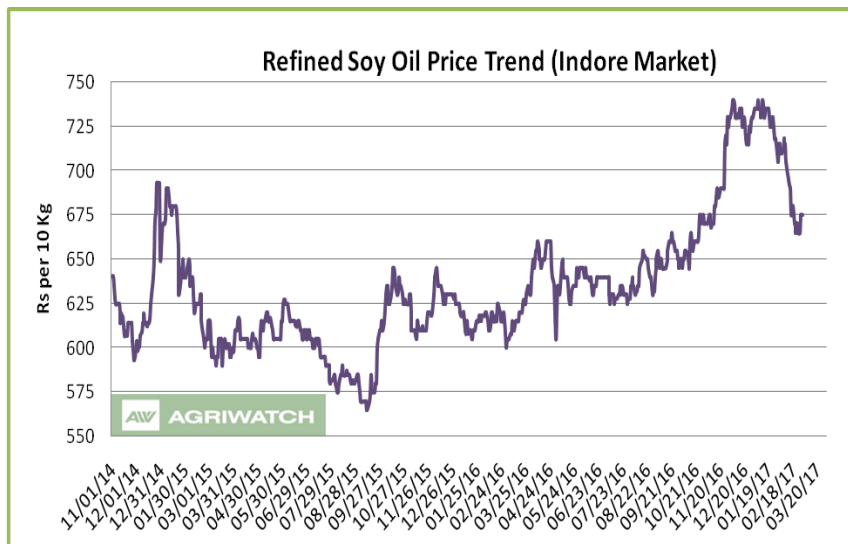
*On the international front, firm bio-fuel standards in US, higher, firm Chinese soybean demand, firm crude oil prices will support soy oil prices in coming days.*

*Weak ringgit, weak production of palm oil, low end stocks of palm oil in Malaysia, rise in competitive oils and supportive export and biodiesel policies in southeast Asian countries will support CPO prices in near term.*

## Soy oil Fundamental Analysis and Outlook:-

### Domestic Front

- Soy oil featured uptrend at its benchmark market in Indore during the week on firm demand. Prices of refined soy oil rose in Mumbai while it was unchanged in Kolkata. Prices were lower in Kandla/Mudra. CDSO prices closed higher at JNPT and Kandla/Mudra at the end of the week.
- Agriwatch View- Soy oil prices rose during the week in Indore on firm demand ahead of Holi festival and buying at lower quotes.



CDSO prices rose marginally on India West coast.

Prices rose less in India high seas compared to CNF markets indicating weak demand at high seas. However, demand in domestic market was firm.

CDSO demand is firm at CNF markets as CDSO CNF prices rose more than CDSO FOB Argentina compared to last week.

Rise in soybean prices supported the rise.

Firm palm oil prices supported the rise.

Imports of soy oil increased in January compared to December 2016 while it was much below January 2016. However, soy oil stocks at ports and pipelines decreased in January indicating weak supply.

Higher crushing of soybean in India due to renewed export demand of soy meal from India has led to firm supply of soy oil in domestic market and capped upside.

Imports of soy oil are in disparity at high seas and refining margins have turned negative. With low soy oil premium over palm oil, demand may firm up in coming months.

Refined soy oil premium over RBD palmolein is decreased to Rs 80 (Rs 90 last week) per 10 Kg may support soy oil prices in domestic markets. In USD terms, premium of CDSO CNF over CPO CNF, which was quoted at USD 53 (USD 43 last week) per ton, indicating firm demand of CDSO at CNF markets compared to CPO CNF.

Demand of soy oil is high in domestic market as soy oil premium over palm oil is less at CNF markets while it is higher in domestic markets indicating firmer demand.

Prices of soy oil will increase on firm demand. Prices of soy oil are in a range.

- Soy oil import scenario – According to SEA, India imported 1.67 lakh tons of soy oil in January 2017 v/s 4.41 lakh tons in January 2016, down 164 percent y-o-y.
- Imported crude soy oil CIF at West coast port is offered at USD 793 (USD 783) per ton for March delivery. April delivery is offered at USD 783 (USD 763) per ton and May delivery is offered at USD 764 (USD 745) as on March 3, 2017. Values in brackets are figures of last week. Last month, CIF CDSO February average price was USD 806.87 (USD 854.08 per ton in January 2017) per ton.

- On the parity front, margins were in disparity during the week and we expect margins to improve in coming days. Currently refiners lose USD 10-15/ton v/s loss of USD 10-15/ton (last month) margin in processing the imported Soybean Oil (Argentina Origin).
- We expect soy oil to trade sideways to firm in the coming days.

### **International Front**

- Agriwatch view – Expectation of Trump administration decision to give executive order to exempt ethanol from production of biodiesel would have increased corn based biodiesel and soy oil based biodiesel demand. However, White house ruled out such executive order in the evening. Trump administration appointed billionaire investor Carl Ichan as special advisor to President on regulations. Carl Ichan has in past-criticized EPA regulation on bio-fuel in its current form.

Moreover, Trump administration is preparing tax credits on production of biodiesel, which will increase demand of soy oil.

Record soybean crops in US and Brazil coupled with higher than expected soybean crop in Argentina will underpin soybean complex in medium term.

Soybean crop in Argentina is in very good condition and if condition remain conducive than more than 55 MMT of soy crop will be harvested. Crop moisture is adequate and there is no heat stress now. However, Argentina government decreased the area planted.

Informa projected the crop of soybean in 2016/17 in Argentina at 55 MMT.

Soybean harvest in Brazil is progressing at good pace and record crop is expected to be harvested. Initial wet condition slowed harvest progress as early planting of soybean due to wet condition matured the crop earlier. Top soybean producing state of Mato Grosso has reported harvest over 50 percent until the last report.

Informa has projected soybean crop in Brazil at 108 MMT.

Rise in soy oil end-stocks in US due to higher production of soy oil on higher crush of soybean will underpin soy oil prices in near term. Lower use of soy oil in US supported the rise in stocks. M-O-M soy oil stocks showed rise of 13 percent. Crush of soybean in February was higher which indicate that stocks of soy oil will rise in February and underpin prices.

USDA reported rise in stocks of soy oil in 2016/17 due to rise in imports which will underpin soy oil prices in near term. USDA kept the prices range of soy oil unchanged in its February estimate. USDA retained use of soy oil in biodiesel despite Trump administration delaying EPA regulations, which was to be implemented in 2016/17. Higher stocks of soy oil will underpin soy oil in medium term.

