

Veg. Oil Weekly Research Report

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Executive Summary

Domestic Veg. Oil Market Summary

Edible oil witnessed firm trend in domestic market on rise in CBOT soy oil and BMD CPO. Soy oil, palm oil, sunflower oil, groundnut oil and coconut oil closed higher while rapeseed oil closed in red.

On the currency front, Indian rupee is hovering near 64.07, higher by 29 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 firm on strong fundamentals. Lower stocks at ports and pipeline will support prices in near term.

Recommendation:

Weekly Call - : At NCDEX, market participants are advised to go long above 670 levels for a target of 685 and 690 with a stop loss at 660 on closing basis. We expect refined soy oil at Indore (with VAT) to stay in the range of Rs 630-690 per 10 Kg in the near term.

At MCX, market participants are advised to go long in CPO above 540 for a target of 555 and 560 with a stop loss at 530 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 September 1-15 palm oil exports rose 21.5 percent to 652,350 from 537,022 tons in corresponding period last month. Top buyers are European Union at 122,218 tons (98,118 tons), China at 96,332 tons (57,350 tons), India at 68,000 tons (92,240 tons), Pakistan at 64,800 tons (0.0 tons) and United States at 38,850 tons (14,280 tons). Values in brackets are figures of corresponding period last month: SGS

In the weekly USDA crop progress report released on 11 September; Soybeans dropping leaves are reported at 22% which is less than 24% during the corresponding period last year and down from the 5 year average of 25%. About 60% of the soybean planted crop is under good to excellent condition which is down from 61% last week and 73% during the corresponding period last year.

On the international front, US soy oil based biodiesel demand, lower stocks of soy oil in US, strong demand of soybean from China, firm crude oil prices and weak dollar will support soy oil prices in coming days.

Expectation of firm exports from Malaysia, demand of palm oil from China and India, slow rise in production, firm competitive oil prices, firm crude oil prices and weak dollar will support CPO prices in near term.

Soy oil Fundamental Analysis and Outlook:-**Domestic Front**

- Soy oil featured uptrend in domestic markets on firm demand. Prices of refined soy oil rose in Kandla/Mudra, Mumbai and Kolkata. CDSO prices rose at JNPT and Kandla/Mudra at the end of the week.
- Agriwatch View- Soy oil prices closed higher during the week in Indore on firm demand.

CDSO prices rose more at India West coast v/s India CNF, compared to previous week indicating firm demand at high seas.

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

CDSO demand is weak at CNF markets as CDSO CNF prices fell while CDSO FOB Argentina compared to last week.

Prices rose on rise in palm oil prices.

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

Imports of soy oil increased in July compared to June 2017 and July 2016. Stocks of CDSO at ports and pipelines surged in July. Importers cleared customs and stocked at ports to take advantage of hike in import duty as government earlier indicated that it will hike import duty on edible oils.

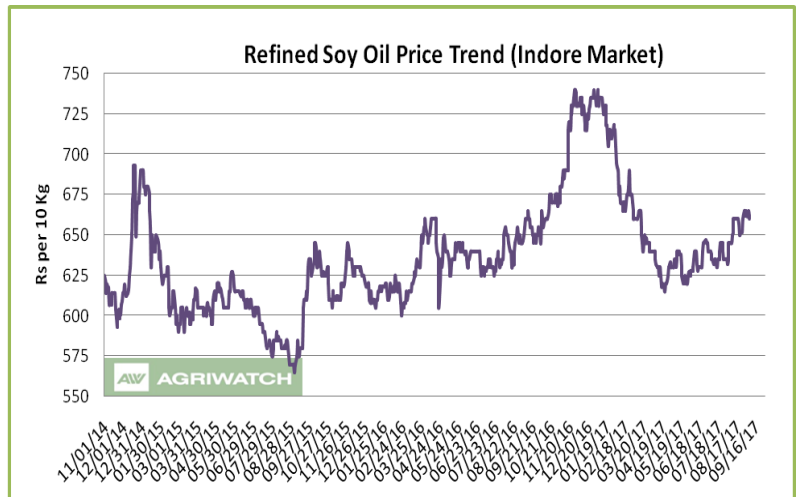
Crushing of soybean in India weakened due to weakening export demand of soy meal from India on appreciation of Rupee, rise of prices in domestic market and poor quality of soy meal.

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 78 (Rs 83 last week) per 10 Kg, which is low may support soy oil prices in domestic markets. In USD terms, premium of CDSO CNF over CPO CNF, which was quoted at USD 85 (USD 108 last week) per ton, which is low increase 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 rise on firm demand and firm competitive oils.

- United States Department of Agriculture (USDA) in its September estimate decreased India's 2017/18 imports estimate of soy oil by 0.1 MMT to 4.1 MMT from 4.2 MMT in its previous estimate. Domestic consumption in September estimate is reduced 0.1 MMT to 5.65 MMT from 5.75 MMT in its earlier estimate. Lower imports of soy oil are due to increase in import duty on edible oils.
- All India sowing of soybean has reached 105.76 lakh hectares as on 15.09.2017 compared to 114.72 lakh hectares in the corresponding period last year. Across board sowing was less due to bad remuneration of soybean in 2016/17.



- Soy oil import scenario – According to SEA, India imported 4.68 lakh tons of soy oil in July 2017 v/s 3.49 lakh tons in July 2016, up 34 percent y-o-y. India imported 24.49 lakh tons of soy oil in the period (November 2016-July 2017) compared to 31.54 lakh tons in the corresponding period last oil year, lower by 22.45 percent y-o-y.
- Imported crude soy oil CIF at West coast port is offered at USD 840 (USD 833) per ton for September delivery, October delivery is offered at USD 840 (USD 831) per ton and ND delivery is quoted at USD 842 (USD 837) per ton as on September 15, 2017. Values in brackets are figures of last week. Last month, CIF CDSO August average price was USD 813.42 (USD 796.8 per ton in July 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 80-85/ton v/s loss of USD 45-50/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- USDA reduced soy oil end stocks of US in 2017/18 on higher biodiesel use and lower stocks partially set off by lower food, feed and other industrial use and lower exports.

Higher biodiesel use in US is due to anti dumping duty imposed on imports of soy oil based biodiesel from Argentina. US imported more than 50 percent of demand of biodiesel by imports from Argentina.

Anti dumping duty was imposed by commerce department on recommendation of National Biodiesel Board (NBB) that Argentina was subsidizing biodiesel, which hurt US producers. Anti dumping will stop soy oil based biodiesel production with immediate effect and increase demand of soy oil.

US will need 250 million gallons of biodiesel in 2018 and 500 million gallons in 2019. This step will increase demand of soy oil produced in US. Higher soy oil use will increase demand of soy oil and support prices of soy oil in near to medium term.

National Oilseed Processors Association (NOPA) reported lower end stocks of soy oil in end August despite higher soy oil crush in August. Demand of soy oil in US is firm which has decreased stocks of soy oil and support soy oil prices in medium term.

Soybean crop in US is in good condition in US Midwest where temperature is above normal, but conditions are conducive for crop maturity. Good to excellent condition of soybean crop fell one basis points to 60 percent last week. All the other parameters are above last year and 5-year average. If weather remains conducive then USDA will increase yield of soybean crop in its October report. Actual yield picture will only emerge in November when harvest will finish. So, more hike in yields is expected by USDA in its future estimates.

