

Veg. Oil Weekly Research Report

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Executive Summary

Domestic Veg. Oil Market Summary

Edible oil witnessed weak trend in domestic market in the week in review. CBOT soy oil and BMD CPO fell during the week. Soy oil, palm oil, sunflower oil, groundnut oil and coconut oil closed lower while rapeseed oil closed sideways.

On the currency front, Indian rupee is hovering near 64.04, up by 1 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. Higher stocks at ports and pipeline will underpin prices in near term.

Recommendation:

Weekly Call - : At NCDEX, market participants are advised to go short below 725 levels for a target of 710 and 705 with a stop loss at 735 on closing basis. We expect refined soy oil at Indore (without GST) to stay in the range of Rs 680-740 per 10 Kg in the near term.

At MCX, market participants are advised to go short in CPO below 555 for a target of 540 and 535 with a stop loss at 565 on closing basis. We expect CPO Kandla 5 percent (without GST) to stay in the range of Rs 520-580 per 10 Kg in the near term.

International Veg. Oil Market Summary

Malaysia's December 1-20 palm oil exports fell 2.0 percent to 865,309 tons compared to 882,943 tons in corresponding period last month. Top buyers are European Union at 237,497 tons (159,679 tons), China at 125,228 tons (138,376 tons), United States at 65,005 tons (48,050 tons), India at 49,880 tons (71,960 tons) and Pakistan at 25,000 tons (35,450 tons). Values in brackets are figures of corresponding period last month: SGS

On the international front, low biodiesel mandate in soy oil based biodiesel in US, higher stocks of soy oil in US, higher Brazil and US soybean crop, improving condition of Argentina soybean crop, higher area of soybean in US in 2018/19 and weak demand of soy oil from India will underpin soy oil prices in coming days.

Rise of palm oil stocks in Malaysia, weak exports of palm oil from Malaysia, weak demand of palm oil from India and China, rise in production of palm oil in Malaysia and weak competitive oil prices will underpin CPO prices in near term.

Soy oil Fundamental Analysis and Outlook:-

Domestic Front

- Soy oil featured weak trend in domestic markets on weak demand. Prices of refined soy oil fell at Kandla/Mudra, Kolkata and Mumbai. CDSO prices fell at JNPT and Kandla/Mudra at the end of the week.

- Agriwatch View- Soy oil prices closed lower during the week in Indore on weak demand.

CDSO prices less more at high seas compared to India CNF compared to previous week indicating firm demand at high seas.

Demand in domestic market was weak as refined soy oil prices closed lower in most centers of the India.

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

Appreciation of Indian rupee has made imports of soy oil dearer in India.

Imports of soy oil increased in November compared to October 2017 and November 2016 while stocks of CDSO at ports and pipelines fell in November. However, fall in stocks at ports is more than rise in imports thereby more than offsetting higher imports indicating firm demand at high seas.

Soybean prices will remain firm as soy meal exports increased.

Government of India is providing export incentives to exporters of soy meal, which will support soybean prices.

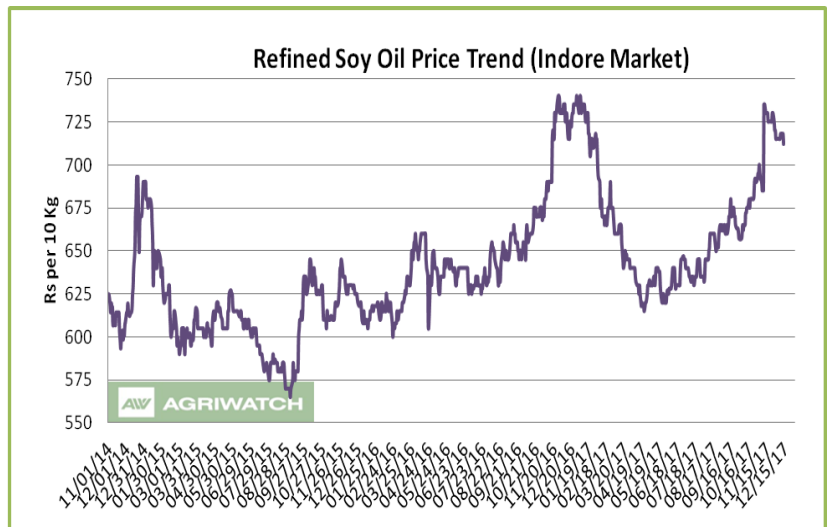
With hike in import duty of soy oil and palm oil, domestic crushing will benefit.