Oversupply of edible oils in 2017 due to record of soybean in US, Brazil and Argentina coupled with record production of sunflower and recover in production of palm oil after severe El Nino in 2015 and 2016. Supply of palm oil in 2017 will improve and most of the lost production of palm oil due to El Nino in 2016 will be recovered in 2017. Recovery of production of palm oil in 2017, record production of soy oil, record production of sunflower oil in Russia and record production of canola will underpin soy oil prices.

Exports of soybean from US is slow in near term due to arrival of record crop in Brazil. However, exports of soybean in current marketing season in US is at record levels which supported soybean complex prices in

December and January with China as key driver of higher soybean imports despite trade dispute with US. Competitive oils will underpin prices in near term.

Rise in crude oil prices will support soy oil prices while dollar appreciation due to faster than expected FED rate hike in 2017 may underpin soy oil prices.

Prices of soy oil are in a range.

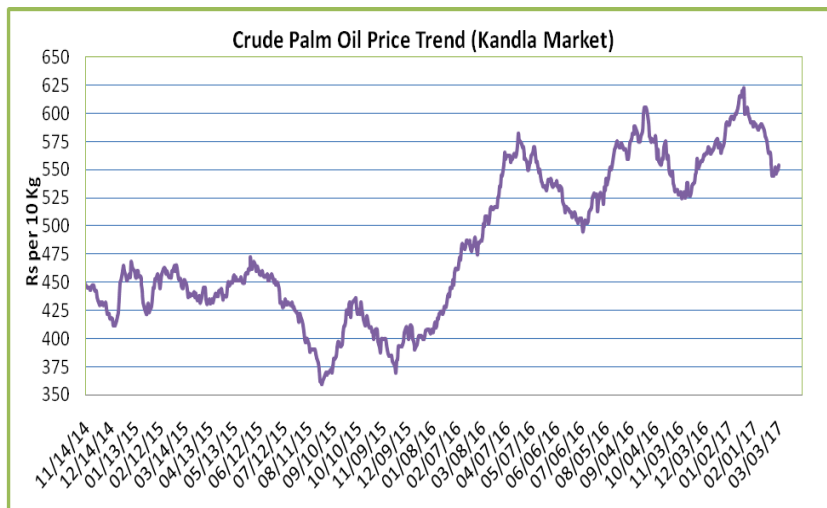
- According to US Energy Information Agency (EIA), US December 2016 biodiesel production rose to 143 million gallons from 142 million gallons in November 2016. Soy oil is the largest feedstock with use of 610 million lbs in December. 596 million lbs was the use in November 2016.
- According to National Oilseed Processors Association (NOPA), U.S. December soybean crush rose marginally to 160.621 million bushels from 160.176 million bushels in November 2016. Crush of soybean in January 2016 was 150.453 million bushels. Production of soy oil in U.S. in January rose to 1.870 billion lbs from 1.861 billion lbs in December 2016. Production in January 2016 was 1.758 billion lbs. Soy oil stocks in U.S. at the end of January rose 13.6 percent to 1.629 billion lbs compared to 1.434 billion lbs in December 2016. Stocks of soy oil in January were higher by 3 percent compared to January 2016, which was reported at 1.582 billion lbs. Yield rose to 11.65 lbs/bushel in January from 11.62 lbs/bushel in December. Yield in January 2016 was reported at 11.69 lbs/bushel.
- According to United States Department of Agriculture (USDA) January estimate, U.S 2016/17 ending stocks of soy oil is estimated to rise to 1,677 million lbs from 1,652 million lbs in February estimate. Opening stocks were unchanged at 1,687 million lbs. Production of soy oil in 2016/17 were unchanged at 22,390 million lbs. Imports in 2016/17 were higher at 300 million lbs compared to 275 million lbs in February estimate. Biodiesel use in 2016/17 was unchanged at 6,200 million lbs. Food, feed and other industrial use in 2016/17 were unchanged at 14,350 million lbs. Exports in 2016/17 are kept unchanged at 2,150 million lbs. Average price range estimate is unchanged at 34 - 37 cents/lbs. Rise in end stock is due to imports of soy oil.
- USDA WASDE Oilseeds Highlights: The U.S. season-average soybean price range for 2016/17 is projected at \$9.10 to \$9.90 per bushel, unchanged at the midpoint from last month. Soybean oil prices are forecast at 34 to 37 cents per pound, and soybean meal prices are projected at \$310 to \$340 per short ton, both unchanged at the midpoint from last month.

**Price Outlook:** We expect refined soy oil at Indore (with VAT) to stay in the range of Rs 650-710 per 10 Kg in the near term.

## Palm oil Fundamental Analysis and Outlook -:

### Domestic Front

- Crude palm oil at Kandla featured uptrend at its benchmark market at Kandla on firm demand, despite weak cues from international markets. CPO prices were lower in Kakinada at the end of the week. RBD palmolein prices rose across board in India.
- Agriwatch View – Prices of CPO closed higher on firm demand despite weak cues from international markets. Prices of CPO rose in India high seas while it was unchanged at CNF markets indicating firm demand in domestic markets.



Prices rose on seasonal uptrend of prices.

Demand of RBD palmolein is firm at high seas as rise in prices at high seas rose than rise at CNF India compared to last week.

Demand of RBD palmolein is firm at CNF markets as prices were unchanged at CNF markets while it fell at Malaysia FOB compared to last week.

Imports of RBD palmolein is expected to remain firm as RBD palmolein is trading at discount to CPO.

Finished palm oil is available below cost of raw material, which will weaken demand of CPO in medium term.

Demand of RBD palmolein on high seas is firmer than CPO at high seas as premium RBD palmolein over CPO increased to Rs 41 (Rs 34) per 10 kg.

Improving refining margins will increase imports of CPO and parity in RBD palmolein will increase imports in medium term.

Import in palm oil in January was lower than January 2016 and December 2016 despite reduction of import duty indicating weak demand. Stocks at ports and pipelines increased in January.

Low CDSO CNF premium over CPO CNF will decrease imports of palm oil in medium term USD 53 (USD 43 last week) per 10 kg. Premium of CDSO soy oil high seas over CPO high seas is at Rs 74 (Rs 125 last week) per 10 Kg will decrease CPO demand at high seas. Premium of refined soy oil over RBD palmolein is Rs 80 (Rs 90 last week) per 10 kg is low will decrease demand in near term.

Prices of CPO are expected to remain sideways to firm on firm demand and seasonal uptrend of prices.

