

# 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 mixed trend in domestic market on fall in CBOT soy oil and BMD CPO. Palm oil, groundnut oil and coconut oil prices fell while soy oil prices were unchanged. Rapeseed oil and sunflower oil prices closed higher.*

*On the currency front, Indian rupee is hovering near 63.57, down by 57 paise compared to 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 appreciate and crude oil prices will rise in near-term.*

*We expect edible oil complex to trade weak on weak fundamentals. Lower stocks at ports and pipeline will support prices in near term.*

### **Recommendation:**

*Weekly Call - : At NCDEX, market participants are advised to go short below 640 levels for a target of 625 and 620 with a stop loss at 630 on closing basis. We expect refined soy oil at Indore (with VAT) to stay in the range of Rs 600-660 per 10 Kg in the near term.*

*At MCX, market participants are advised to go short in CPO below 485 for a target of 470 and 465 with a stop loss at 495 on closing basis. We expect CPO Kandla 5 percent (with VAT) to stay in the range of Rs 460-520 per 10 Kg in the near term.*

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

*Malaysia's July palm oil exports rose 4.1 percent to 1,260,143 tons compared to 1,210,359 tons in last month. Top buyers were European Union at 352,370 tons (245,163 tons), China at 191,234 tons (65,500 tons), India at 162,100 tons (238,350 tons), United States at 77,241 tons (69,082 tons) and Pakistan at 43,000 tons (78,830 tons). Values in brackets are figures of last month: SGS*

*In the weekly USDA crop progress report released on 31 July; Soybeans blooming are reported at 82% which is down from 84% during the corresponding period last year and up from the 5 year average of 80%. Soybean crop setting pods are reported at 48% which is down from 51% during the corresponding period last year and also up from the 5 year average of 45%. About 59% of the soybean planted crop is under good to excellent condition which is down from 72% during the corresponding period last year.*

*On the international front, lower demand of soy oil in bio-fuels in US, good soybean crop condition in US, weak Chinese demand of soybean and firm dollar will underpin soy oil prices in coming days.*

*Rise in palm oil stocks in Malaysia, rise in production of palm oil in Malaysia and appreciation of ringgit will underpin CPO prices in near term.*

## Soy oil Fundamental Analysis and Outlook:-

### Domestic Front

- Soy oil featured sideways trend in domestic markets on weak demand. Prices of refined soy oil remained unchanged in Kandla/Mudra and Mumbai while it rose in Kolkata. CDSO prices fell at JNPT and Kandla/Mudra at the end of the week.
- Agriwatch View- Soy oil prices closed sideways during the week in Indore on weak demand.

CDSO prices were unchanged at India West coast while it rose India CNF, indicating weak demand at high seas.

Demand in domestic market was firm as refined soy oil prices closed higher in other centers in India.

CDSO demand was firm at CNF markets as CDSO CNF prices fell while CDSO FOB Argentina rose compared to last week.

Appreciation of Indian rupee has made imports of soy oil dearer in India, which will reflect in coming months.

Imports of soy oil decreased in June compared to May 2017 and June 2016. Stocks of CDSO at ports and pipelines fell in June.

Crushing of soybean in India weakened due to weakening export demand of soy meal from India on appreciation of Rupee, rise of prices in domestic market and poor quality of soy meal.

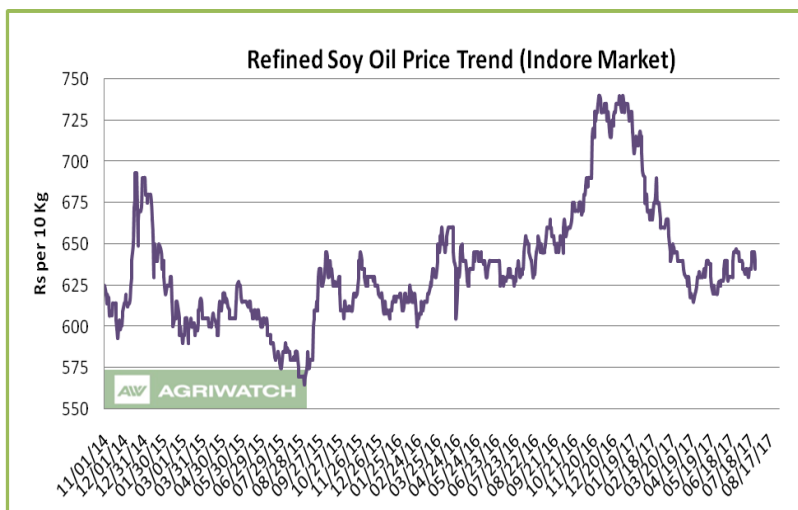
Imports of soy oil are in disparity at high seas and refining margins are negative. With low soy oil premium over palm oil, demand may firm up in coming months.

Refined soy oil premium over RBD palmolein is increased to Rs 110 (Rs 108 last week) per 10 Kg, which is low and may support soy oil prices in domestic markets. In USD terms, premium of CDSO CNF over CPO CNF, which was quoted at USD 138 (USD 112 last week) per ton, indicating weakening of firming of demand of CDSO at CNF markets compared to CPO CNF.

Values in brackets are figures of last week.

Prices of soy oil is expected to fall on weak demand and weak competitive oils.

- All India sowing of soybean has reached 98.967 lakh hectares as on 4.08.2017 compared to 110.446 lakh hectares in the corresponding period last year. Across board sowing was less due to bad remuneration of soybean 2016/17.
- Soy oil import scenario – According to SEA, India imported 2.91 lakh tons of soy oil in June 2017 v/s 3.86 lakh tons in June 2016, down 24.6 percent y-o-y. India imported 19.81 lakh tons of soy oil in the period (November 2016-June 2017) compared to 28.05 lakh tons in the corresponding period last oil year, lower by 29.37 percent y-o-y.



- Imported crude soy oil CIF at West coast port is offered at USD 803 (USD 789) per ton for August delivery, September delivery is offered at USD 803 (USD 790) per ton, October delivery is quoted at USD 807 (USD 795) per ton as on August 4, 2017. Values in brackets are figures of last week. Last month, CIF CDSO July average price was USD 796.8 (USD 797.8 per ton in June 2017) per ton.
- On the parity front, margins are in disparity during the week on low prices of soy oil in domestic markets, and we expect margins to remain in disparity in coming days. Currently refiners lose USD 10-15/ton v/s loss of USD 15-20/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- Improvement of climate in soybean growing regions of US Midwest indicates that soybean crop condition will improve in coming days. Temperatures have come down and cool temperatures are expected during pod filling stage which will improve overall crop condition and underpin soybean complex prices in near to medium term. Last week USDA reported better than expected crop condition. Good to excellent rose from 57 percent to 59 percent indicating that crop showed uptick in condition. However, USDA may report lower yields in its August report.

EPA is expected to announce that it will keep its 2005 biodiesel policy unchanged which will mean that refiners must blend soy oil based biodiesel. EPA earlier announced that soy oil based biodiesel must be mixed by blenders not refiners. Refiners must buy RIN who do not blend biodiesel, which incurs the big cost.

Supreme Court ruling on Environmental Protection Agency (EPA) misinterpretation 2005 energy policy act of how much renewable fuelled to be mixed with fuel will support soy oil prices in near term. The court said that rather than considering how much biofuel supply was available to refiners and importers, the EPA considered how much demand consumers expressed for renewable fuels.

Soy oil stocks fell in US as reported by NOPA in June due to lower soy oil production due to lower crush of soybean will support soy oil prices in medium term.