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 increased to Rs 109 (Rs 100 last week) per 10 Kg, which is low and may support soy oil prices in domestic markets. In USD terms, premium of CDSO CIF over CPO CIF was quoted at USD 162.5 (USD 155 last week) per ton, which is high and decrease demand of CDSO at CNF markets compared to CPO CNF. Values in brackets are figures of last week.

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

- Soy oil import scenario – According to SEA, soy oil imports rose 67 percent y-o-y to 2.74 lakh tons from 1.64 lakh tons in November 2016.
- Imported crude soy oil CIF at West coast port is offered at USD 795 (USD 815) per ton for January delivery, February delivery is offered at USD 788 (USD 806) per ton and Mar delivery is quoted at USD 781 (USD 813) per ton. Values in brackets are figures of last week. Last month, CIF CDSO November average price was USD 838.04 (USD 829.36 per ton in October 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 50-55/ton v/s loss of USD 60-65/ton (last month) margin in processing the imported Soybean Oil (Argentina Origin).
- We expect soy oil to trade sideways to weak in the coming days.

International Front

Agriwatch view- USDA and Informa increased 2018/19 US soybean area estimate due to better realizations in cultivation of soybean. This area is record in history.

China imposed higher quality standards to improve the quality of soybean imports which will result in slowdown of soybean imports from China in near time as exporters will need some time to adjust. This step is bearish for soybean complex prices.

Brazil soybean crop condition has improved as rains in major parts of soybean belts have increased hope that production of soybean in the country may reach last year record. More rains are forecast over Brazil in this week, which will favor crops and increase yields. USDA kept Brazil soybean crop unchanged at 108 MMT in its December estimate.

Argentina has received good rainfall since last two weeks which has improved planting and condition of standing crop has improved. More rains are forecast over soybean belts which will support soybean crop. USDA kept Argentina soybean crop estimate unchanged at 57 MMT in its December estimate.

Rise in end stocks of soy oil in US in November as reported by NOPA on marginally lower crush indicates that demand of soy oil is weak. Higher stocks of soy oil will underpin soy oil prices in medium term.

US EPA kept soy oil based bioiselsel target of US unchanged at 2.1 billion gallons which is below market estimates weakening soy oil prices. This comes after US imposed anti dumping duty of imports of biodiesel from Argentina, which has outpriced all exports from the country to US.

India imposed higher import duty on imports of soy oil in the country. However, this step is not expected to decrease soybean imports in the country, as lower oilseeds crop in 2017-18 will increase import demand of soy oil. However, this step will increase domestic crushing of soybean, which has reeled for years due to cheap soy oil imports.

Soy oil end stocks in 2017/18 in US were kept unchanged by USDA on higher biodiesel use fully set-off by lower food, feed and industrial use and lower exports.

Demand of soybean from China increased in November on lower inventories of soybean in the country. Imports of soybean rebounded 48 percent to 8.68 MMT in November compared to 5.86 MMT in October. Chinese think tank has indicated that China will import more than 100 MMT in 2018.

US commerce department imposed antidumping duty in ranged of 71.45 percent to 72.28 percent on imports of biodiesel from Argentina and allegation of dumping of soy oil based biodiesel. Argentina's President has said that it will approach WTO to resolve the issue.

Firm Chinese demand will keep prices of soybean complex elevated.

Brazil soybean sales to China have partly replaced US soybean sales may lead to higher soybean stocks in US. Record imports by China will soak global incremental production of soybean and support prices in medium term. Rise in crude oil prices will support prices in near term.

Prices are in a range.