- Palm oil import scenario – According to SEA, India imported 6.09 lakh tons of palm oil in January 2017 v/s 6.88 lakh tons in January 2016, down 11.5 percent y-o-y. CPO imports slowed to 4.08 lakh tons in January compared to 5.30 lakh tons in January 2016, lower by 23 percent y-o-y. RBD palmolein imports rose 31.3 percent in January to 1.97 lakh tons from 1.50 lakh tons in January 2016.
- On the trade front, CNF CPO (Indonesian origin) at Indian port quoted at USD 740 (USD 740) per ton for March delivery and April delivery is quoted at USD 725 per ton. Last month, CIF CPO February average price was USD 779.78 (USD 793.92 per ton in January 2017) per ton.

Moreover, RBD palmolein (Malaysian origin) CNF at Indian port, offered at USD 732.5 (USD 725) per ton for March delivery while April delivery is offered at USD 725 per ton. Ready lift CPO duty paid prices quoted at Rs 553 (Rs 545) per 10 Kg and March delivery duty paid is offered at Rs 550 (Rs 543) per 10 kg on March 3, 2017. Last month, CIF RBD palmolein February average price was USD 768.61 (USD 784.72 last month) per ton. Values in bracket depict last week quotes.

- On the parity front, margins improved during this week due to fall in prices of palm products in international markets. Currently refiners fetch USD 15-20/ton v/s gain of USD 0-5/ton (last month) margin in processing the imported CPO and imports of ready to use palmolein fetch USD 35-40/ton v/s gain of USD 15-20/ton (last month) parity.
- We expect palm oil to trade sideways to firm in the days ahead.

### **International Front**

Agriwatch View – Palm oil end stocks in Malaysia is expected to be flat in February as fall in production will be set off by fall in palm oil exports. Palm oil end stocks in January showed larger than expected fall due to lower production and higher exports.

Production is expected to fall on lagged effect of El Nino and flooding in various parts of Malaysia.

Production will remain adversely affected in Malaysia until March 2017, which will support prices in near term.

However, production will increase and it is expected to be bearish

Palm oil prices are trading in a narrow range in near term as it is looking for new cues for any movement.

Export demand is weak from Malaysia as India and China are not purchasing at higher levels. Imports by India in are weak on weak demand. Only Holi festival demand exist and demand will be weak after Holi.

Production of palm oil is expected to improve from next quarter starting April when lagged effect of El Nino expires and seasonal uptrend of production starts.

Palm oil exports from Malaysia fell by 12-15 percent in February indicating demand from India and China is not improving. Demand from China is weak post Chinese New Year. Indian and Chinese buyers are looking for bargains before they purchase in bulk.

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

Production of palm oil in Indonesia lost on 2016 will be not be fully recovered in 2017. GAPKI estimates palm oil production will exceed 35 MMT in 2017. New planting in 2013 will support palm oil production in Indonesia.

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

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

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



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

Malaysia increased palm oil export duty to 8 percent for March as Malaysian government feels that rise in export duty will not hurt their competitiveness from Indonesia.

Indonesia kept palm oil export duty for March at USD 18 between USD 800-850 per ton of palm oil prices. Duty of USD 18 is over and above USD 50 levy imposed on July 2015.

Higher use of palm oil in biodiesel in Indonesia will soak incremental palm oil production in near term.

Higher crude oil prices will support prices in near term. Prices are in range.

- According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's February palm oil exports fell 12 percent to 1,018,604 tons compared to 1,157,288 tons last month. Top buyers were European Union at 195,090 tons (213,950 tons), China at 143,560 tons (145,510 tons), India at 139,790 tons (140,550 tons), United States at 70,030 tons (50,350 tons) and Pakistan at 24,000 tons (31,500 tons). Values in brackets are figures of last month.
- According to cargo surveyor Intertek Testing Services (ITS), Malaysia's February palm oil exports fell 14.2 percent to 1,008,040 tons compared to 1,174,893 tons last month. Top buyers were European Union at 211,845 tons (287,476 tons), India & subcontinent at 181,860 tons (222,100 tons) and China at 151,690 tons (151,710 tons). Values in brackets are figures of last month.
- According to Malaysia Palm Oil Board (MPOB), Malaysia's January palm oil end stocks fell 7.55 percent to 15.41 lakh tons compared to 16.67 lakh tons in December. Production dropped 13.36 percent in January to 12.77 lakh tons compared to 14.74 lakh tons in December. Exports in January rose 1.15 to 12.83 lakh tons compared to December exports at 12.68 lakh tons. Imports in January rose 86.27 percent to 0.67 lakh tons compared to 0.36 lakh tons in December.

**Price Outlook:** We expect CPO Kandla 5 percent (with VAT) to stay in the range of Rs 530-580 per 10 Kg in the near term.



**Rapeseed oil Fundamental Review and Analysis:-****Domestic Front**

- Mustard oil prices featured mixed trend during the week in review at most trading centers. Benchmark market in Kota closed higher at the end of the week on renewed buying at lower levels.
- Agriwatch view: Prices of rapeseed oil expeller fell in Jaipur, Hapur and Gujarat while it was unchanged in Ganganagar and Neewai. Prices rose in New Delhi, Mumbai and Kolkata.

Prices of Kacchi ghani fell in Kota, Ganganagar, and Hapur while it rose in Jaipur. Prices remained unchanged in Neewai, Bharatpur and Agra across board in India.

Prices of rapeseed oil rose due to renewed demand at lower levels and demand ahead of Holi coupled with rise in prices of rapeseed.

Rise in prices of soy oil and palm oil supported the rise.

Prices of rapeseed are expected to fall below MSP in first half of March.

Agriwatch expects rapeseed crop at 6.8 MMT in 2017.

Low premium of rapeseed oil over soy oil in domestic market will support rapeseed prices in medium term.

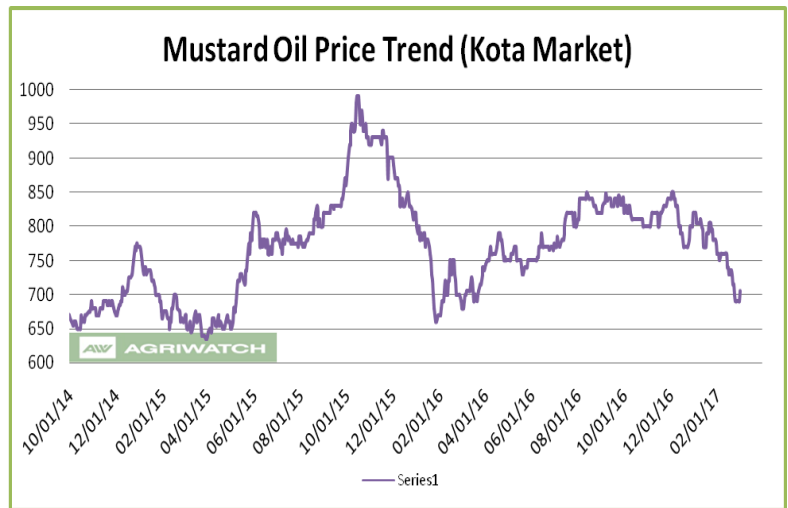
Higher imports of rapeseed (canola) oil have suppressed prices in medium term. Further, fall in canola oil prices will affect sentiment.