USDA increased 2016/17 soybean crop of US in 2017/18 to record levels in its September estimate to record levels on higher yield. However, soybean end stocks were unchanged. Higher soybean production in US and expectation of higher yields in future estimate will underpin soybean complex prices in medium term.

China reported slightly softer imports of soybean in August after record July, which may improve soybean crush margins. China is sitting on record soy meal stocks and disparity in crush margins will decrease imports as it happened in June. However, demand from China is expected to remain firm in 2017/18, which will soak incremental stocks of US and Brazil in 2017/18.

USDA increased soybean imports by China to 95 MMT from 94 MMT on higher demand of soybean. Record will soak global incremental prediction of soybean and support prices in medium term.

USDA decreased Brazil 2017/18 soybean crop on lower yields on historical lines. End stocks were increased for Argentina and Brazil in 2017/18 on higher opening stocks in 2016/17 in both countries.

Argentina is expected to plant lower soybean in 2017/18 due to flooded fields due to heavy rains in its growing areas. More acreage will move to corn on higher profit margins.

Argentina President Macri removed export duties on corn and wheat when he became President in 2015. This has led to encroachment of corn and wheat into soybean belt which will report lower acreage in 2017/18 and crop will be in the range of 52.5 MMT to 55.5 MMT, according to forecasters. Planting of soybean will start from October. USDA kept soybean crop estimate of soybean crop in Argentina unchanged in 2017/17 at 57 MMT.

Brazil is expected to start planting of soybean soon and conditions are not conducive for crop as many soybean areas are dry. Last year initial wet conditions led to record planting of soybean which led to record crop of soybean in 2016/17 at 114 MMT, according to USDA.

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

Competitive oils will support soy oil prices in near term.

Rise in crude oil prices will support prices in near term.

Weakness in US dollar will support soy oil prices in near to medium term. Prices are in a range.

- According to National Oilseed Processors Association (NOPA), U.S. August soybean crush fell 1.6 percent to 142.42 million bushels from 144.718 million bushels in July 2017. Crush of soybean in August 2016 was 131.82 million bushels. Soy oil stocks in U.S. at the end of August fell 9.0 percent to 1.417 billion lbs compared to 1.558 billion lbs in end July 2017. Stocks of soy oil in end August was lower by 9.2 percent compared to end August 2016, which was reported at 1.620 million lbs.
- In the weekly USDA crop progress report released on 11 September; Soybeans dropping leaves are reported at 22% which is less than 24% during the corresponding period last year and down from the 5 year average of 25%. About 60% of the soybean planted crop is under good to excellent condition which is down from 61% last week and 73% during the corresponding period last year.
- According to United States Department of Agriculture (USDA) September estimate, U.S 2017/18 ending stock of soy oil is fell 14.8 percent to 1,757 million lbs from 2,062 million lbs in August estimate. Opening stocks are lowered to 1,827 million lbs from 1,982 million lbs. Production of soy oil in 2017/18 is unchanged at 22,505 million lbs. Imports in 2017/18 are kept unchanged at 325 million lbs. Biodiesel use in 2017/18 is increased to 7,000 million lbs from 6,450 million lbs. Food, feed and other industrial use in 2017/18 is decreased to 13,800 lbs from 14,000 million lbs. Exports in 2017/18 are reduced to 2,100 million lbs from 2,300 million lbs. Average price range estimate is increased in 2017/18 at 32.5-36.5 cents/lbs compared to 31-35 cents/lbs in its earlier estimate. Fall in end stock in 2017/18 is due to higher biodiesel use and lower opening stock partially set off by lower food, feed and other industrial use and lower exports.
- According to Chinese Agriculture ministry, China is expected to import 94.5 MMT of soybean in 2017/18 from previous forecast of 93.16 MMT. Chinese soybean consumption in 2017/18 is estimated at 109.21 MMT from previous estimate of 108.63 MMT. Soybean deficit of the country is estimated at 0.25 MMT from previous estimate of 0.97 MMT.

- USDA WASDE Oilseeds Highlights: The 2017/18 U.S. season-average soybean price is forecast at \$8.35 to \$10.05 per bushel, down \$0.10 at the midpoint. Soybean meal prices are also lower at \$290 to \$330 per short ton while soybean oil prices are projected higher at 32.5 to 36.5 cents per pound.

Previous updates

- In the weekly USDA crop progress report released on 05 September; Soybeans dropping leaves are reported at 11% which is same as 11% during the corresponding period last year and down from the 5 year average of 12%. Soybean crop setting pods are reported at 97% which is same as 97% during the corresponding period last year and up from the 5 year average of 96%. About 61% of the soybean planted crop is under good to excellent condition which is down from 73% during the corresponding period last year.
- According to National Oilseed Processors Association (NOPA), U.S. July soybean crush rose 4.81 percent to 144.718 million bushels from 138.074 million bushels in June 2017. Crush of soybean in June 2016 was 143.715 million bushels. Soy oil stocks in U.S. at the end of June fell 8.5 percent to 1.558 billion lbs compared to 1.703 billion lbs in June 2017. Stocks of soy oil in July were lower by 10.6 percent compared to July 2016, which was reported at 1.743 million lbs.
- According to United States Department of Agriculture (USDA) August estimate, U.S 2017/18 ending stocks of soy oil is fell 9.77 percent to 2,062 million lbs from 2,292 million lbs in July estimate. Opening stocks are lowered to 1,982 million lbs from 2,097 million lbs. Production of soy oil in 2017/18 is lowered to 22,505 million lbs from 22,620 million lbs in its July estimate. Imports in 2017/18 are kept unchanged at 325 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 2017/18 were unchanged at 2,300 million lbs. Average price range estimate ended the year 2017/18 at 31-35 cents/lbs compared to 32.50 cents/lbs in its 2016/17. Fall in end stock is due to lower opening stocks and lower production of soy oil.
- According to U.S. Department of Agriculture, soybean crush for the month of July has been estimated at 155.6 million bushels. The figure is above average of analyst expectations of 153.5 million bushels.
- According to an industry association, Brazilian soy exports in the month of August hit an all time high of 5.7 million tons, 500,000 tons above August 2015. In this year, total exports of soy have reached 57.6 million tons.
- According to Agroconsult, soybean crop in 2017/18 is likely to decline to by 4 per cent to 111.1 million tons compared to previous season. Though area is expected to increase, production will decline amid lower productivity.
- According to China's General Administration of Customs (CNGOIC), China's imports of edible vegetable oil in August rose 92.6 percent to 5.2 lakh tons compared to 2.7 lakh tons in July. Imports fell 5.5 percent compared to corresponding period last year which was reported at 5.5 lakh tons. Year to date imports of edible vegetable oil rose 3.4 percent to 35.6 lakh tons.
- U.S. Commerce department has ruled to impose countervailing duty on biodiesel imports from Argentina and Indonesia. U.S. commerce department decision comes after complaint from US National Biodiesel Board (NBB) in March that both the countries were dumping biodiesel in US market. Both the countries have denied wrongdoing. Two thirds of US imports of biodiesel are from Argentina and Indonesia. Argentina exports 90 percent of its biodiesel exports to US. The National Biodiesel Board Fair Trade Coalition has stated that it can

impose countervailing duties in the range of 50.29 percent to 64.17 percent on imports on soy based biodiesel from Argentina and 41.06 percent to 68.28 percent on biodiesel imports from Indonesia.