USDA increased soy oil end stocks in US in 2017/18 due to increase in beginning stocks and higher imports. Soybean exports from US to China rose y-o-y by about 20 percent in current US marketing season. USDA increased soybean imports in 2016/17 by China to 91 MMT and 94 MMT in 2017/18 with more imports from US.

Demand from China is expected to remain firm in 2017/18, which will soak incremental stocks of US and Brazil in 2017/18.

Imports from China waned in June due to glut created by higher imports in May, which led to negative crush margins. Crush margins have improved since then and it is in positive territory. Demand will continue to remain weak in July as many cargoes were diverted or cancelled.

USDA decreased Brazil 2017/18 soybean crop on lower yields on lines of historical lines. USDA increased Brazil 2016/17 soybean crop estimate in its June report to 114 MMT. End stocks were increased for Argentina and Brazil in 2017/18 on higher opening stocks in 2016/17 in both countries.

Argentina government reduced soybean crop of the country to 55 MMT due to early wet conditions, lower planted area and wet condition at the end of harvest. USDA is expected to decrease 2016/17 soybean crop in Argentina in August estimate.

USDA increased soy oil end stocks in Argentina in 2017/18 on higher opening stocks.

Argentina Peso has depreciated in near term, which has made its soy oil prices cheaper, which will increase soy oil exports from the country.

United States trade commission decision to investigate allegation of dumping of soy oil based biodiesel from Argentina, which will result in punitive tariffs on imports from Argentina, will support soy oil prices in medium term. This decision comes as US Commerce Department voted to investigate allegation of dumping and unfair trade practices by Argentina. The commission has said that dumping has caused harm to US producers.

Competitive oils will underpin soy oil prices in near term.

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

- In the weekly USDA crop progress report released on 31 July; Soybeans blooming are reported at 82% which is down from 84% during the corresponding period last year and up from the 5 year average of 80%. Soybean crop setting pods are reported at 48% which is down from 51% during the corresponding period last year and also up from the 5 year average of 45%. About 59% of the soybean planted crop is under good to excellent condition which is down from 72% during the corresponding period last year.
- According to Energy Administration Agency (EIA), U.S. produced 136 million gallons in May compared to 127 million gallons in April, higher by 9.4 percent m-o-m. Soy oil was the largest feedstock with 546 million lbs in May compared to 427 million lbs in April.
- According to National Oilseed Processors Association (NOPA), U.S. June soybean crush fell 7.48 percent to 138.074 million bushels from 149.246 million bushels in May 2017. Crush of soybean in June 2016 was 145.040 million bushels. Soy oil stocks in U.S. at the end of June fell 2.63 percent to 1.703 billion lbs compared to 1.749 billion lbs in May 2017. Stocks of soy oil in June were lower by 14.2 percent compared to June 2016, which was reported at 1.985 million lbs.
- According to United States Department of Agriculture (USDA) July estimate, U.S 2017/18 ending stocks of soy oil is rose 6.26 percent to 2,292 million lbs from 2,157 million lbs in 2016/17 in July estimate. Opening stocks were higher at 2,097 million lbs compared to 1,987 million lbs in 2016/17. Production of soy oil in 2017/18 is unchanged at 22,620 million lbs. Imports in 2017/18 is increased to at 325 million lbs from 300 million lbs in 2016/17. Biodiesel use in 2017/18 was unchanged at 6,450 million lbs. Food, feed and other industrial use in 2017/18 was unchanged at 14,000 million lbs. Exports in 2016/17 were unchanged at 2,300 million lbs. Average price range estimate ended the year 2017/18 at 30-34 cents/lbs compared to 31.75 cents/lbs in its 2016/17. Rise in end stock of soy oil in US is due to higher opening stocks and higher imports of soy oil.
- USDA WASDE Oilseeds Highlights: The U.S. season-average soybean price is forecast at \$8.40 to \$10.40 per bushel, up \$0.10 at the midpoint. Soybean meal prices are forecast at \$300 to \$340 per short ton, up \$5.00 at the midpoint. The soybean oil price forecast is unchanged at 30 to 34 cents per pound.

Previous updates

- In the weekly USDA crop progress report released on 24 July; Soybeans blooming are reported at 69% which is down from 74% from the corresponding period last year and up from the 5-year average of 67%. Soybean crop setting pods are reported at 29% which is down from 33% from the corresponding period last year and up from the 5-year average of 27%. About 57% of the soybean planted crop is under good to excellent condition which is down from 71% during the corresponding period last year.
- In its July crop report, soybean production in Argentina has been reduced to 55 million tonnes compared to 57 million tons estimated in the month of June according to the Ministry of Agriculture. Production has declined as a result of lower planting area.
- According to the Ministry of Agriculture, soybean production in Brazil is expected to decline by 2 per cent to 110.66 million tons in 2017-18 compared to previous year.
- According to China's General Administration of Customs (CNGOIC), China's imports of edible vegetable oil in May fell 7.1 percent to 3.90 lakh tons compared to 4.20 lakh tons in May. Imports rose 25.8 percent compared to last year, which was reported at 3.10 lakh tons. Year to date imports of edible vegetable oil rose 14 percent to 27.70 lakh tons.
- According to United States Department of Agriculture (USDA) June estimate, U.S 2017/18 ending stocks of soy oil is fell 3.36 percent to 2,157 million lbs from 2,232 million lbs in May estimate. Opening stocks were lower at 1,987 million lbs. Production of soy oil in 2017/18 is unchanged at 22,620 million lbs. Imports in 2017/18 are kept unchanged at 300 million lbs. Biodiesel use in 2017/18 was unchanged at 6,450 million lbs. Food, feed and other industrial use in 2017/18 was unchanged at 14,000 million lbs. Exports in 2016/17 were unchanged at 2,300 million lbs. Average price range estimate ended the year 2017/18 at 30-34 cents/lbs compared to 31.75 cents/lbs in its 2016/17. Fall in end stock is due to lower opening stocks of soy oil.
- The U.S. Department of Agriculture's National Agricultural Statistics Service (NASS) estimated a record high 89.5 million acres of soybeans planted in the United States for 2017, up 7 percent from last year. Further, US soybean area for harvest is estimated at a record high 88.7 million acres, if realized, up 7 percent from 2016.
- Both, the US soybean stocks and acreage figures were reported lower than the trade expectations in the report released by USDA on Friday. It has been reported that the US soybeans stored in all positions on June 1, 2017 totaled 963 million bushels, up 11 percent from June 1, 2016. On-farm stocks totaled 333 million bushels, up 18 percent from a year ago. Off-farm stocks, at 631 million bushels, are up 7 percent from a year ago.
- According to National Oilseed Processors Association (NOPA), U.S. May soybean crush rose 7.27 percent to 149.246 million bushels from 139.134 million bushels in April 2017. Crush of soybean in May 2016 was 152.280 million bushels. Production of soy oil in U.S. in May rose to 1.752 billion lbs from 1.627 billion lbs in April 2017. Production in May 2016 was 1.786 billion lbs. Soy oil stocks in U.S. at the end of May rose 1.37 percent to 1.749 billion lbs compared to 1.725 billion lbs in April 2017. Stocks of soy oil in May were lower by 12.26 percent compared to May 2016, which was reported at 1.994 million lbs. Yield was higher at 11.74 lbs/bushel in May compared to April figure of 11.69 lbs/bushel. Yield in May 2016 was reported at 11.73 lbs/bushel.
- China purchased 9.59 million tons of soybeans in May, highest on record. Higher volume of imports is primarily due to the backlog of previously purchased soy which landed in the country during the month. The oilseeds

imports were up from 7.66 million tons during the corresponding period last year and 19.6% higher than 8.02 million tons purchased during April.