Stockists and traders are stocking rapeseed oil to take advantage of the prevailing low prices.

Premium of canola oil compared to CDSO has increased USD 32 (USD 42) per ton and which will support imports. However, fall in prices of canola oil will underpin rapeseed oil prices.

Markets are expected to trade sideways to weak tone in coming days on weak demand, seasonal downtrend of prices, fall in prices of rapeseed and weak competitive oils in domestic markets.

- All India sowing of rapeseed has reached 70.56 lakh hectares on 3 February 2017 compared to 64.53 lakh hectares in corresponding period last year.
- India imported 0.18 lakh tons of rapeseed (Canola) oil in January 2017 v/s 0.07 lakh tons in January 2016, higher by 157 percent y-o-y: SEA
- CIF canola premium over soybean oil is USD 32 (USD 42 last week) per ton as on March 3, 2017.
- Currently, RM oil at Jaipur market, (expeller) is offered at Rs 695 (Rs 700) per 10 Kg, and at Kota market, it is offered at Rs 705 (Rs 700) per 10 kg as on March 3, 2017. Values in brackets are figures of last week.
- We expect RM seed oil prices to trade sideways to weak tone in the coming days.

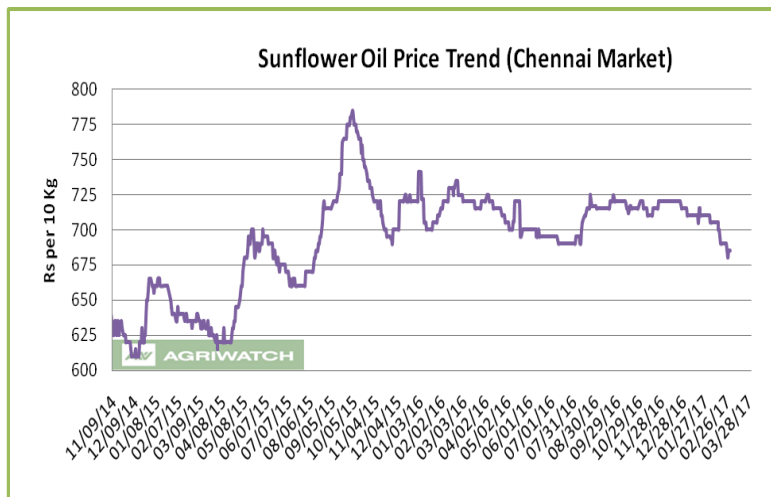


**Price Outlook:** Rapeseed oil (without VAT) prices in Kota may stay in the range of Rs 650-740 per 10 Kg.

## Sunflower oil Fundamental Review and Analysis:-

### Domestic Front

- Sunflower oil prices featured downtrend during the week at its benchmark market in Chennai on firm supply and weak demand. Prices remained unchanged in Hyderabad while it fell in Kakinada. Prices closed higher in Mumbai while it was unchanged Kandla/Mudra. Sunflower expeller prices remained unchanged in Erode while it fell in Hyderabad. Prices fell in Latur and Chellakere.



- Agriwatch view: Prices of sunflower oil traded lower in Chennai on firm supply and weak demand.

Prices of sunflower rose at CNF markets while prices in Chennai fell indicating weak demand.

However, prices of soy oil are trading at low premium over sunflower oil.

Prices fell on seasonal downtrend of prices.

Premium of CSFO over CDSO at CNF has increased to USD 17 (USD 34.5 last week) per ton for April delivery, indicating prices have ample space to rise as sunflower oil is considered superior oil. However, fall in prices of sunflower oil indicate weak demand and pulled sunflower prices lower.

Sunflower oil premium over palm oil is USD 60 (USD 40 last week) which is low and may support imports. Sunflower oil is trading at low premium over soy oil in domestic market, which will increase demand in medium term.

Supply has improved in markets as imports rose 82 percent in January and stocks at ports and pipelines fell. Imports of sunflower oil will show steady rise in February due to low premium of sunflower oil over CDSO and CPO.

Refiners are aggressively purchasing crude sunflower oil from international markets as CIF sunflower oil trading at low premium over CIF soybean oil. Currently sunflower oil premium over soy oil is at USD 17 (USD 34.5 last week) per ton for March delivery.

On the international front record volume of exports from Ukraine indicates firm supply, which has led sunflower oil to trade at discount to soy oil.

Prices of sunflower oil are expected to trade sideways to weak on fall in prices of competitive oils, weak demand, seasonal downtrend of prices and firm supply.

Prices are expected to trade sideways to weak in near term.

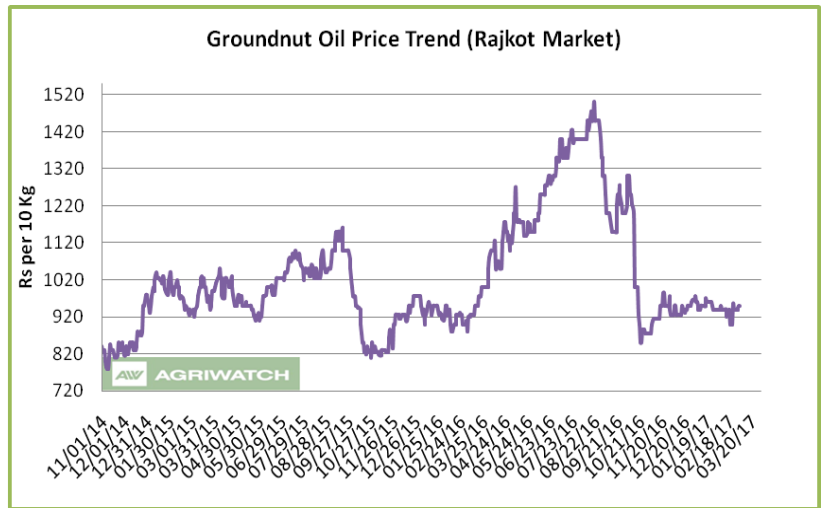
- All India sowing of sunflower has reached 1.69 lakh hectares on 3 February 2017 compared to 3.21 lakh hectares in corresponding period last year.
- Sunflower oil import scenario – According to SEA, India imported 2.15 lakh tons of crude sunflower oil during January 2017 v/s 1.18 lakh tons in January 2016, higher by 82 percent y-o-y.