US commerce department has said that both the countries were subsidizing biodiesel exports. Argentine biodiesel association Carbio which represents big companies has denied wrongdoing. It has said that the decision is "unjustified" and "protectionist." Argentina biofuels industry has said any countervailing duty above 15 percent will be detrimental for biodiesel industry in the country and will price out biodiesel.

Higher import duty must be replaced by 250 million gallons of biodiesel in the current year and 500 million gallons in 2018. This will benefit soybean and canola based biodiesel manufacturers in US and Canada.

- According to Energy Administration Agency (EIA), U.S. produced 140 million gallons in June compared to 136 million gallons in May, higher by 2.9 percent m-o-m. Soy oil was the largest feedstock with 549 million lbs in June compared to 546 million lbs in May.
- United States Department of Agriculture (USDA) in its August report increased India's 2017/18 soy oil imports by 0.1 MMT to 4.2 MMT from 4.1 MMT. Domestic consumption is reduced to 5.75 MMT from 5.8 MMT in its previous estimate. End stocks are increased to 0.426 MMT from 0.402 MMT. Lower domestic consumption in 2017/18 is due to lower soy oil production on lower soybean crop in 2017/18.
- China's import of soybean increased by 31% to 10.08 million tons in July compared to June and is the highest on records since 2010. China brought in 54.89 million tons from January to July, up 16.8 percent from the corresponding period last year according to the General Administration of Customs.
- According to Ministry of Finance, Government of India in Notification no 71/2017-Customs, dated August 11, 2017, import duty on crude palm oil have been hiked from 7.5 percent to 15 percent and refined palm oil to 25 percent from 15 percent. Crude edible oils other than crude palm oil import duty are hiked to 17.5 percent from 12.5 percent. All other refined oils will be taxed at 25 percent from current 20 percent.

Decision of hike in import duty has been taken to protect the interest of farmers and encourage domestic crushing industry. However, this decision falls short of industry demand for differential between crude and refined edible oils import duty at 15 percent or more, whereas government has only provided the duty differential at 7.5-10 percent.

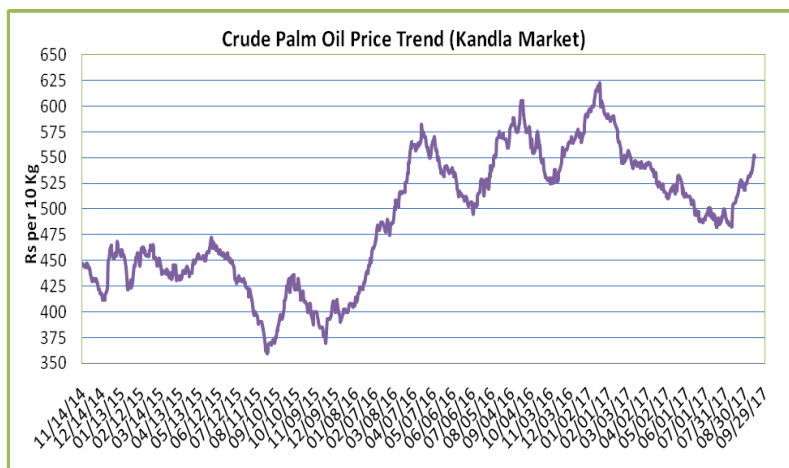
- In its July crop report, soybean production in Argentina has been reduced to 55 million tonnes compared to 57 million tons estimated in the month of June according to the Ministry of Agriculture. Production has declined as because of lower planting area.
- The U.S. Department of Agriculture's National 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.

Price Outlook: We expect refined soy oil at Indore (with VAT) to stay in the range of Rs 630-690 per 10 Kg in the near term.

Palm oil Fundamental Analysis and Outlook -:

Domestic Front

- Crude palm oil featured firm trend at its benchmark market at Kandla on firm demand and rise in its prices of CPO in international markets. CPO prices closed higher in Mumbai, Kolkata and Kakinada. RBD palmolein traded higher across board in India.
- Agriwatch View – Prices of CPO closed higher at the end of week on rise in its prices in international markets.



Prices of CPO rose more at India high

seas v/s CNF markets compared to previous week indicating firm demand. BMD palm oil rose during the week in review.

Palm oil was imported and stored at ports as government indicated earlier that it will increase import duty. Importers cleared customs and stocked to take advantage of prices. Import duty have been hike to 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 rose more at high seas while prices rose less at CNF India, compared to previous week.

Demand of CPO is weak at CNF markets as prices rose less at CNF markets while Indonesia FOB rose more compared to last week.

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

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

Demand of RBD palmolein was weak compared to CPO at high seas as premium RBD palmolein over CPO was at Rs 37 (Rs 47) per 10 kg compared to last week.

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

Import of CPO in July was lower than June 2017 and higher than July 2016. Stocks at ports and pipelines was unchanged in July compared to June indicating regular demand.

Import of RBD palmolein in July was lower than June 2017 and June 2016. Stocks at ports and pipelines decreased in July indicating firm demand.

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 85 (USD 108 last week) per 10 kg. Premium of CDSO soy oil high seas over CPO high seas is at Rs 77 (Rs 93 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 78 (Rs 83 last week) per 10 kg is low and will decrease RBD palmolein demand in near term. Values in brackets are figures of last week.

Prices of CPO are expected to remain sideways to firm.

- United States Department of Agriculture (USDA) in its September estimate decreased India's 2017/18 imports estimate of palm oil by 0.1 MMT to 9.4 MMT from 9.5 MMT in its earlier estimate. Consumption estimate of palm oil is reduced to 9.5 MMT from 9.6 MMT in its earlier estimate. Lower imports of palm oil are due to increase in import duty on edible oils.
- Palm oil import scenario – According to SEA, India imported 8.19 lakh tons of palm oil in July 2017 v/s 5.7 lakh tons in July 2016, higher by 42.1 percent y-o-y. Import of palm oil in the period (November 2016-July 2017) was at 67.41 lakh tons compared to 61.83 lakh tons in the corresponding period in last oil year, higher by 9 percent in the corresponding period last oil year.

CPO imports increased to 5.15 lakh tons in July compared to 3.63 lakh tons in July 2016, higher by 41.9 percent y-o-y. Import of CPO in the period (November 2016-July 2017) was at 44.82 lakh tons compared to 41.29 lakh tons in the corresponding period last oil year, higher by 8.5 percent

RBD palmolein imports rose 26.8 percent in July to 2.94 lakh tons from 2.07 lakh tons in July 2016. Import of RBD palmolein in the period (November 2016-July 2017) was at 21.97 lakh tons compared to 19.84 lakh tons in corresponding period last oil year, higher by 10.7 percent.

- On the trade front, CNF CPO (Indonesian origin) at Indian port quoted at USD 755 (USD 725) per ton for September delivery, October delivery is quoted at USD 755 (USD 725) per ton. Last month, CIF CPO August average price was at USD 684.91 per ton (USD 678.96 per ton in July 2017). Values in brackets are figures of last week.

Moreover, RBD palmolein (Malaysian origin) CNF at Indian port, offered at USD 755 (USD 725) per ton for September delivery while October delivery is offered at USD 755 (USD 725) per ton. Last month, CIF RBD palmolein August average price was USD 684.5 (USD 677.88 in July 2017) per ton. Values in bracket depict last week quotes.