- Conab has raised Brazil's 2016/17 soybean production estimate for the sixth time this year to 113.92 million tons, which is up from 113 million tons projected in May.

**Price Outlook:** We expect refined soy oil at Indore (with VAT) to stay in the range of Rs 600-660 per 10 Kg in the near term.



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

### **Domestic Front**

- Crude palm oil featured weak trend at its benchmark market at Kandla on weak BMD CPO. CPO prices closed lower in Kakinada. RBD palmolein fell in Kandla, Mumbai, and Haldia while it rose in Mangalore, Kakinada and Krishnapatnam.
- Agriwatch View – Prices of CPO closed lower at the end of week on weak BMD CPO.

Prices of CPO fell less at India high seas compared to CNF markets compared to last week indicating firm demand.

BMD palm oil fell by 2 percent during the week in review, which led to fall in domestic palm oil prices.

Palm oil is being imported and stored at ports as government has shown its intention to raise import duty on edible oils and rebalance markets as distorted taxation in Malaysia has led to idling of palm oil plants in India. RBD palmolein is imported at same rate as CPO.

Demand of RBD palmolein is firm at high seas as prices fell less at India high seas v/s CNF India compared to previous week.

Demand of CPO was firm at CNF markets as prices fell less at CNF markets v/s Indonesia FOB compared to last week.

Demand of RBD palmolein was firm at CNF markets as prices rose more at CNF markets v/s Malaysia FOB compared to last week.

Imports of RBD palmolein is expected to remain firm as RBD palmolein is trading at parity to CPO at CNF markets.

Demand of RBD palmolein on was lower than CPO at high seas as premium RBD palmolein over CPO was at Rs 37 (Rs 40) per 10 kg.

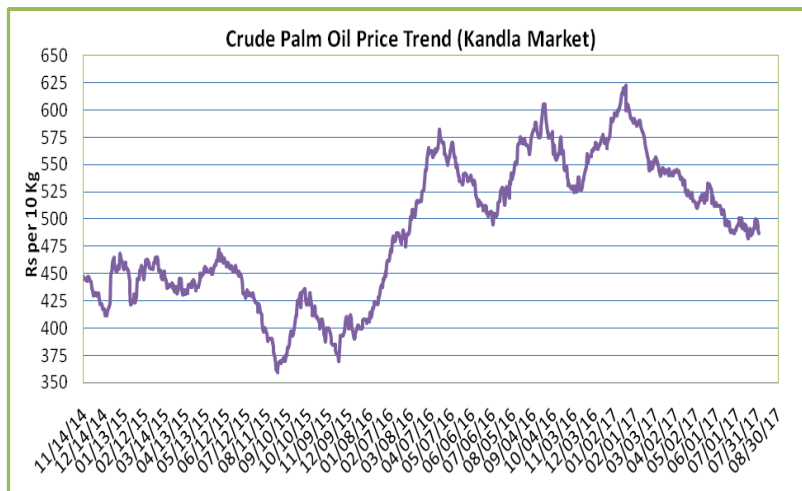
Positive refining margins and parity will increase imports of CPO and RBD palmolein in medium term.

Import of CPO in June was higher than May 2017 and higher than June 2016. Stocks at ports and pipelines increased in June.

Import of RBD palmolein in June was lower than May 2017 and higher than June 2016. Stocks at ports and pipelines decreased in June.

Appreciation of Indian rupee has made imports of palm oil dearer in India, which will reflect in coming months.

Low CDSO CNF premium over CPO CNF will decrease imports of palm oil in medium term at USD 138 (USD 112 last week) per 10 kg. Premium of CDSO soy oil high seas over CPO high seas is at Rs 94 (Rs 95 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 110 (Rs 108 last week) per 10 kg is low and will decrease demand in near term. Values in brackets are figures of last week.





Prices of CPO are expected to remain sideways to weak.

- Palm oil import scenario – According to SEA, India imported 8.2 lakh tons of palm oil in June 2017 v/s 6.07 lakh tons in June 2016, higher by 35 percent y-o-y. Import of palm oil in the period (November 2016-June 2017) was at 59.21 lakh tons compared to 56.05 lakh tons in the corresponding period in last oil year, higher by 5.6 in the corresponding period last oil year.

CPO imports increased to 5.72 lakh tons in June compared to 4.16 lakh tons in June 2016, higher by 37.5 percent y-o-y. Import of CPO in the period (November 2016-June 2017) was at 39.67 lakh tons compared to 37.66 lakh tons in the corresponding period last oil year, higher by 5.3 percent

RBD palmolein imports rose 26.8 percent in June to 2.41 lakh tons from 1.90 lakh tons in June 2016. Import of RBD palmolein in the period (November 2016-June 2017) was at 19.03 lakh tons compared to 17.77 lakh tons in corresponding period last oil year, higher by 7 percent.

- On the trade front, CNF CPO (Indonesian origin) at Indian port quoted at USD 665 (USD 675) per ton for August delivery, September delivery is quoted at USD 665 per ton. Last month, CIF CPO July average price was at USD 678.5 per ton (USD 697.96) per ton in June 2017).

Moreover, RBD palmolein (Malaysian origin) CNF at Indian port, offered at USD 665 (USD 675) per ton for August delivery while September delivery is offered at USD 665 per ton. Last month, CIF RBD palmolein July average price was USD 677.88 (USD 701.24 in June 2017) per ton. Values in bracket depict last week quotes.

Ready lift CPO duty paid prices quoted at Rs 488 (Rs 490) per 10 Kg and August delivery duty paid is offered at Rs 484 (Rs 485) per 10 kg on August 4, 2017.

Values in brackets are figures of corresponding period last month.

- On the parity front, margins increased during this week due to fall of prices of palm products in international markets. Currently refiners fetch USD 50-55/ton v/s gain of USD 40-45/ton (last month) margin in processing the imported CPO and imports of ready to use palmolein fetch USD 65-70/ton v/s gain of USD 50-55/ton (last month) parity.
- We expect palm oil to trade sideways to weak in the days ahead.

### International Front

Agriwatch View – Palm oil stocks in Malaysia in July is expected to rise 6.5 percent due to 11 percent rise in production and 4 percent rise in exports, according to market estimates.

However, Agriwatch expects that palm oil stocks will show lower increase in end stocks in coming months.

Palm oil production in Malaysia in July is expected to rebound after 8 percent fall in June. Production is expected to rise on seasonal uptrend of prices and diminishing effect of El Nino. Production will increase in July as laborers returned after Ramadan.

Production generally peaks between July-September. However, due to lagged effect of El Nino harvest season will last until October, which will adversely affect palm oil in medium term.

Exports of palm oil from Malaysia showed rise in exports of palm oil in July. Exports grew 4-5 percent in July. Exports improved on higher purchases by EU and China. Demand from India was weak.

Higher exports of China were due to lower prices of palm oil and decision of Chinese government to import 450,000 tons of palm oil every month to replenish stocks, according to a statement by CNGOIC. Higher exports of palm oil from China will support exports and support palm oil prices in medium term. Stocks of palm oil at Chinese ports are half the normal levels.

China is buying more as prices of palm oil fell and soy oil prices recovered in the country creating space for higher imports. This has led to recovery in RBD palmolein DALIAN that supported BMD Malaysia prices as it is highly correlated to DALIAN.

Demand of China has remained weak from Malaysia as it was importing more from Indonesia as they are offering competitive prices.

Exports from Malaysia are expected to show good numbers in first 10 days of August on higher buying by India and China.

Purchases from India have weakened due to less demand after Ramadan.

Weakness in CBOT soy oil and RBD palmolein DALIAN will underpin palm oil prices in medium term.

Appreciation of ringgit will pose risk to palm oil prices in near term.