- On the trade front, CIF sunflower oil prices (Ukraine origin) at West coast of India quoted at USD 800 (USD 797.5) per ton for April delivery and MJ delivery is quoted at USD 802.5 (USD 802.5) per ton. CIF sun oil (Ukraine origin) February monthly average was around USD 811.17 per ton. Values in brackets are figures of last week.
- Prices are likely to stay in the range of USD 770-830 per ton in the near term. CIF Sunflower oil premium over CDSO is hovering at USD 17 (USD 34.5 last week) per ton for April delivery.
- Currently, refined sunflower oil at Chennai market is offered at Rs 685 (Rs 690) per 10 Kg, and at Hyderabad market, it is offered at Rs 703 (Rs 703) per 10 kg as on March 3, 2017. Values in brackets are figures of last week.
- We expect sunflower oil prices to trade sideways to weak tone in the coming days.

**Price Outlook:** Sunflower oil (with VAT) prices in Chennai may stay in the range of Rs 650-720 per 10 Kg.

### Groundnut oil Fundamental Review and Analysis:-` Domestic Front

- Groundnut oil prices featured uptrend trend in Rajkot in week in the review on firm demand. Prices rose in Jamnagar while it remained unchanged in Gondal. Prices closed higher in Chennai and Hyderabad. Prices were unchanged in Mumbai and New Delhi at the end of week.
- Agriwatch view: Prices of groundnut oil featured uptrend in Rajkot on firm demand ahead of Holi festival.



Prices of groundnut were stable in the

week in review. However, harvest is progressing at very good pace. Arrival is weak in market as farmers are not releasing groundnut expecting the prices to improve.

Retail demand has improved ahead of festive season.

Prices rose on seasonal uptrend of prices.

Rise in palm oil and soy oil prices supported prices.

Fall in prices of groundnut oil has increased offtake by stockists and traders

Crushing of groundnut is weak due to lower farmer release. However, firm demand has kept prices sideways to higher.

Millers are not getting raw material in adequate quantity which has slowed crushing. Quality of groundnut is very good.

Groundnut oil prices are expected to trade sideways to firm in near term due to firm demand ahead of festive season, higher groundnut prices and seasonal uptrend of prices.

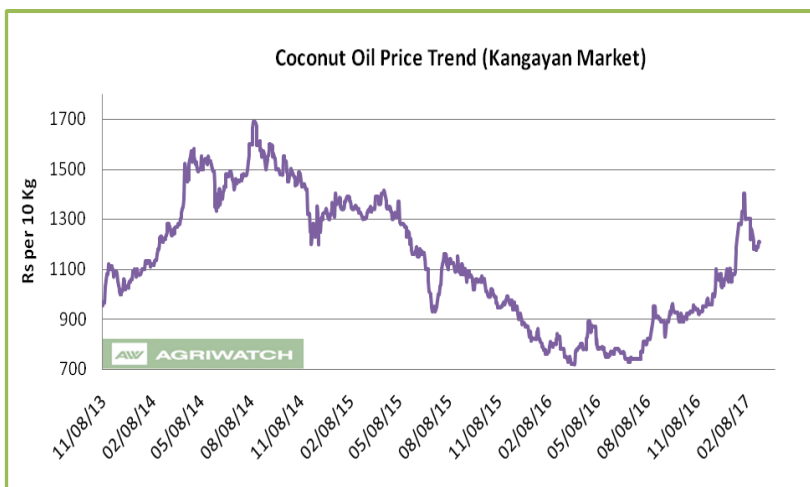
- All India sowing of groundnut has reached 6.16 lakh hectares on 3 February 2017 compared to 5.96 lakh hectares in corresponding period last year.
- On the price front, currently the groundnut oil prices in Rajkot is quoted at Rs 9,500 (Rs 9,400) per quintal and it was quoted at Rs 9,600 (Rs 9,500) per quintal in Chennai market on March 3, 2017. Values in brackets are values of last week.
- Groundnut oil prices are likely to trade sideways to firm in the coming days.

### Price Outlook

Groundnut oil (without VAT) in Rajkot market is likely to trade in the price band of Rs 880-1000 per 10 Kg.

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

- Coconut oil prices featured uptrend during the week at its benchmark market in Kangayam on renewed demand at lower levels. In Kochi prices rose while price closed lower in Trissur at the end of the week.
- Agriwatch view: Coconut oil prices showed uptrend during the week, on renewed demand at lower levels. Rise in prices of copra supported prices.



Rise in prices of palm oil and soy oil supported gains.

Stockists of copra are stocking copra as they expect that prices are good to stock.

Corporate demand, which contributes about 80 percent of demand, is moderate.

Traders and upcountry buyers are not releasing copra stocks as prices of coconut oil has started to retrace from higher levels and they expect prices to rebound.

Rains in parts of Kerala and Tamil Nadu has weakened harvest of coconut and weakened activity in cash markets.

Exports of coconut oil are expected to weaken at current prices.

Demand from North India is weak and demand will only rise when mercury rises.

Crushing of coconut oil is firm on back of higher supply of copra. Demand of copra has moderated. Millers are not holding produce, as they are not confident of prices and are dependent on ready markets.

Regular supply of coconut oil has decreased while demand is higher than produce and higher raw material prices.

Coconut oil prices are expected to be firm due to firm demand, weak supply, lower supply of copra and fall in prices of palm oil.