Ready lift CPO duty paid prices quoted at Rs 555 (Rs 535) per 10 Kg and September delivery duty paid is offered at Rs 555 (Rs 535) per 10 kg on September 15, 2017. Ready lift RBD palmolein is quoted at Rs 592 (Rs 582) per 10 kg.

Values in brackets are figures of last week.

- On the parity front, margins decreased during this week due to rise of prices of palm products in international markets. Currently refiners fetch USD 0-5/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 5-10 /ton v/s gain of USD 50-55/ton (last month) parity.
- We expect palm oil to trade sideways to firm in the days ahead.

International Front

Agriwatch View – Palm oil exports from Malaysia in first 15 days of September has reported good numbers. Exports grew 21-23 percent in Malaysia in first 15 days of September indicating strong demand from China and Indian subcontinent.

China is purchasing in bigger numbers as CNGOIC has said that it will refurbish palm oil stocks in the country. It will buy 450,000 tons of palm oil every month. This will increase demand from Malaysia in coming months. Further, Chinese ports stocks are half of the average.

Moreover, China demand will be elevated in September because Mid Autumn festival in the country.

Demand from India is expected to pick up anytime as stocking will commence for Diwali soon. However, demand of palm oil from Malaysia may remain weak due to increase in import duty of edible oils, which will decrease imports and encourage crushing of local oilseeds.

Higher exports of palm oil from Malaysia will support palm oil prices in near term.

Stocks at Palm oil stocks rose 8.79 percent in August despite rise in exports, which rose by 6.43 percent.

Production of palm oil fell 0.90 percent. Palm oil end stocks were above trade expectation.

Production decreased in Malaysia in August by 0.90 percent after rise of 20 percent as workers returned to fields after holy festival of Ramadan.

However, Malaysia is stopping undocumented workers from Indonesia, which may result in labor shortage in medium term. Malaysia intends to bring some workers from Bangladesh to tide over the situation.

Palm oil production in Malaysia, stagnated in August after strong July, indicating slow rise of production in rest of the peak production season. Lower growth of production will not pressurize stocks in medium term.

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 prices in medium term.

China is buying more as prices of 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 from China has improved from Malaysia as it shifted towards Malaysia after strong imports from Indonesia as they are offering competitive prices.

Malaysia is expected to change its export policy to keep inverted tax structure to push exports to top importer India. Inverted tax structure of Malaysia on exports of palm oil still benefits refiners in the country. Malaysia increased export duty on palm oil in October to 6 percent from 5 percent to keep its inverted tax structure to encourage exports to India.

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

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.

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

Firm Ringgit pose threat to palm oil prices in near to medium term.

Higher competitive oils prices will support prices

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 September 1-15 palm oil exports rose 21.5 percent to 652,350 from 537,022 tons in corresponding period last month. Top buyers are

European Union at 122,218 tons (98,118 tons), China at 96,332 tons (57,350 tons), India at 68,000 tons (92,240 tons), Pakistan at 64,800 tons (0.0 tons) and United States at 38,850 tons (14,280 tons). Values in brackets are figures of corresponding period last month.

- According to cargo surveyor Intertek Testing Services (ITS), Malaysia's September 1-15 palm oil exports rose 22.2 percent to 625,655 tons compared to 512,039 tons in corresponding period last month. Top buyers were European Union at 144,493 tons (133,840 tons), India & Subcontinent at 137,100 tons (69,250 tons), China at 133,242 tons (73,350 tons) and. Values in brackets are figures of corresponding period last month.
- According to Malaysia Palm Oil Board (MPOB), Malaysia's August palm oil stocks rose 8.79 percent to 19.42 lakh tons compared to 17.84 lakh tons in July. Production of palm oil in August fell 0.90 percent to 18.11 lakh tons compared to 18.27 lakh tons in July. Exports of palm oil in August rose 6.43 percent to 14.88 lakh tons compared to 13.98 lakh tons in July. Imports of palm oil in August fell 21.34 percent to 0.42 lakh tons compared to 0.47 lakh tons in July. Rise in palm oil end stocks in August was above analyst's estimates. Exports growth improved in August due to higher buying by India and China.
- Policy update- According to Malaysia Palm Oil Board (MPOB), Malaysia increased October crude palm oil export duty to at 6.0 percent from 5.5 percent in September. Tax is calculated at reference price of 2,754.18 ringgit (\$657.32) per ton. Tax is calculated above 2,250 ringgit starting from 4.5 percent to a maximum of 8.5 percent.

According to Indonesia trade ministry, Indonesia keeps September crude palm oil export duty to zero, unchanged from last month. Tax is not charged if prices at or below USD 750 per ton. Indonesia kept export duty at zero as it expects that prices will miss certain thresholds.

Previous updates

- According to Malaysia Palm Oil Board (MPOB), Malaysia's July palm oil stocks rose 16.83 percent to 17.84 lakh tons compared to 15.27 lakh tons in June. Production of palm oil in July rose 20.67 percent to 18.27 lakh tons compared to 15.14 lakh tons in June. Exports of palm oil in July rose 1.31 percent to 13.98 lakh tons compared to 13.80 lakh tons in June. Imports of palm oil in July rose 8.5 percent to 0.47 lakh tons compared to 0.43 lakh tons in June. Rise in palm oil end stocks in July is due to steady rise in production after workers returned from Ramadan holidays. Exports growth slowed in July due to lower buying by India and China.
- According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's September 1-10 palm oil exports rose 9.3 percent to 396,672 from 363,007 tons in corresponding period last month. Top buyers are European Union at 68,185 tons (50,968 tons), India at 56,500 tons (65,990 tons), China at 53,432 tons (33,500 tons), Pakistan at 49,800 tons (0.0 tons) and United States at 18,250 tons (14,280 tons). Values in brackets are figures of corresponding period last month.
- According to cargo surveyor Intertek Testing Services (ITS), Malaysia's September 1-10 palm oil exports rose 6.9 percent to 379,652 tons from 355,009 corresponding period last month. Top buyers were India & Subcontinent at 113,600 tons (242,600 tons), China at 82,682 tons (49,500 tons) and European Union at 73,280 tons (43,000 tons). Values in brackets are figures of corresponding period last month.
- According to Indonesia Palm Oil Association (GAPKI), Indonesia exports of palm and palm kernel oil fell 19 percent to 2.13 MMT from 2.62 MMT in June 2017 and 1.78 MMT in June 2016, higher by 19.7 percent y-o-y.

- According to China's General Administration of Customs (CNGOIC), China's July palm oil imports fell 40.54 percent to 1.98 lakh tons compared to July 2016. Year to date imports of palm oil rose 8.19 percent to 23.78 lakh tons compared to corresponding period last year. Imports from Indonesia in July fell 57.6 percent to 0.72 lakh tons compared to July 2016. Year to date imports of palm oil from Indonesia rose 8.6 percent to 15.09 lakh tons compared to corresponding period last year. Imports from Malaysia in July fell 22.88 percent to 1.26 lakh tons compared to July 2016. Year to date imports rose 8.09 percent from Malaysia to 8.69 lakh tons compared to corresponding period last year.
- Policy update- According to Malaysia Palm Oil Board (MPOB), Malaysia kept September crude palm oil export duty unchanged at 5.5 percent. Tax is calculated at reference price of 2,677.91 ringgit (\$623.57) per ton. Tax is calculated above 2,250 ringgit starting from 4.5 percent to a maximum of 8.5 percent.