Palm oil production loss in 2016 will recover completely in 2017 with Malaysia producing 19-20 MMT and Indonesia at 35-36 MMT. Production is expected to improve gradually and accelerate as the year progresses.

Production of palm oil in Indonesia lost in 2016 will be fully recovered in 2017. GAPKI estimates palm oil production to 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 in 2017 to pre El Nino levels.

Malaysia reduced palm oil export duty to 5.5 percent for August, as Malaysian government feels that prices are expected to remain low. However, Indonesia has maintained zero duty of crude palm oil.

Indonesia kept palm oil export duty to zero as it expects palm oil prices to miss certain thresholds.

Higher use of palm oil in biodiesel in Indonesia will soak incremental palm oil production in the country in medium term.

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

- According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's July palm oil exports rose 4.1 percent to 1,260,143 tons compared to 1,210,359 tons in last month. Top buyers were European Union at 352,370 tons (245,163 tons), China at 191,234 tons (65,500 tons), India at 162,100 tons (238,350 tons), United States at 77,241 tons (69,082 tons) and Pakistan at 43,000 tons (78,830 tons). Values in brackets are figures of last month.
  - According to cargo surveyor Intertek Testing Services (ITS), Malaysia's July palm oil exports rose 4.1 percent to 1,239,407 tons v/s 1,190,583 tons in last month. Top buyers were European Union at 323,071 tons (257,666 tons), India & subcontinent at 242,600 tons (283,300 tons) and China at 174,116 tons (120,400 tons). Values in brackets are figures of last month.
  - According to Malaysia Palm Oil Board (MPOB), Malaysia's June palm oil end stocks fell 1.93 percent to 15.27 lakh tons compared to 15.58 lakh tons in May. Production of palm oil in June fell 8.48 percent to 15.14 lakh tons compared to 16.54 lakh tons in May. Exports fell 8.39 percent to 13.80 lakh tons compared to 15.06 lakh tons in May. Imports of palm oil in May fell 3.42 percent to 0.45 lakh tons compared to 0.47 lakh tons in May.
  - Policy update- According to Malaysia Palm Oil Board (MPOB), Malaysia reduced August crude palm oil export duty to 5.5 percent from 6.5 percent in July. Tax is calculated at reference price of 2699.54 ringgit (\$629.56) per ton. Tax is calculated above 2,250 ringgit starting from 4.5 percent to a maximum of 8.5 percent.
- Indonesia maintains zero export duty on crude palm oil for July as it expects that it will miss certain thresholds, according to Indonesia trade ministry. Indonesia keeps export taxes at zero on or below USD 750 per ton.

### Previous updates

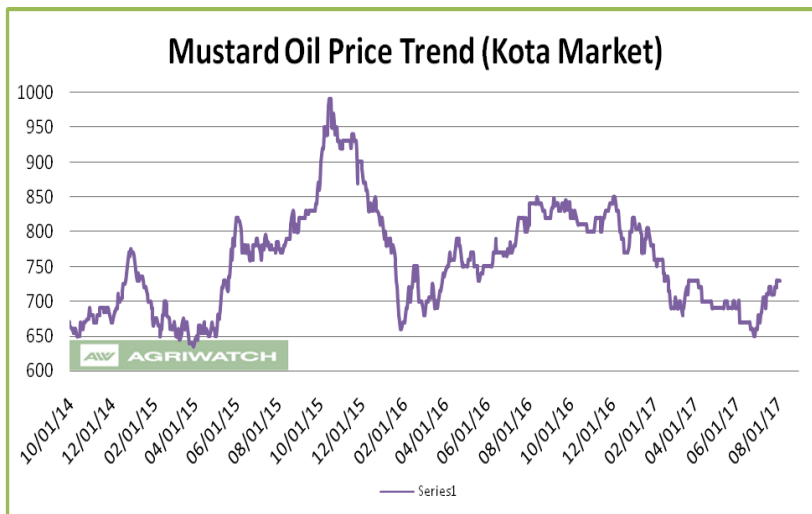
- According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's July 1-25 palm oil exports rose 4.8 percent to 1,044,456 tons compared to 996,291 tons in corresponding period last month. Top buyers were European Union at 305,870 tons (211,263 tons), China at 153,201 tons (61,900 tons), India at 146,600 tons (185,950 tons), United States at 55,281 tons (54,082 tons) and Pakistan at 43,000 tons (78,830 tons). Values in brackets are figures of corresponding period last month.
- According to cargo surveyor Intertek Testing Services (ITS), Malaysia's July 1-25 palm oil exports rose 3.2 percent to 1,016,689 tons v/s 985,534 tons in corresponding period last month. Top buyers were European Union at 276,721 tons (195,600 tons), India & subcontinent at 195,600 tons (233,100 tons) and China at 127,226 tons (87,300 tons). Values in brackets are figures of corresponding period last month.
- According to China's General Administration of Customs (CNGOIC), China's June palm oil imports fell 8.51 percent to 2.17 lakh tons compared to June 2016. Year to date imports of palm oil rose 16.88 percent to 21.81 lakh tons compared to corresponding period last year. Imports from Indonesia in June rose 10.2 percent to 1.23 lakh tons compared to June 2016. Year to date imports of palm oil from Indonesia rose 17.8 percent to 14.37 lakh tons compared to corresponding period last year. Imports from Malaysia in June fell 25.13 percent to 0.94 lakh tons compared to June 2016. Year to date imports rose 15.97 percent from Malaysia to 7.43 lakh tons compared to corresponding period last year.
- According to Indonesia Palm Oil Association (GAPKI), Indonesia's May palm and palm kernel oil exports rose 49 percent to 2.62 MMT compared to 1.76 MMT in May 2016. Exports were higher by 2 percent from April which was at 2.57 MMT. Indonesia's palm oil end stocks fell to 621,000 in May from 888,000 tons in April, lower by 30 percent m-o-m.
- According to Malaysia Palm Oil Board (MPOB), Malaysia's May palm oil end stocks fell 2.64 percent to 15.58 lakh tons compared to 16 lakh tons in April. Production of palm oil in May rose 6.88 percent to 16.54 lakh tons compared to 15.48 lakh tons in April. Exports rose 17.33 percent to 15.06 lakh tons compared to 12.83 lakh tons in April. Imports of palm oil in May fell 12.9 percent to 0.47 lakh tons compared to 0.54 lakh tons in April. This was the weakest May since last eight years.
- According to Malaysia Palm Oil Board (MPOB), Malaysia's April palm oil end stocks rose 3.02 percent to 16 lakh tons compared to 15.53 lakh tons in March. Production of palm oil in April rose 5.74 percent to 15.48 lakh tons compared to 14.64 lakh tons in March. Exports rose 1.39 percent to 12.83 lakh tons compared to 12.65 lakh tons in March. Imports of palm oil in April fell 46.57 percent to 0.54 lakh tons compared to 1.02 lakh tons in March. Stocks came below market expectations on lower than expected rise in production.
- Policy update- According to Malaysia Palm Oil Board (MPOB), According to Malaysia Palm Oil Board (MPOB), Malaysia increased July crude palm oil export duty to 6.5 percent from 6 percent in June. Tax is calculated at reference price of 2890.04 ringgit (\$676.53) per ton. Tax is calculated above 2,250 ringgit starting from 4.5 percent to a maximum of 8.5 percent.

**Price Outlook:** We expect CPO Kandla 5 percent (with VAT) to stay in the range of Rs 460-520 per 10 Kg in the near term.