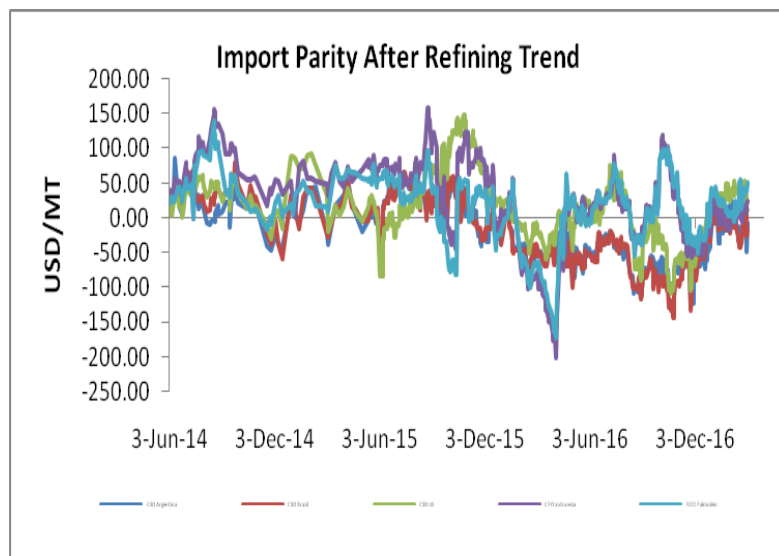
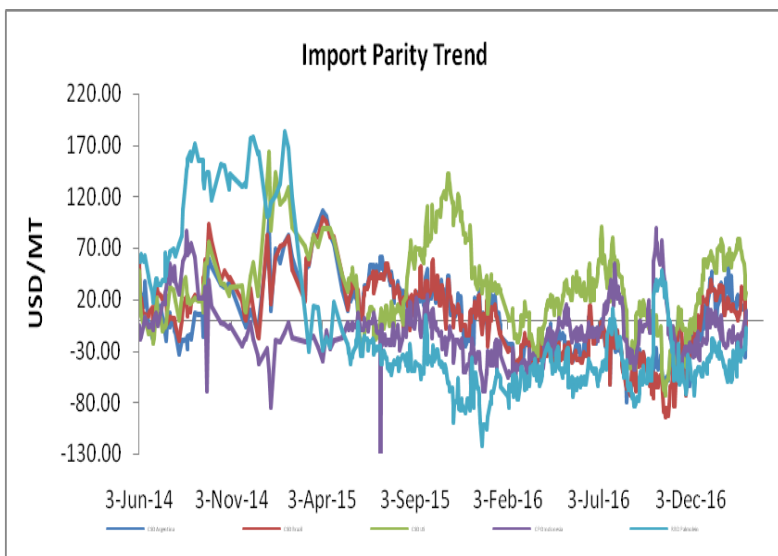
Prices are expected to trade sideways to firm tone in near term.

- On the price front, currently the coconut oil prices in Trissur is hovering near Rs 12,200 (12,300) per quintal, and was quoting Rs 12,100 (Rs 11,900) per quintal in Erode market on March 3, 2017.

**Price Outlook:** Coconut oil (withut VAT) prices in Erode may stay in the range of Rs 1150-1250 per 10 Kg.

### Import Parity Trend

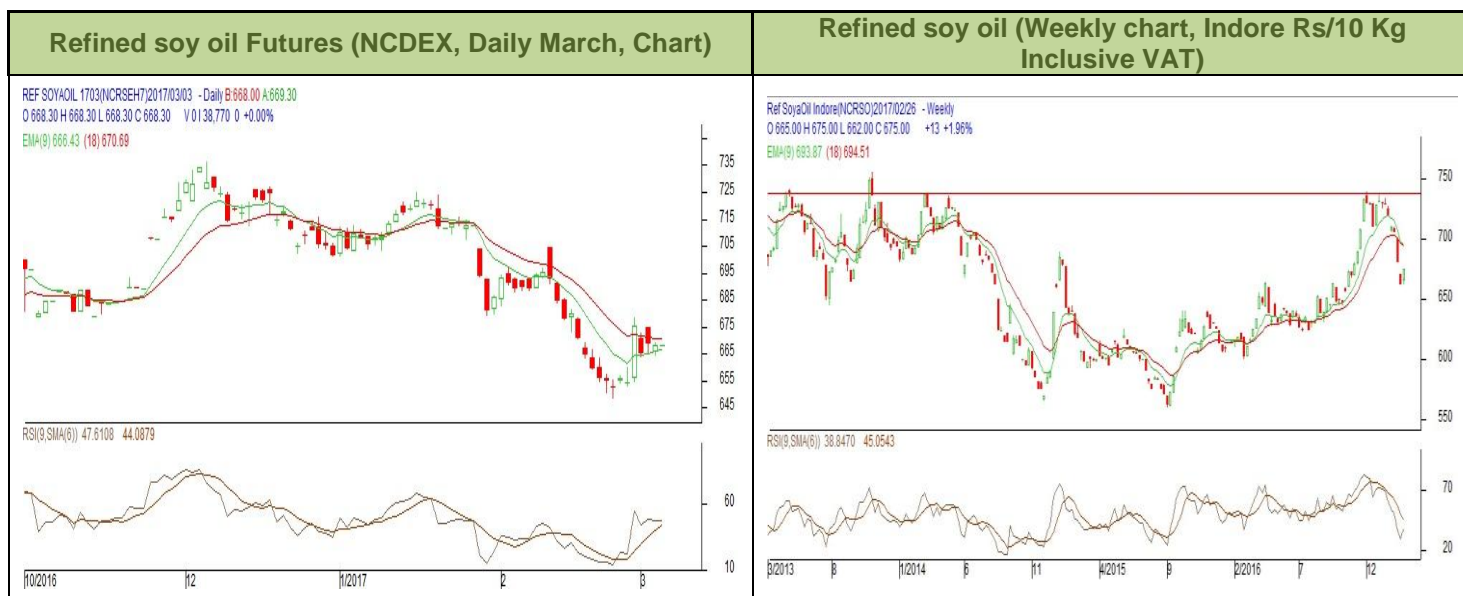
#### Import Parity After Refining in US dollar per ton (Monthly Average)



|                  | CSO Argentina | CSO Brazil | CSO US | CPO Indonesia | RBD Palmolein |
|------------------|---------------|------------|--------|---------------|---------------|
| <b>Jan, 2017</b> | -8.31         | -7.38      | 31.24  | 1.15          | 22.76         |
| <b>Feb, 2017</b> | -4.41         | -12.57     | 39.53  | 5.89          | 21.73         |

### Outlook:-

Import parity for crude soy oil from Argentina is in disparity due to rise in prices of imported oils. We expect CDSO import parity to improve in medium term. Parity in palm oil products may increase palm oil imports in the coming days.

**Technical Analysis (Refined soy oil)**


**Outlook – Refined soybean oil witnessed uptrend during the week in review and is likely to trade with a sideways to firm tone in the coming days.**

- Weekly chart of refined soy oil at NCDEX depicts uptrend during the week in review. We expect prices to trade sideways to firm tone in the near term.
- Any close below 630 in weekly might take the prices below 610 levels.
- Expected price band for next week is 630-690 level in near to medium term. RSI, stochastic and MACD is suggesting uptrend in market.