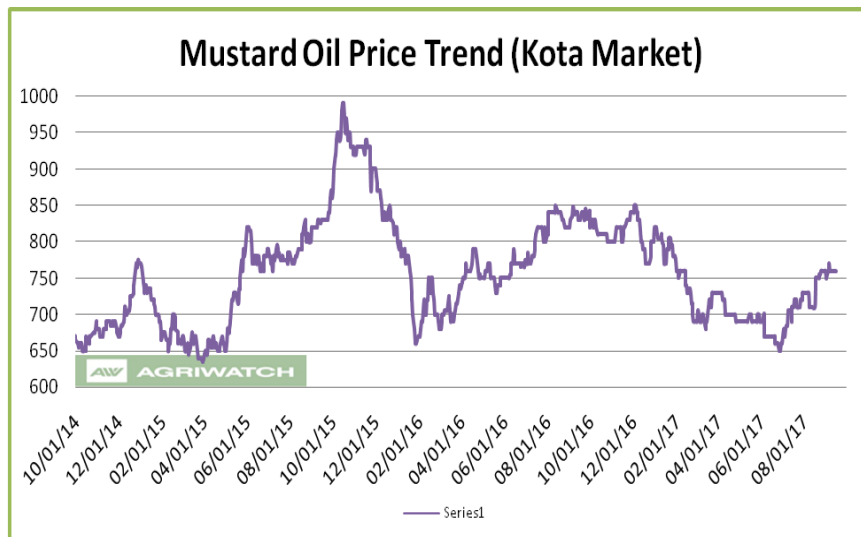
Price Outlook: We expect CPO Kandla 5 percent (with VAT) to stay in the range of Rs 500-560 per 10 Kg in the near term.

Rapeseed oil Fundamental Review and Analysis:-

Domestic Front

- Mustard oil prices featured weak trend in primary markets on weak demand and fall in rapeseed prices. Arrivals of rapeseed decreased last week.

- Agriwatch view: Prices of rapeseed oil expeller traded lower in various centers in India on weak demand and fall in prices of rapeseed. Prices of expeller rapeseed oil fell in Jaipur, Neewai, Ganganagar and Mumbai. Prices remained unchanged in Kota, Kolkata, Hapur, New Delhi. Prices of kacchi ghani rapeseed oil rose across board in India. Canola oil prices rose during the week.



Prices of rapeseed oil traded weak in various centers in India on weak demand and fall in rapeseed prices. Demand from North and East India will rise on occasion of festival in September and October will increase demand of rapeseed oil medium term.

Lower raw material prices led to lower prices of end product.

Firm buying by stockists and traders against weak stock position will support prices in medium term.

Mustard oil prices are trading at higher premium over soy oil, which will underpin 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 6.8 MMT in 2017.

High premium of rapeseed oil over soy oil in domestic market was at Rs 100 (Rs 98) per 10 Kg, may suppress prices rapeseed oil prices in medium term.

Premium of canola oil compared to CDSO has increased to USD 40 (USD 37) per ton and which will support imports.

Lower prices of expeller rapeseed oil led to fall in import demand of canola oil in medium term. However, with rise in prices of rapeseed oil expeller prices will increase imports.

Markets are expected to trade sideways to firm tone in coming days on firm demand ahead of festivals, stocking at lower levels, seasonal uptrend of prices and higher prices of rapeseed.

- India did not import of rapeseed (Canola) oil imports in July 2017 v/s 0.66 lakh tons in July 2016. Imports were 1.95 lakh tons in the period (November 2016-July 2017) compared to 2.56 lakh tons in corresponding period last oil year: SEA
- CNF canola oil premium over soybean oil is USD 40 (USD 37 last week) per ton for October delivery as on September 15, 2017.
- Currently, RM oil at Jaipur market, (expeller) is offered at Rs 765 (Rs 775) per 10 Kg, and at Kota market, it is offered at Rs 760 (Rs 760) per 10 kg as on September 15, 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.

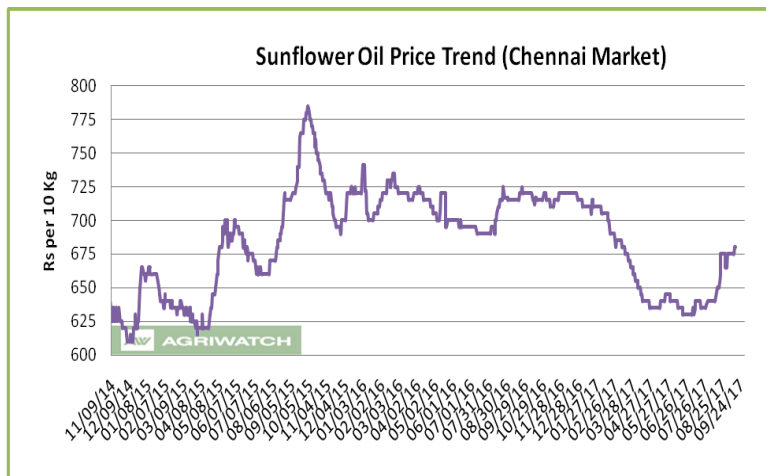
Price Outlook: Rapeseed oil (without VAT) prices in Kota may stay in the range of Rs 700-800 per 10 Kg.

Sunflower oil Fundamental Review and Analysis:-

Domestic Front

- Sunflower oil featured firm trend last week in its benchmark market of Chennai on firm demand. Prices remained unchanged in Hyderabad while it rose in Mumbai, Kakinada and Kandla/Mudra. Sunflower expeller prices rose in Hyderabad, Latur and Chellakere and Erode

- Agriwatch view: Prices of sunflower oil traded firm in Chennai on firm demand. Prices of sunflower rose in Chennai while it remained unchanged at CNF markets



On the international front dryness in sunflower growing regions in Ukraine will reduce sunflower production and support sunflower oil prices in medium term.

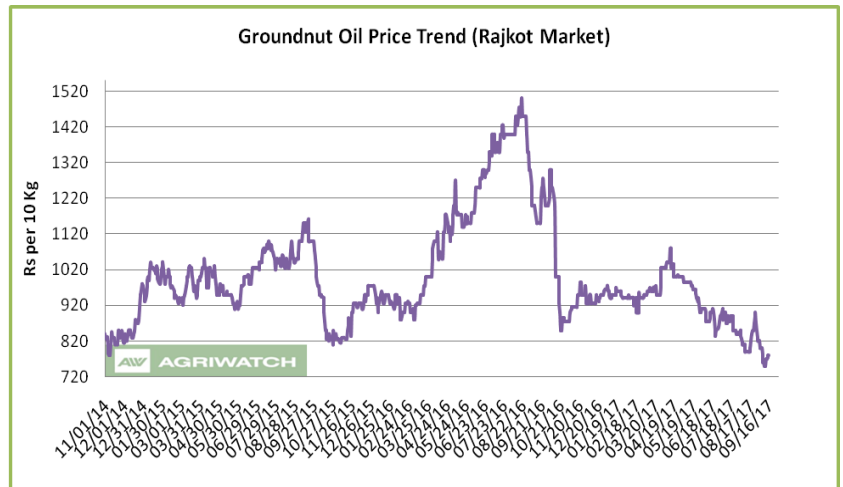
Prices of sunflower oil are expected to trade sideways to firm on firm demand, seasonal uptrend of prices, rise in competitive oils and rise in prices of sunflower oil in international markets. Prices are expected to trade sideways to firm in near term.