## Rapeseed oil Fundamental Review and Analysis:-

### Domestic Front

- Mustard oil prices featured firm trend in its benchmark of Kota on firm demand. Arrivals of rapeseed increased last week.
- Agriwatch view: Prices of rapeseed oil expeller increased at its benchmark market in Kota. Prices rose in Jaipur, Kolkata, Gujarat and Mumbai while it remained unchanged at Ganganagar, Hapur and New Delhi. Prices fell in Neewai. Kacchi ghani prices remained unchanged in Kota, Jaipur and Bharatpur while it fell in Bharatpur, Neewai, Agra. Prices rose in Ganganagar. Canola oil CIF rose last week. Prices of rapeseed oil traded on firm demand and fall in crushing after peak crushing season of rapeseed. Arrivals of rapeseed have increased last week while prices of rapeseed were flat. Prices were mostly higher in major centers in India, on firm demand. Firm buying by stockists and traders against weak stock position supported prices. Prices rose on seasonal uptrend of prices. Prices rose on buying at lower quotes. Mustard oil prices are trading at low premium over soy oil, which will support prices in medium term. Due to higher crop of rapeseed, prices of rapeseed are expected to remain weak in medium term. Agriwatch expects rapeseed crop in India at 6.9-7.00 MMT in 2017. Low premium of rapeseed oil over soy oil in domestic market at Rs 95 (Rs 82) per 10 Kg will support rapeseed oil prices in medium term. Stockists and traders are stocking rapeseed oil to take advantage of the prevailing low prices. Premium of canola oil compared to CDSO has decreased to USD 17 (USD 23) per ton and which will support imports. Imports of Canola oil fell in June indicating weak demand. Higher crushing of expeller rapeseed led to fall in import demand in medium term. However, with lower arrivals and crushing of rapeseed oil will support imports of canola oil in medium term. Markets are expected to trade sideways to firm tone in coming days on firm demand, stocking at lower levels, seasonal uptrend of prices and lower crushing of rapeseed.
- India imported 0.13 lakh tons of rapeseed (Canola) oil imports in June 2017 v/s 0.18 lakh tons in June 2016. Imports were 1.95 lakh tons in the period (November 2016-June 2017) compared to 1.90 lakh tons in corresponding period last oil year: SEA
- CIF canola premium over soybean oil is USD 17 (USD 23 last week) per ton for July delivery as on August 4, 2017.

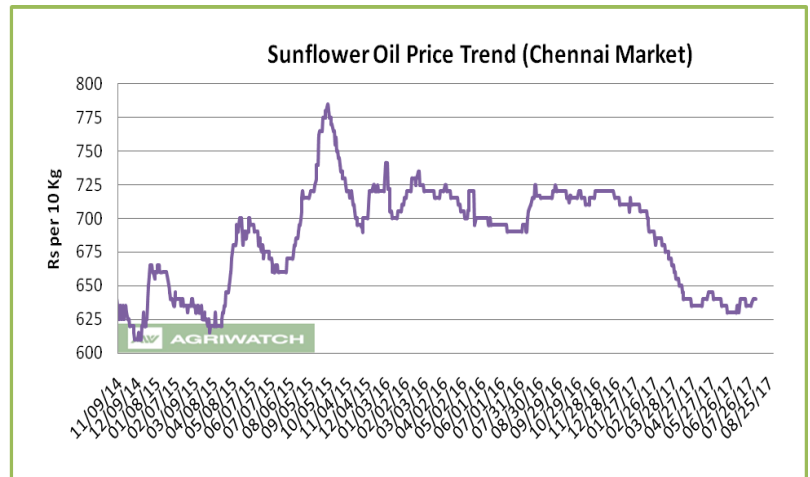


- Currently, RM oil at Jaipur market, (expeller) is offered at Rs 735 (Rs 730) per 10 Kg, and at Kota market, it is offered at Rs 730 (Rs 720) per 10 kg as on August 4, 2017. Values in brackets are figures of last week.
- We expect RM seed oil prices to trade sideways to firm tone in the coming days.

**Price Outlook:** Rapeseed oil (without VAT) prices in Kota may stay in the range of Rs 700-750 per 10 Kg.

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

- Sunflower oil featured uptrend last week in its benchmark market of Chennai on renewed demand and higher prices of sunflower oil in international markets. Prices closed lower in Hyderabad while it rose in Kakinada. Prices rose in Kandla/Mudra and Mumbai. Sunflower expeller prices closed lower in Hyderabad while it remained unchanged in Erode, Latur and Chellakere.



- Agriwatch view: Prices of sunflower oil traded higher in Chennai on renewed demand at lower quotes and increase in prices of sunflower oil in international markets.

Prices rose on seasonal uptrend of prices.

Prices of sunflower increased more in Chennai compared to CNF markets indicating improved demand. Prices of sunflower oil are trading at same prices as soy oil, indicating weak demand in domestic markets.

CSFO prices in CNF markets has risen above CDSO at CNF markets to USD 21 (USD 21 last week) per ton for September delivery, indicating ample space for prices to rise as sunflower oil is considered superior oil.

Crude sunflower oil is imported at higher prices compared to CDSO. However, sunflower oil is trading at parity to soy oil, in domestic markets indicating weak demand compared to soy oil. In domestic market, sunflower oil premium over soy oil is at Rs 5 (Rs -3 last week) per 10 kg which is low indicating weak demand of sunflower oil.

Sunflower oil premium over palm oil at CNF India is USD 150 (USD 140 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 41 percent in November-June while stocks at ports and pipelines fell indicating firm demand. Imports of sunflower oil will show steady rise in coming months due to low premium of sunflower oil over CDSO and CPO.

Imports of sunflower in June were above May and stocks at ports and pipelines rose indicating firm demand in near term.

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 12 (USD 21 last week) per ton for September delivery.

Reduction of import duty on sunflower seed is expected to increase crushing in India and underpin prices in medium term.

On the international front record volume of production and exports from Ukraine indicates firm supply, which has led sunflower oil to trade at low premium over soy oil and palm oil.

Prices of sunflower oil are expected to trade sideways to firm on firm demand, seasonal uptrend of prices and rise in prices of sunflower oil in international markets. Prices are expected to trade sideways to firm in near term.

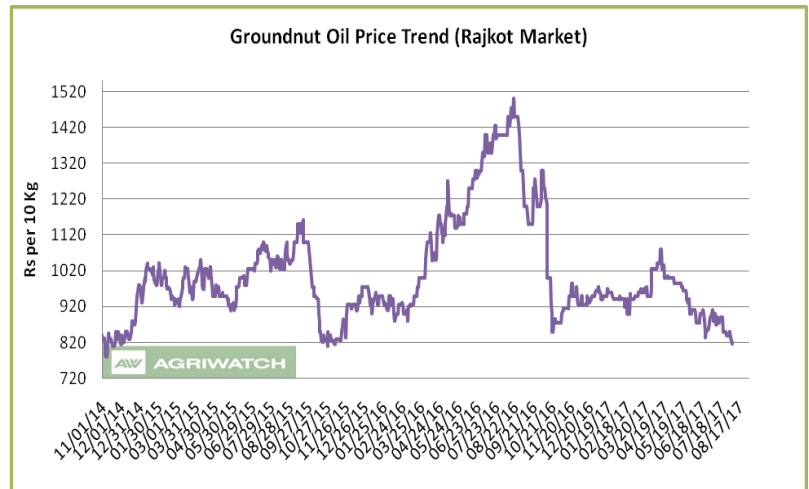
- All India sowing of sunflower has reached 1.49 lakh hectares as on 4.08.2017 compared to 1.322 lakh hectares in the corresponding period last year. Lower sowing this year is due to lower rainfall in sunflower growing regions.
- Sunflower oil import scenario – According to SEA, India imported 1.69 lakh tons of crude sunflower oil during June 2017 v/s 1.47 lakh tons in June 2016, higher by 15 percent y-o-y. India imported 15.08 lakh tons of crude sunflower oil (November 2016-June 2017) compared to 10.69 lakh tons in corresponding period last oil year, higher by 41 percent.
- On the trade front, CIF sunflower oil prices (Ukraine origin) at West coast of India quoted at USD 815 (USD 810) per ton for Sep delivery and OND delivery is quoted at USD 815 (USD 812.5) per ton. CIF sun oil (Ukraine origin) July monthly average was at 803.04 per ton compared to USD 786.88 per ton in June. Values in brackets are figures of last week.
- Prices are likely to stay in the range of USD 800-830 per ton in the near term. CIF Sunflower oil premium over CDSO is hovering at USD 12 (USD 21 last week) per ton for September delivery.
- Currently, refined sunflower oil at Chennai market is offered at Rs 640 (Rs 635) per 10 Kg, and at Hyderabad market, it is offered at Rs 646 (Rs 654) per 10 kg as on August 4, 2017. Values in brackets are figures of last week.
- We expect sunflower oil prices to trade sideways to firm tone in the coming days.