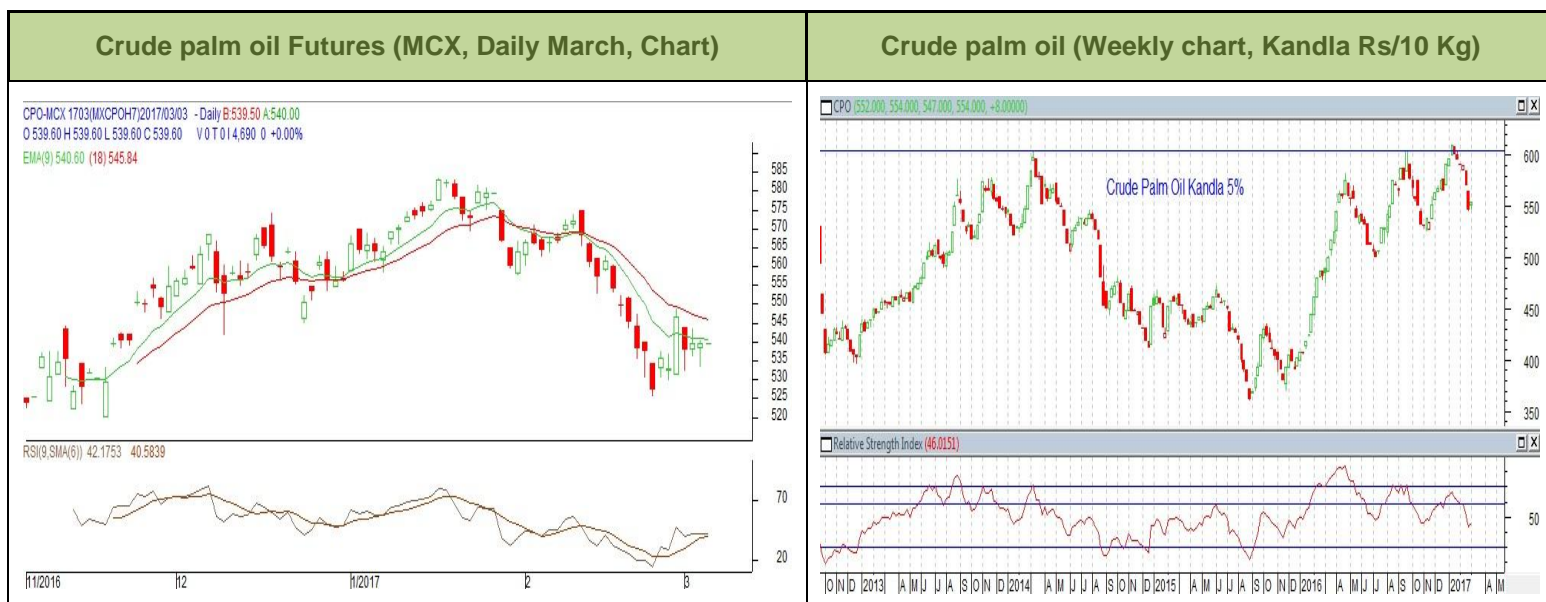
**Strategy:** Market participants are advised to go long above 660 levels for a target of 675 and 680 with a stop loss at 650 on closing basis.

**RSO NCDEX (March)**

| Support and Resistance |        |       |        |        |
|------------------------|--------|-------|--------|--------|
| S2                     | S1     | PCP   | R1     | R2     |
| 631.00                 | 643.00 | 668.3 | 679.00 | 690.00 |

**Spot Market outlook:** Refined soy oil Indore (with VAT) is likely to stay in the range of Rs 650-710 per 10 Kg.



**Technical Analysis (Crude Palm oil)**


**Outlook - Prices show uptrend in prices during the week. We expect that CPO March contract may trade sideways to firm note.**

- Candlestick in weekly chart of crude palm oil at MCX depicts uptrend in the prices. We expect prices to trade with a sideways to firm note in the near term.
- Any close below 520 in weekly chart may bring the prices to 500 levels.
- Expected price band for next week is 510-560 level. RSI, Stochastic, and MACD are suggesting downtrend in prices in the coming week.

**Strategy:** Market participants are advised to go long in CPO above 535 for a target of 550 and 555 with a stop loss at 525 on closing basis.

**CPO MCX (March)**

| Support and Resistance |        |       |        |        |
|------------------------|--------|-------|--------|--------|
| S2                     | S1     | PCP   | R1     | R2     |
| 514.00                 | 524.00 | 539.6 | 566.00 | 577.00 |

**Spot Market outlook:** Crude palm oil is likely to stay in the range of Rs 530-580 per 10 Kg.

Veg. Oil Prices at Key Spot Markets

| Commodity             | Centre                        | Prices(Per 10 Kg) |           | Change |
|-----------------------|-------------------------------|-------------------|-----------|--------|
|                       |                               | 3-Mar-17          | 24-Feb-17 |        |
| Refined Soybean Oil   | Indore                        | 675               | 670       | 5      |
|                       | Indore (Soy Solvent Crude)    | 645               | 635       | 10     |
|                       | Mumbai                        | 670               | 665       | 5      |
|                       | Mumbai (Soy Degum)            | 628               | 620       | 8      |
|                       | Kandla/Mundra                 | 660               | 665       | -5     |
|                       | Kandla/Mundra (Soy Degum)     | 628               | 625       | 3      |
|                       | Kolkata                       | 670               | 670       | Unch   |
|                       | Delhi                         | 690               | 685       | 5      |
|                       | Nagpur                        | 671               | 670       | 1      |
|                       | Rajkot                        | 665               | 655       | 10     |
|                       | Kota                          | 685               | 665       | 20     |
|                       | Hyderabad                     | 684               | 689       | -5     |
|                       | Akola                         | 710               | 710       | Unch   |
|                       | Amrawati                      | 710               | 709       | 1      |
|                       | Bundi                         | 685               | 675       | 10     |
|                       | Jalna                         | 715               | 717       | -2     |
|                       | Alwar                         | NA                | NA        | -      |
|                       | Solapur                       | 717               | 718       | -1     |
|                       | Dhule                         | 712               | 714       | -2     |
| Palm Oil              | Kandla (Crude Palm Oil)       | 554               | 546       | 8      |
|                       | Kandla (RBD Palm oil)         | 575               | 565       | 10     |
|                       | Kandla RBD Pamolein           | 595               | 580       | 15     |
|                       | Kakinada (Crude Palm Oil)     | 535               | 580       | -45    |
|                       | Kakinada RBD Pamolein         | 590               | 580       | 10     |
|                       | Haldia Pamolein               | 590               | 585       | 5      |
|                       | Chennai RBD Pamolein          | 595               | 590       | 5      |
|                       | KPT (krishna patnam) Pamolein | 585               | 570       | 15     |
|                       | Mumbai RBD Pamolein           | 595               | 585       | 10     |
|                       | Delhi                         | 640               | 640       | Unch   |
|                       | Rajkot                        | 595               | 585       | 10     |
|                       | Hyderabad                     | 546               | 561       | -15    |
|                       | Mangalore RBD Pamolein        | 595               | 590       | 5      |
|                       | PFAD (Kandla)                 | 440               | 450       | -10    |
|                       | Refined Palm Stearin (Kandla) | 510               | 515       | -5     |
| Refined Sunflower Oil | Chennai                       | 685               | 690       | -5     |
|                       | Mumbai                        | 715               | 710       | 5      |
|                       | Mumbai(Expeller Oil)          | 630               | 625       | 5      |
|                       | Kandla                        | 700               | 700       | Unch   |
|                       | Kandla/Mundra (Crude)         | NA                | NA        | -      |