- All India sowing of sunflower has reached 1.37 lakh hectares as on 15.09.2017 compared to 1.59 lakh hectares in the corresponding period last year.
- Sunflower oil import scenario – According to SEA, India imported 2.00 lakh tons of crude sunflower oil during July 2017 v/s 1.34 lakh tons in June 2016, higher by 49 percent y-o-y. India imported 17.09 lakh tons of crude sunflower oil (November 2016-July 2017) compared to 12.02 lakh tons in corresponding period last oil year, higher by 42 percent.
- On the trade front, CIF sunflower oil prices (Ukraine origin) at West coast of India quoted at USD 840 (USD 840) per ton for Oct delivery, Nov/Dec delivery is quoted at USD 835 (USD 835) per ton. CIF sun oil (Ukraine origin) August monthly average was at 825.42 per ton compared to USD 803.04 per ton in July. Values in brackets are figures of last week.
- Prices are likely to stay in the range of USD 820-880 per ton in the near term. CIF Sunflower oil premium over CDSO is hovering at USD 0 (USD 9 last week) per ton for October delivery.
- Currently, refined sunflower oil at Chennai market is offered at Rs 680 (Rs 675) per 10 Kg, and at Hyderabad market, it is offered at Rs 665 (Rs 665) per 10 kg as on September 15, 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 650-720 per 10 Kg.

Groundnut oil Fundamental Review and Analysis:-` Domestic Front

- Groundnut oil prices featured uptrend in Rajkot due to buying at lower quotes and rise in prices of groundnut. Prices rose in Jamnagar and Gondal. Prices remained unchanged in Mumbai and New Delhi while it fell in Chennai. Prices of groundnut (expeller) fell in Hyderabad.
- Agriwatch view: Prices of groundnut oil featured uptrend in Rajkot on buying at lower quotes and rise in groundnut prices.



Prices of groundnut oil are near 3-year lows, which was just above other oils despite being superior oil.

Prices rose on rise in palm oil prices.

Groundnut oil has increased on higher offtake from stockists and traders.

Demand is expected to firm due to stocking ahead of festivals of Dusshera and Diwali.

Retail demand has weakened in near term and stocks position has decreased.

With demand season to arrive prices could rise in medium term.

Rains in Gujarat has benefitted groundnut crop and yields will increase. Sowing of groundnut is marginally lower in Gujarat in current Kharif season. However, yields will be higher in than last year.

Good rains in Karnataka, Andhra Pradesh in near term is beneficial to crop in South India.

Normal groundnut area in Gujarat is due to better remuneration last year. However, recent fall in groundnut prices have taken the prices of groundnut below MSP. Groundnut prices are alarming and government intervention is necessary to defend prices. Traders are releasing groundnut in panic.

Groundnut oil prices are expected to trade sideways to firm on buying at lower quotes, stocking ahead of festivals, recovery in groundnut prices and rise in competitive oils

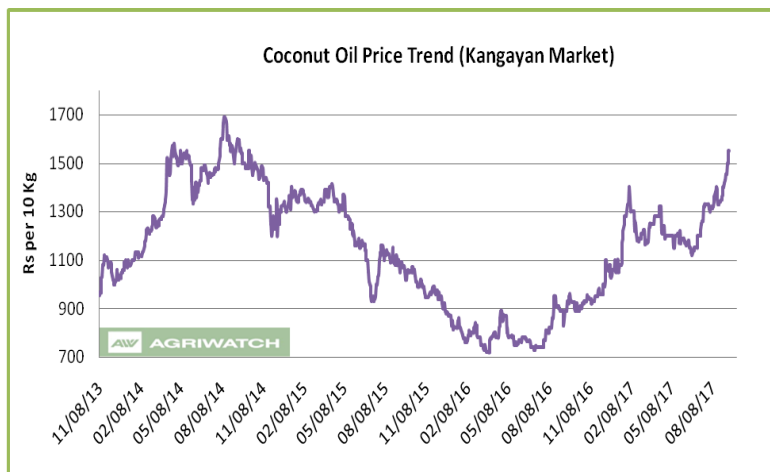
- All India sowing of groundnut reached 41.36 lakh hectares as on 15.09.2017 compared to 46.78 lakh hectares in corresponding period last year. Sowing in top producing state of Gujarat reported marginal decrease while lower rains in Andhra Pradesh and Karnataka led to lower sowing area. Beneficial rains Gujarat will increase will increase yields in the state.
- On the price front, currently the groundnut oil prices in Rajkot is quoted at Rs 7,800 (Rs 7,500) per quintal and it was quoted at Rs 8,000 (Rs 8,200) per quintal in Chennai market on September 15, 2017. Values in brackets are figures 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 700-850 per 10 Kg.

Coconut Oil Fundamental Review and Analysis:- Domestic Front

- Coconut oil featured firm trend featured in its benchmark market of Kangayan on weak supply and rise in copra prices. Prices rose in Kochi at the end of the week.
- Agriwatch view: Coconut oil prices featured firm trend during the week due to weak supply and rise in copra prices. Firm copra prices have led to higher coconut oil prices. Higher raw material prices led to higher prices of end product.



Demand is expected to fall on lower buying at higher quotes.

Prices rose on seasonal uptrend of prices.

There were disruptions in harvest of coconut in Kerala, which registered heavy rainfall in near. Coconut growing area in Tamil Nadu has witnessed good rains. Kerala received good rains in near term, which decreased deficit of rainfall.

However, copra supply is weak as stocks have depleted in the market on higher exports and diversion of coconut products to other value added products. This has led to short supply of copra leading to higher prices of coconut oil.

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.

Farmers are holding copra to take advantage of prices.

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

Demand of copra from North India is firm.

Coconut oil demand from North India is firm.

Export demand of copra from China and North India has led to short supply of copra.

Rise in palm oil prices supported the rise. Consumers may shift towards palm oil if prices continue to rise.

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

Traders and upcountry buyers have little stocks and are staying away from market as prices have surged.

Millers have little stocks of coconut oil, which has helped rise in prices.

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

Coconut oil prices are expected to be weak due to lower demand after of Onam, improvement in coconut oil supply, seasonal downtrend of prices and fall in prices of copra.