**Price Outlook:** Sunflower oil (with VAT) prices in Chennai may stay in the range of Rs 630-660 per 10 Kg.



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

- Groundnut oil prices featured downtrend in Rajkot on weak demand and fall in groundnut prices. Prices fell in Jamnagar and Gondal. Prices remained unchanged in Chennai and New Delhi. Prices fell in Mumbai. Prices of groundnut (expeller) fell in Hyderabad.
- Agriwatch view: Prices of groundnut oil featured downtrend in Rajkot on weak demand and fall in groundnut prices. Weak demand led lower offtake from stockists and traders against good stock position weakened prices.



Groundnut prices fell on expectation of higher groundnut sowing in Gujarat supported losses. Sowing area is less in Andhra Pradesh and Karnataka.

Retail demand has weakened against higher stock position in market leading to the fall.

Retail demand has weakened in near term, which dragged prices down in near term. Seasonal weak demand led to lower prices. However, with demand season coming in August prices could show rebound in medium term.

Weak retail demand has led to increased off-take by stockists and retailers.

Recent rains in Gujarat has benefitted groundnut crop and yields will increase. Sowing of groundnut has increased in Gujarat in current Kharif season, which led to weaker prices of groundnut oil. However, prices remained higher in Chennai on weak sowing in Andhra Pradesh and Karnataka, which pulled down total sowing of groundnut compared to last year. Higher groundnut crop is expected as bulk exports of edible oils have been allowed by government. Groundnut oil is expected to benefit most in exports, primarily to China.

Higher groundnut crop is expected in Gujarat was expected in Gujarat due to better remuneration last year.

Groundnut oil prices are expected to trade sideways to weak in near term due to weak demand, good stock position and higher sowing of groundnut in Gujarat.

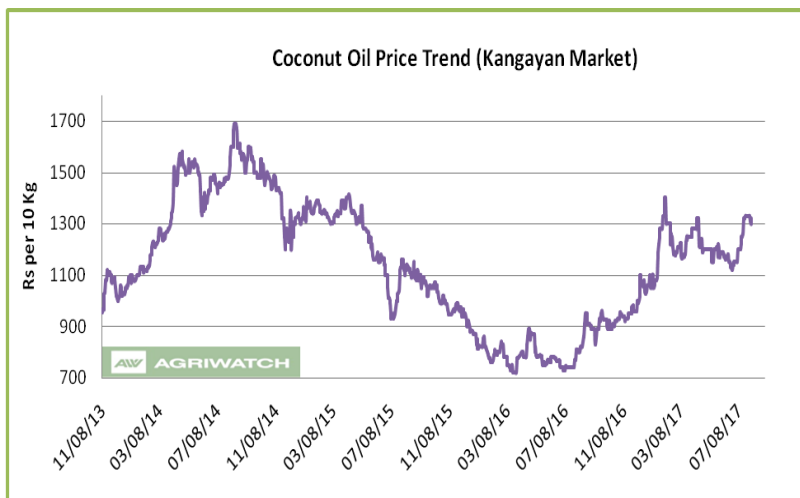
- All India sowing of groundnut reached 34.992 lakh hectares as on 4.08.2017 compared to 40.20 lakh hectares in corresponding period last year. Sowing in top producing state of Gujarat reported higher sowing while lower rains in Andhra Pradesh and Karnataka led to total lower sowing area.
- On the price front, currently the groundnut oil prices in Rajkot is quoted at Rs 8,150 (Rs 8,450) per quintal and it was quoted at Rs 9,000 (Rs 9,000) per quintal in Chennai market on August 4, 2017. Values in brackets are figures of last week.
- Groundnut oil prices are likely to trade sideways to weak in the coming days.

### Price Outlook

Groundnut oil (without VAT) in Rajkot market is likely to trade in the price band of Rs 750-900 per 10 Kg.

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

- Weak trend featured in the coconut oil in its benchmark market of Kangayan on recent rains in coconut growing area. Prices closed higher in Kochi.
- Agriwatch view: Coconut oil prices featured weak trend during the week due to improved sentiment on recent rains in Tamil Nadu.  
Demand is firm ahead of Onam.  
Supply of copra has improved on higher copra prices.



Deficit of rainfall has improved in near term on rains in coconut growing regions of Tamil Nadu, which decreased the deficit. However, prices shot up in Kochi due to firm demand in Kerala.

Copra is being released by traders having old copra stocks to take advantage of prices.

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

Fall in palm oil prices supported the fall.

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

Demand from North India is moderate.

Some traders in Tamil Nadu are having old copra stocks, which they are using for production of coconut oil.

Recent Rupee appreciation has put exports on halt as coconut oil prices are not competitive in international markets.

Traders and upcountry buyers have stopped stocking as prices have surged.

Millers have limited stocks of coconut oil.

Coconut oil prices have shot up in medium term, which may weaken demand in coming days.

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

Coconut oil prices are expected to be weak due to shift in sentiment on good monsoon rains, lower demand due to higher prices and fall in prices of palm oil.

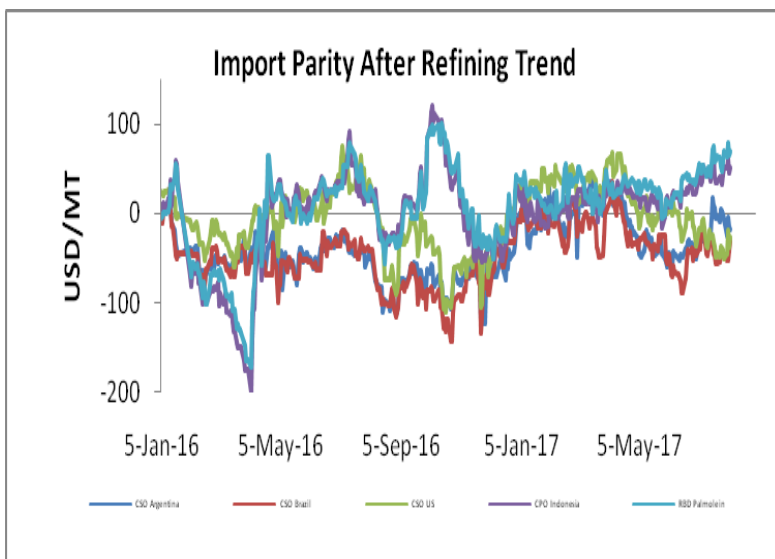
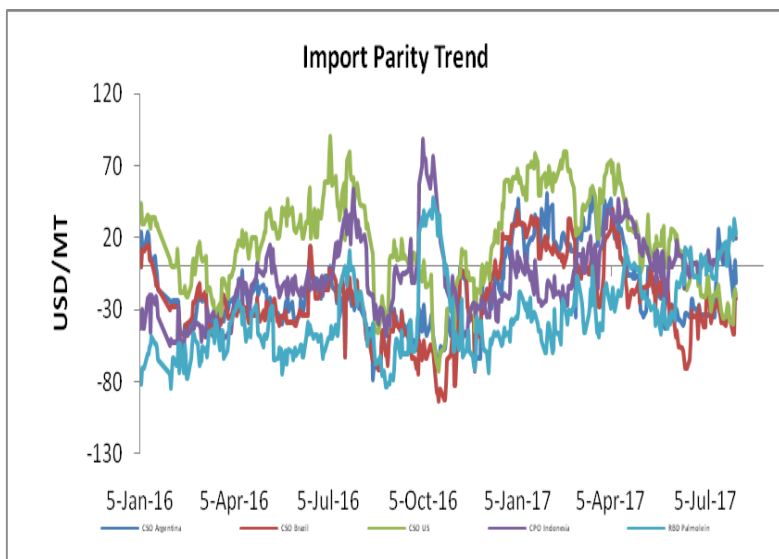
Prices are expected to trade sideways to weak tone in near to medium term.