- Informa increased soybean acreage to a record 91.387 million acres in 2018 compared to previous month's estimates of 89.627 million acres. Soybean yield has been estimated at 49.7 bushels per acre compared to USDA's figure of 49.5 bushels per acre. Soybean production has been estimated at 4.450 billion bushels.
- According to USDA, China will reduce the amount of foreign material allowed in shipments of U.S. soybeans as on January 01, 2018. Shipments of U.S. soybeans arriving at Chinese ports and containing 1 per cent of foreign material will be expedited. Shipments with more than 1 per cent foreign material would be held back for testing. According to traders, this will make difficult for U.S. shipments to compete with South American exports.
- According to Abiove, Brazil's soybean production has been kept unchanged at 109.5 MMT in 2018 compared to December 12 estimates. Soybean exports have been kept unchanged at 65 MMT.
- According to consultancy Safras & Mercado, Brazilian soybean output is expected at 114.57 MMT in 2017 -18 compared to 114.7 MMT estimated in the month of October. Safras has forecast a 5 percent rise in Brazil's soybean planted area at 35.49 million hectares (87.7 million acres) this season.
- According to National Oilseed Processors Association (NOPA), U.S. November soybean crush fell marginally to 163.546 million bushels from 164.242 million bushels in October 2017. Crush of soybean in November 2016 was 160.752 million bushels. Soy oil stocks in U.S. at the end of November rose 8.33 percent to 1.326 billion lbs compared to 1.224 billion lbs in end October 2017. Stocks of soy oil in end November was marginally higher compared to end November 2016, which was reported at 1.339 million lbs.
- According to United States Department of Agriculture (USDA) December estimate, U.S 2017/18 ending stock of soy oil is unchanged at 1,616 million lbs compared to November estimate. Opening stocks are unchanged at 1,711 million lbs. Production of soy oil in 2017/18 is unchanged at 22,505 million lbs. Imports in 2017/18 were unchanged at 300 million. Biodiesel use estimate in 2017/18 is was increased 7,500 million lbs at 7,000 million lbs. Food, feed and other industrial use in 2017/18 was reduced to at 13,500 million lbs from 13,800 lbs in November estimate. Exports in 2017/18 estimate are reduced at 1.900 million lbs from 2,100 million lbs in November estimate. Average price range estimate is kept unchanged in 2017/18 at 32.5-36.5 cents/lbs.
- The U.S. Department of Agriculture's monthly supply and demand report for the month of December forecast U.S. soybean stocks at 445 million bushels, up 20 million bushels from last month due to lower exports. Total U.S. oilseed production for 2017/18 is projected at 132.2 MMT, up 0.1 MMT from previous month amid higher cottonseed production. Global oilseed production is forecast at 579.5 MMT, up 0.7 MMT mostly reflecting higher rapeseed, peanut, and palm kernel production. Global soybean ending stocks for 2017/18 are forecast at 98.32 MMT up from previous month's forecast of 97.90 MMT, mostly reflecting increases for United States and European Union.
- USDA WASDE Oilseeds Highlights: The 2017/18 U.S. season-average soybean price is forecast at \$8.35 to \$10.05 per bushel, unchanged from last month. Soybean meal and soybean oil price projections are also unchanged at \$290 to \$330 per short ton and 32.5 to 36.5 cents per pound, respectively.

Previous updates

- According to a report released by the agriculture ministry, China's soybean imports are expected to increase by 2.7 per cent to 95.97 MMT in 2017 -18 compared to previous year. Soybean output is expected to increase by

15.1 per cent to 14.89 MMT during the period. Consumption is expected to increase by 2.3 per cent to 111 MMT in 2017 -18 compared to previous year.