|                          |                                    |      |      |      |
|--------------------------|------------------------------------|------|------|------|
|                          | Hyderabad (Ref)                    | 703  | 703  | Unch |
|                          | Latur (Expeller Oil)               | 725  | 730  | -5   |
|                          | Chellakere (Expeller Oil)          | 645  | 655  | -10  |
|                          | Erode (Expeller Oil)               | 725  | 730  | -5   |
|                          |                                    |      |      |      |
| Groundnut Oil            | Rajkot                             | 950  | 940  | 10   |
|                          | Chennai                            | 960  | 950  | 10   |
|                          | Delhi                              | 950  | 950  | Unch |
|                          | Hyderabad *                        | 1015 | 1000 | 15   |
|                          | Mumbai                             | 980  | 980  | Unch |
|                          | Gondal                             | 940  | 940  | Unch |
|                          | Jamnagar                           | 950  | 940  | 10   |
|                          |                                    |      |      |      |
| Rapeseed Oil/Mustard Oil | Jaipur (Expeller Oil)              | 695  | 700  | -5   |
|                          | Jaipur (Kacchi Ghani Oil)          | 735  | 728  | 7    |
|                          | Kota (Expeller Oil)                | 705  | 700  | 5    |
|                          | Kota (Kacchi Ghani Oil)            | 725  | 730  | -5   |
|                          | Neewai (Kacchi Ghani Oil)          | 700  | 700  | Unch |
|                          | Neewai (Expeller Oil)              | 720  | 720  | Unch |
|                          | Bharatpur (Kacchi Ghani Oil)       | 760  | 760  | Unch |
|                          | Alwar (Kacchi Ghani Oil)           | NA   | NA   | -    |
|                          | Alwar (Expeller Oil)               | NA   | NA   | -    |
|                          | Sri-Ganga Nagar(Exp Oil)           | 700  | 700  | Unch |
|                          | Sri-Ganga Nagar (Kacchi Ghani Oil) | 730  | 745  | -15  |
|                          | Mumbai (Expeller Oil)              | 715  | 710  | 5    |
|                          | Kolkata(Expeller Oil)              | 970  | 960  | 10   |
|                          | New Delhi (Expeller Oil)           | 755  | 750  | 5    |
|                          | Hapur (Expeller Oil)               | 878  | 880  | -2   |
|                          | Hapur (Kacchi Ghani Oil)           | 983  | 985  | -2   |
|                          | Agra (Kacchi Ghani Oil)            | 765  | 765  | Unch |
|                          |                                    |      |      |      |
| Refined Cottonseed Oil   | Rajkot                             | 670  | 665  | 5    |
|                          | Hyderabad                          | 635  | 650  | -15  |
|                          | Mumbai                             | 665  | 660  | 5    |
|                          | New Delhi                          | 660  | 665  | -5   |
|                          |                                    |      |      |      |
| Coconut Oil              | Kangayan (Crude)                   | 1210 | 1190 | 20   |
|                          | Cochin                             | 1230 | 1220 | 10   |
|                          | Trissur                            | 1220 | 1230 | -10  |
|                          |                                    |      |      |      |
| Sesame Oil               | New Delhi                          | 770  | 770  | Unch |
|                          | Mumbai                             | 730  | 730  | Unch |
| Kardi                    | Mumbai                             | 730  | 730  | Unch |
| Rice Bran Oil (40%)      | New Delhi                          | 540  | 520  | 20   |
| Rice Bran Oil (4%)       | Punjab                             | 590  | 590  | Unch |
| Rice Bran Oil (4%)       | Uttar Pradesh                      | 590  | 590  | Unch |



|   |           |          |           |        |
|---|-----------|----------|-----------|--------|
| Malaysia Palmolein USD/MT                           | FOB       | 698      | 705       | -7     |
|   | CNF India | 730      | 730       | Unch   |
| Indonesia CPO USD/MT                                | FOB       | 710      | 718       | -8     |
|   | CNF India | 738      | 745       | -7     |
| RBD Palm oil (Malaysia Origin USD/MT)               | FOB       | 713      | 705       | 8      |
| RBD Palm Stearin (Malaysia Origin USD/MT)           | FOB       | 700      | 710       | -10    |
| RBD Palm Kernel Oil (Malaysia Origin USD/MT)        | FOB       | 1380     | 1440      | -60    |
| Palm Fatty Acid Distillate (Malaysia Origin USD/MT) | FOB       | 695      | 698       | -3     |
| Crude palm Kernel Oil India (USD/MT)                | CNF India | 1355     | 1500      | -145   |
| Ukraine Origin CSFO USD/MT Kandla                   | CIF       | 800      | 800       | Unch   |
| Rapeseed Oil Rotterdam Euro/MT                      | FOB       | NA       | NA        | -      |
|   |           |          |           |        |
| Argentina FOB (\$/MT)                               |           | 2-Mar-17 | 23-Feb-17 | Change |
| Crude Soybean Oil Ship                              |           | 745      | 734       | 11     |
| Refined Soy Oil (Bulk) Ship                         |           | 768      | 760       | 8      |
| Sunflower Oil Ship                                  |           | 725      | 735       | -10    |
| Cottonseed Oil Ship                                 |           | 725      | 714       | 11     |
| Refined Linseed Oil (Bulk) Ship                     |           | Unq      | Unq       | -      |
| * indicates including VAT                           |           |          |           |        |

\*\*\*\*\*

#### Disclaimer

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

© 2017 Indian Agribusiness Systems Pvt Ltd.