- On the price front, currently the coconut oil prices in Kochi is hovering near Rs 13,550 (13,200) per quintal, and was quoting Rs 13,200 (Rs 13,300) per quintal in Erode market on August 4, 2017.

**Price Outlook:** Coconut oil (withut VAT) prices in Erode may stay in the range of Rs 1250-1400 per 10 Kg.

### Import Parity Trend

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

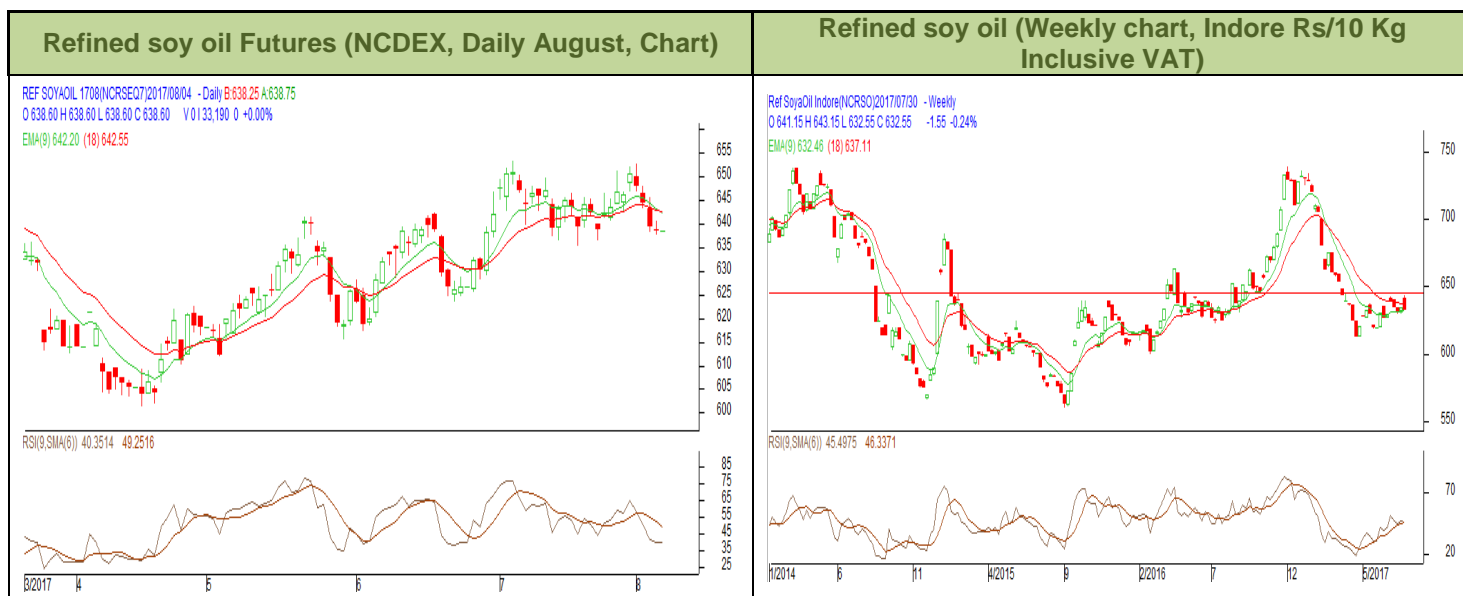


	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
<b>June, 2017</b>	-45.03	-59.29	-5.45	20.31	27.29
<b>July, 2017</b>	-16.51	-40.14	-31.05	42.05	54.70

### Outlook:-

Import parity for crude soy oil from Argentina is in disparity due to fall in prices of oils in domestic markets. We expect CDSO import parity to return to remain in disparity 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 weak tone in the coming days.**

- Weekly chart of refined soy oil at NCDEX depicts downtrend during the week in review. We expect prices to trade sideways to weak tone in the near term.
- Any close below 620 in weekly might take the prices below 600 levels.
- Expected price band for next week is 620-670 level in near to medium term. RSI, stochastic and MACD is suggesting downtrend in the market.

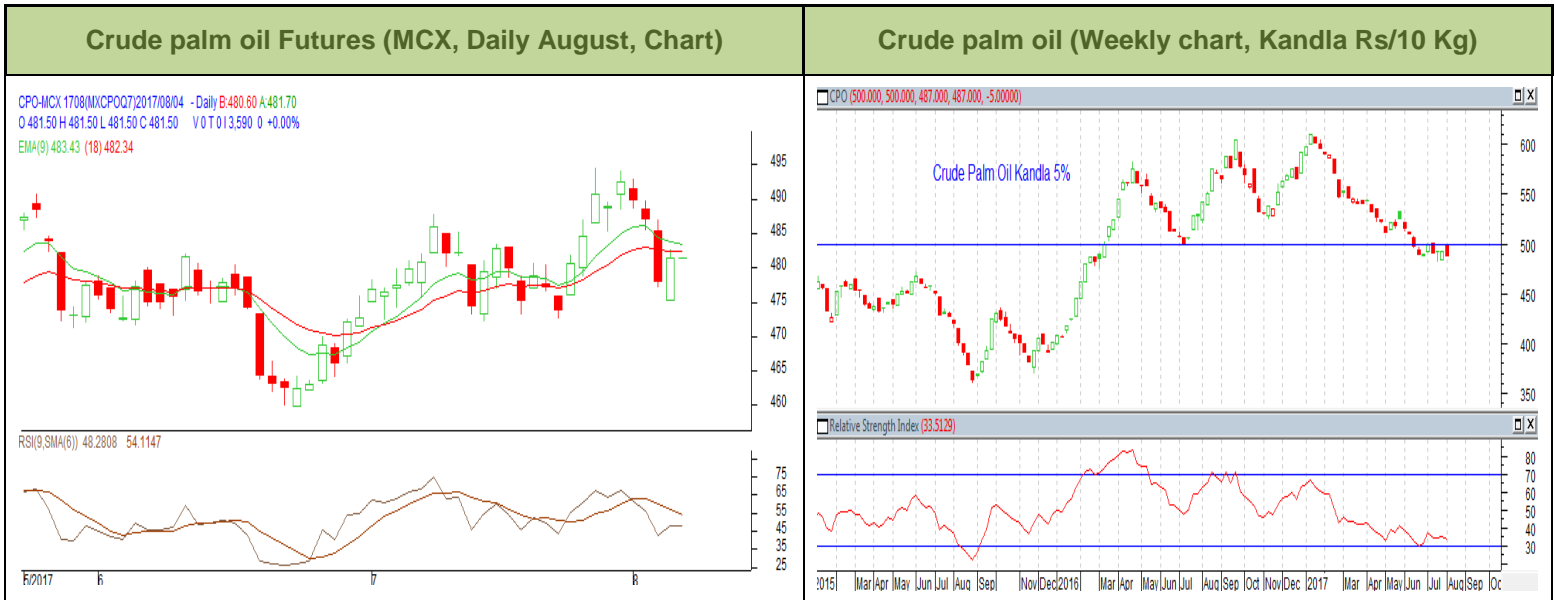
**Strategy:** Market participants are advised to go short below 640 levels for a target of 625 and 620 with a stop loss at 630 on closing basis.