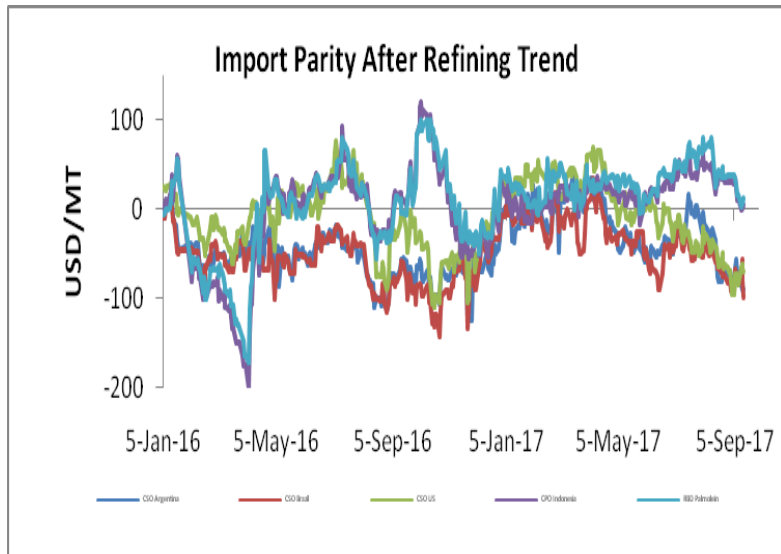
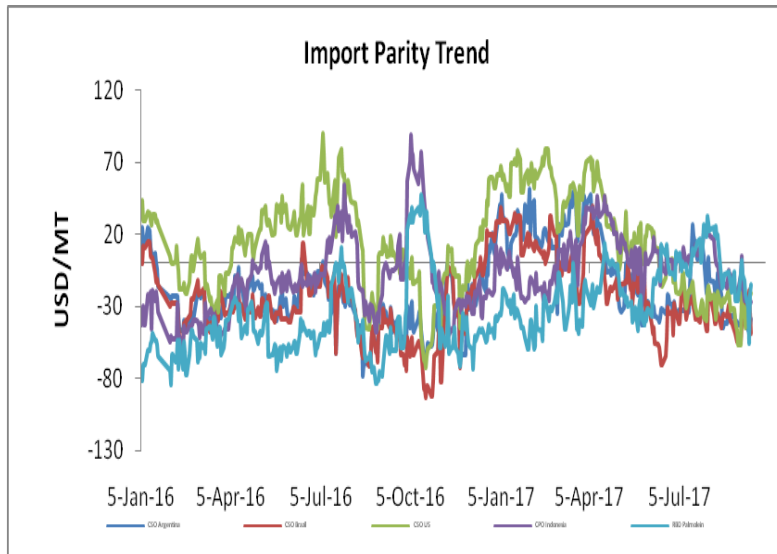
Prices are expected to trade sideways to weak tone in near to medium term.

- On the price front, currently the coconut oil prices in Kochi is hovering near Rs 15,100 (14,800) per quintal, and was quoting Rs 15,500 (Rs 14,550) per quintal in Erode market on September 15, 2017.

Price Outlook: Coconut oil (withut VAT) prices in Erode may stay in the range of Rs 1450-1650 per 10 Kg.

Import Parity Trend

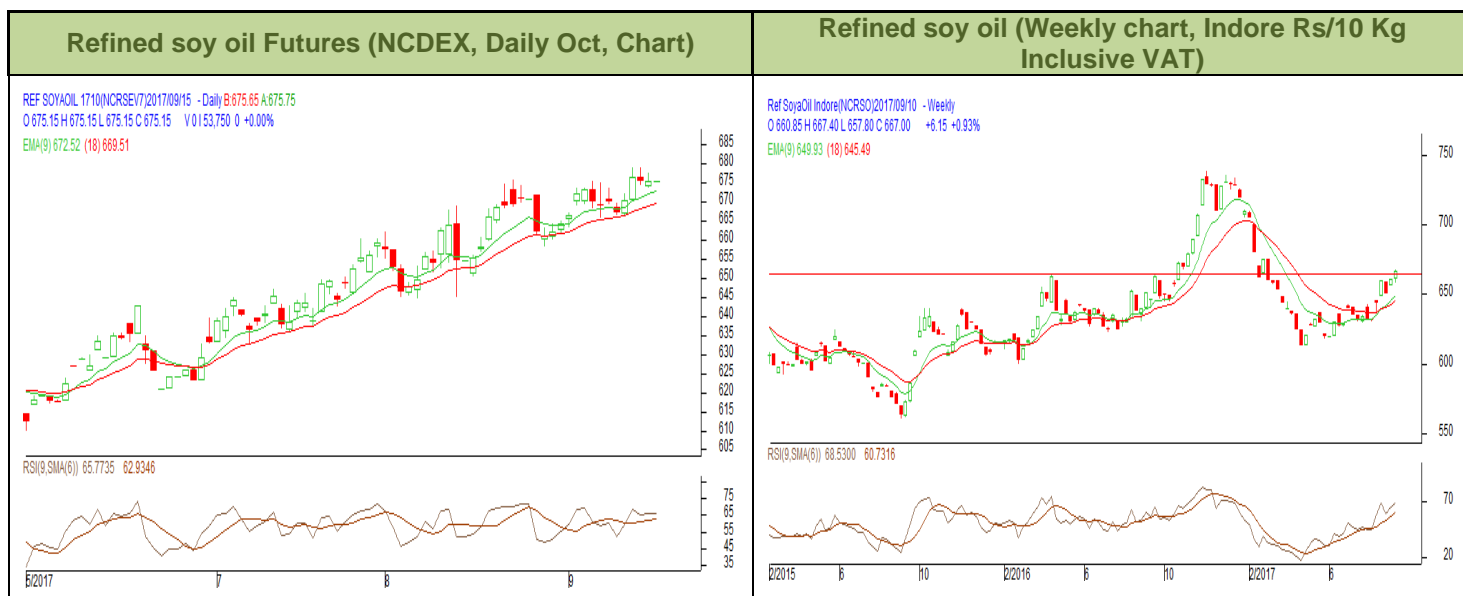
Import Parity After Refining in US dollar per ton (Monthly Average)



	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
July, 2017	-16.51	-40.14	-31.05	42.05	54.70
Aug, 2017	-47.49	-58.95	-48.36	40.00	52.82

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 firm tone in the coming days.

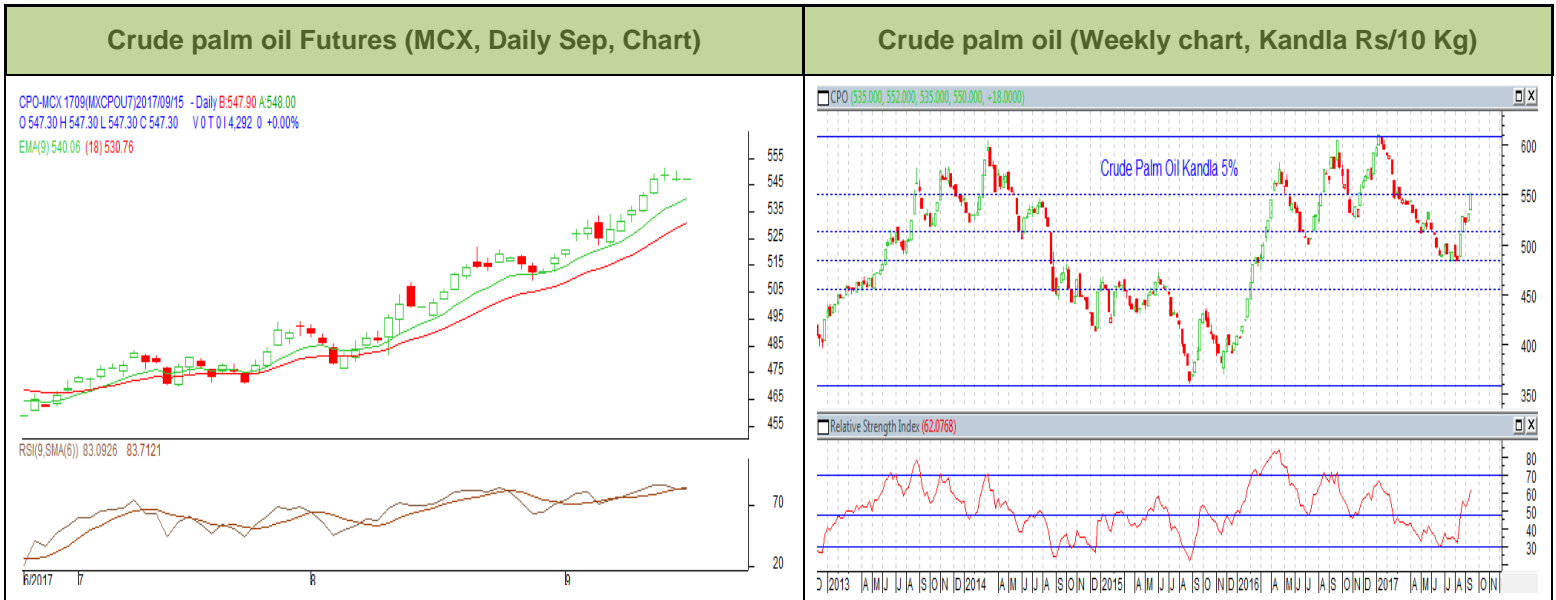
- Weekly chart of refined soy oil at NCDEX depicts uptrend during the week in review. We expect prices to trade sideways to firm tone in the near term.
- Any close below 660 in weekly might take the prices below 640 levels.
- Expected price band for next week is 650-700 level in near to medium term. RSI, stochastic and MACD is suggesting uptrend in the market.