#### RSO NCDEX (August)

Support and Resistance				
S2	S1	PCP	R1	R2
600.00	622.00	638.6	666.00	680.00

**Spot Market outlook:** Refined soy oil Indore (with VAT) is likely to stay in the range of Rs 600-660 per 10 Kg.

### Technical Analysis (Crude Palm oil)



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

- Candlestick in weekly chart of crude palm oil at MCX depicts downtrend in the prices. We expect prices to trade with a sideways to weak note in the near term.
- Any close below 460 in weekly chart may bring the prices to 440 levels.
- Expected price band for next week is 460-510 level. RSI, Stochastic, and MACD are suggesting downtrend in prices in the coming week.

**Strategy:** Market participants are advised to go short in CPO below 485 for a target of 470 and 465 with a stop loss at 495 on closing basis.

#### CPO MCX (August)

Support and Resistance				
S2	S1	PCP	R1	R2
450	465	481.5	494	503

**Spot Market outlook:** Crude palm oil is likely to stay in the range of Rs 460-520 per 10 Kg.

Veg. Oil Prices at Key Spot Markets

Commodity	Centre	Prices(Per 10 Kg)		Change
		4-Aug-17	28-Jul-17	
Refined Soybean Oil	Indore	635	635	Unch
	Indore (Soy Solvent Crude)	602	602	Unch
	Mumbai	640	640	Unch
	Mumbai (Soy Degum)	585	590	-5
	Kandla/Mundra	615	615	Unch
	Kandla/Mundra (Soy Degum)	582	585	-3
	Kolkata	635	630	5
	Delhi	655	662	-7
	Nagpur	689	690	-1
	Rajkot	612	613	-1
	Kota	630	630	Unch
	Hyderabad	660	655	5
	Akola	682	678	4
	Amrawati	681	678	3
	Bundi	632	625	7
	Jalna	687	687	Unch
	Alwar	NA	NA	-
	Solapur	689	690	-1
	Dhule	688	685	3
Palm Oil	Kandla (Crude Palm Oil)	487	492	-5
	Kandla (RBD Palm oil)	510	512	-2
	Kandla RBD Pamolein	525	530	-5
	Kakinada (Crude Palm Oil)	470	480	-10
	Kakinada RBD Pamolein	518	516	2
	Haldia Pamolein	532	530	2
	Chennai RBD Pamolein	525	520	5
	KPT (krishna patnam) Pamolein	518	512	6
	Mumbai RBD Pamolein	532	535	-3
	Delhi	580	585	-5
	Rajkot	520	530	-10
	Hyderabad	485	494	-9
	Mangalore RBD Pamolein	525	520	5
	PFAD (Kandla)	420	425	-5
	Refined Palm Stearin (Kandla)	450	455	-5
Refined Sunflower Oil	Chennai	640	635	5
	Mumbai	700	695	5
	Mumbai(Expeller Oil)	605	600	5
	Kandla	670	665	5
	Kandla/Mundra (Crude)	NA	NA	-

	Hyderabad (Ref)	646	654	-8
	Latur (Expeller Oil)	660	660	Unch
	Chellakere (Expeller Oil)	610	610	Unch
	Erode (Expeller Oil)	670	670	Unch
Groundnut Oil	Rajkot	815	845	-30
	Chennai	900	900	Unch
	Delhi	900	900	Unch
	Hyderabad *	900	920	-20
	Mumbai	870	890	-20
	Gondal	815	840	-25
	Jamnagar	815	840	-25
Rapeseed Oil/Mustard Oil	Jaipur (Expeller Oil)	735	730	5
	Jaipur (Kacchi Ghani Oil)	765	765	Unch
	Kota (Expeller Oil)	730	720	10
	Kota (Kacchi Ghani Oil)	760	760	Unch
	Neewai (Kacchi Ghani Oil)	725	730	-5
	Neewai (Expeller Oil)	745	750	-5
	Bharatpur (Kacchi Ghani Oil)	760	775	-15
	Alwar (Kacchi Ghani Oil)	NA	NA	-
	Alwar (Expeller Oil)	NA	NA	-
	Sri-Ganga Nagar(Exp Oil)	730	730	Unch
	Sri-Ganga Nagar (Kacchi Ghani Oil)	755	745	10
	Mumbai (Expeller Oil)	760	740	20
	Kolkata(Expeller Oil)	840	820	20
	New Delhi (Expeller Oil)	760	760	Unch
	Hapur (Expeller Oil)	776	776	Unch
	Hapur (Kacchi Ghani Oil)	820	820	Unch
	Agra (Kacchi Ghani Oil)	765	780	-15
Refined Cottonseed Oil	Rajkot	670	680	-10
	Hyderabad	640	635	5
	Mumbai	695	684	11
	New Delhi	660	660	Unch
Coconut Oil	Kangayan (Crude)	1320	1330	-10
	Cochin	1355	1320	35
	Trissur	NA	NA	-
Sesame Oil	New Delhi	770	770	Unch
	Mumbai	NA	NA	-
Kardi	Mumbai	740	740	Unch
Rice Bran Oil (40%)	New Delhi	480	490	-10
Rice Bran Oil (4%)	Punjab	560	550	10
Rice Bran Oil (4%)	Uttar Pradesh	560	550	10





Malaysia Palmolein USD/MT	FOB	645	655	<b>-10</b>
	CNF India	668	675	<b>-7</b>
Indonesia CPO USD/MT	FOB	640	648	<b>-8</b>
	CNF India	668	675	<b>-7</b>
RBD Palm oil (Malaysia Origin USD/MT)	FOB	638	648	<b>-10</b>
RBD Palm Stearin (Malaysia Origin USD/MT)	FOB	620	630	<b>-10</b>
RBD Palm Kernel Oil (Malaysia Origin USD/MT)	FOB	1170	1215	<b>-45</b>
Palm Fatty Acid Distillate (Malaysia Origin USD/MT)	FOB	610	623	<b>-13</b>
Crude palm Kernel Oil India (USD/MT)	CNF India	1135	1170	<b>-35</b>
Ukraine Origin CSFO USD/MT Kandla	CIF	815	810	<b>5</b>
Rapeseed Oil Rotterdam Euro/MT	FOB	732	738	<b>-6</b>
<b>Argentina FOB (\$/MT)</b>		<b>3-Aug-17</b>	<b>27-Jul-17</b>	<b>Change</b>
Crude Soybean Oil Ship		740	740	<b>Unch</b>
Refined Soy Oil (Bulk) Ship		766	766	<b>Unch</b>
Sunflower Oil Ship		720	720	<b>Unch</b>
Cottonseed Oil Ship		720	720	<b>Unch</b>
Refined Linseed Oil (Bulk) Ship		760	760	<b>Unch</b>
<b>* indicates including VAT</b>				

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