Strategy: Market participants are advised to go long above 670 levels for a target of 685 and 690 with a stop loss at 660 on closing basis.

RSO NCDEX (October)

Support and Resistance				
S2	S1	PCP	R1	R2
632.00	645.00	675.15	680.00	695.00

Spot Market outlook: Refined soy oil Indore (with VAT) is likely to stay in the range of Rs 630-690 per 10 Kg.

Technical Analysis (Crude Palm oil)


Outlook - Prices show uptrend in prices during the week. We expect that CPO September 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 530 in weekly chart may bring the prices to 510 levels.
- Expected price band for next week is 520-570 level. RSI, Stochastic, and MACD are suggesting uptrend in prices in the coming week.

Strategy: Market participants are advised to go long in CPO above 540 for a target of 555 and 560 with a stop loss at 530 on closing basis.

CPO MCX (September)

Support and Resistance				
S2	S1	PCP	R1	R2
522.0	533.3	547.3	556.0	570.0

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
		15-Sep-17	8-Sep-17	
Refined Soybean Oil	Indore	700	662	8
	Indore (Soy Solvent Crude)	635	635	Unch
	Mumbai	680	675	5
	Mumbai (Soy Degum)	628	625	3
	Kandla/Mundra	670	660	10
	Kandla/Mundra (Soy Degum)	632	630	2
	Kolkata	680	675	5
	Delhi	700	690	10
	Nagpur	719	719	Unch
	Rajkot	660	650	10
	Kota	670	660	10
	Hyderabad	685	675	10
	Akola	709	709	Unch
	Amrawati	709	709	Unch
	Bundi	670	650	20
	Jalna	719	719	Unch
	Alwar	NA	NA	-
	Solapur	719	719	Unch
	Dhule	719	719	Unch
Palm Oil	Kandla (Crude Palm Oil)	550	532	18
	Kandla (RBD Palm oil)	572	560	12
	Kandla RBD Pamolein	600	585	15
	Kakinada (Crude Palm Oil)	550	523	27
	Kakinada RBD Pamolein	597	585	12
	Haldia Pamolein	605	595	10
	Chennai RBD Pamolein	602	590	12
	KPT (krishna patnam) Pamolein	595	585	10
	Mumbai RBD Pamolein	620	600	20
	Delhi	645	630	15
	Rajkot	595	575	20
	Hyderabad	580	544	36
	Mangalore RBD Pamolein	602	590	12
	PFAD (Kandla)	440	435	5
	Refined Palm Stearin (Kandla)	480	460	20
Refined Sunflower Oil	Chennai	680	675	5
	Mumbai	720	715	5
	Mumbai(Expeller Oil)	640	635	5
	Kandla	700	690	10
	Kandla/Mundra (Crude)	NA	NA	-

	Hyderabad (Ref)	665	665	Unch
	Latur (Expeller Oil)	705	695	10
	Chellakere (Expeller Oil)	640	635	5
	Erode (Expeller Oil)	710	705	5
Groundnut Oil	Rajkot	780	750	30
	Chennai	800	820	-20
	Delhi	900	900	Unch
	Hyderabad *	850	880	-30
	Mumbai	790	790	Unch
	Gondal	760	740	20
	Jamnagar	770	750	20
Rapeseed Oil/Mustard Oil	Jaipur (Expeller Oil)	765	775	-10
	Jaipur (Kacchi Ghani Oil)	793	800	-7
	Kota (Expeller Oil)	760	760	Unch
	Kota (Kacchi Ghani Oil)	785	790	-5
	Neewai (Kacchi Ghani Oil)	758	762	-4
	Neewai (Expeller Oil)	778	782	-4
	Bharatpur (Kacchi Ghani Oil)	795	800	-5
	Alwar (Kacchi Ghani Oil)	NA	NA	-
	Alwar (Expeller Oil)	NA	NA	-
	Sri-Ganga Nagar(Exp Oil)	755	765	-10
	Sri-Ganga Nagar (Kacchi Ghani Oil)	775	785	-10
	Mumbai (Expeller Oil)	760	770	-10
	Kolkata(Expeller Oil)	880	880	Unch
	New Delhi (Expeller Oil)	772	772	Unch
	Hapur (Expeller Oil)	820	820	Unch
	Hapur (Kacchi Ghani Oil)	880	890	-10
	Agra (Kacchi Ghani Oil)	800	805	-5
Refined Cottonseed Oil	Rajkot	660	650	10
	Hyderabad	670	650	20
	Mumbai	685	675	10
	New Delhi	650	655	-5
Coconut Oil	Kangayan (Crude)	1550	1455	95
	Cochin	1510	1480	30
	Trissur	NA	NA	-
Sesame Oil	New Delhi	770	770	Unch
	Mumbai	NA	NA	-
Kardi	Mumbai	870	NA	-
Rice Bran Oil (40%)	New Delhi	520	515	5
Rice Bran Oil (4%)	Punjab	590	590	Unch
Rice Bran Oil (4%)	Uttar Pradesh	NA	NA	-



Malaysia Palmolein USD/MT	FOB	723	698	25
	CNF India	748	730	18
Indonesia CPO USD/MT	FOB	725	698	27
	CNF India	748	730	18
RBD Palm oil (Malaysia Origin USD/MT)	FOB	718	692	26
RBD Palm Stearin (Malaysia Origin USD/MT)	FOB	705	690	15
RBD Palm Kernel Oil (Malaysia Origin USD/MT)	FOB	1635	1440	195
Palm Fatty Acid Distillate (Malaysia Origin USD/MT)	FOB	650	640	10
Crude palm Kernel Oil India (USD/MT)	CNF India	1550	1340	210
Ukraine Origin CSFO USD/MT Kandla	CIF	845	845	Unch
Rapeseed Oil Rotterdam Euro/MT	FOB	745	738	7
Argentina FOB (\$/MT)		14-Sep-17	7-Sep-17	Change
Crude Soybean Oil Ship		Unq	778	-
Refined Soy Oil (Bulk) Ship		Unq	805	-
Sunflower Oil Ship		Unq	740	-
Cottonseed Oil Ship		Unq	758	-
Refined Linseed Oil (Bulk) Ship		Unq	798	-
<i>* indicates including VAT</i>				

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