- According to Conab, Brazilian soybean output is expected at 109.2 MMT in 2017 -18 season compared to 114.1 MMT during the previous season.
- According to Brazil's association of oilseed processors (Abiove), soybean exports in 2017/18 has been increased to a record 67.8 MMT following good demand from China compared to previous month's estimates of 66 MMT.
- According to the latest supply and demand report released by the USDA, groundnut production in India is expected to reach 7 MMT in 2017 -18. In the current year, production is estimated at 6.6 MMT compared to 6.3 MMT in the previous year. In Gujarat, one of the major groundnut growing states, the crop has been affected in some parts. In the current year, plantation was late due to erratic rainfall and dry weather.
- According to FC Stone, Brazil's soybean crop estimates have been increased to 107.6 MMT compared to previous estimates of 106.1 MMT. Favourable weather in the growing regions is booting the crop yield. It has increased Brazil's soybean agricultural yields estimate from 3.03 tonnes per hectare (45.06 bushels per acre) in its November estimates to 3.08 tonnes per hectare (45.8 bushels per acre) currently.
- According to the latest monthly estimates from Strategie Grains, rapeseed production estimates have been increased to 22.60 MMT in European Union for 2017/18 compared to previous estimates of 21.86 MMT and 20.34 MMT in 2016/17. Sunflower seed output is likely to decline in 2018/19 to 9 MMT from 9.3 MMT this season. Soybean production estimates have been increased to 2.7 MMT in 2017/18 from 2.6 MMT in previous season.
- According to China's General Administration of Customs (CNGOIC), China's imports of edible vegetable oil in November rose 14.9 percent to 5.4 lakh tons compared to 4.7 lakh tons in October. Imports rose 5.9 percent compared to corresponding period last year which was reported at 5.1 lakh tons. Year to date imports of edible vegetable oil rose 8.5 percent to 51.7 lakh tons.
- Forecast of below-average rainfall in the first two weeks of December is likely to affect soybean planting in Argentina's central grain belts according to meteorologists. The southern hemisphere spring which began in September has brought lower than normal precipitation in Argentina. This is likely to affect soybean 2017 -18 harvest. As on 23 November 2017, farmers had planted 34 percent of the 18.1 million hectares they are expected to sow under soybean in 2017 -18.
- Brazilian analysts are likely to increase their soybean crop forecast this season after unfavorable climatic conditions have waned and the crop is developing well in the growing regions. According to an average of forecasts compiled in a recent poll, Brazil is expected to harvest 109.43 MMT soybean in the 2017/18 season.
- According to a latest long -term crop forecast report released by the USDA, soybean acreage in 2018 is forecast at a record 91.0 million acres compared to 90.2 million acres in 2017. It will be another year of bumper soybean supply assuming weather remains favourable in the growing regions.
- According to Argentine Ministry of Agriculture, soybean acreage in 2017/18 is likely to decline to 16.8 million hectares in 2017/18 compared to 18 million hectares previous season.
- According to Anec, cereal exporters association, soybean exports in Brazil in 2018 are estimated between 66 - 67 MMT compared to previous estimates of 66 MMT released in early November.

- According to Agroconsult, Brazilian soybean output is estimated at 111 MMT in 2017/18, maintaining the same forecast released in September. Soybean acreage is likely to increase by 3 per cent to a record 35 million hectares this season as farmers have shifted from corn to soybean. If climatic conditions remain favourable, soybean output could touch 115 MMT. Previous year's soybean output was estimated at 114.7 MMT according to Conab.
- According to National Oilseed Processors Association (NOPA), U.S. October soybean crush rose 20.4 percent to 164.242 million bushels from 136.419 million bushels in September 2017. Crush of soybean in October 2016 was 164.641 million bushels. Soy oil stocks in U.S. at the end of October fell 6.0 percent to 1.224 billion lbs compared to 1.302 billion lbs in end September 2017. Stocks of soy oil in end September was lower by 8.9 percent compared to end October 2016, which was reported at 1.410 million lbs.
- According to the General Administration of Customs, China imported 5.86 MMT of soybeans in October 2017, a decline of 28 per cent compared to previous month. However, imports were higher compared to 5.21 MMT during the corresponding period previous year. Imports were lower amid delayed shipments and it is expected to increase in the months of November and December.
- According to the country's Agriculture Ministry, China increased its soybean imports estimates to 95.97 MMT in 2017/18 crop year compared to previous estimates of 94.5 MMT. China will crush 94.38 MMT of soybean during the period compared to the previous estimates of 93.08 MMT.
- The U.S. Department of Agriculture's monthly supply and demand report for the month of November forecasts U.S. soybean production at 4,425 million bushels, down 5 million bushels due to a fractionally lower yield compared to previous month's estimates. Total U.S. oilseed production for 2017/18 is projected at 132.1 MMT, down 0.1 MMT from previous month amid lower soybean and peanut production. Soybean production for Brazil is increased 1 MMT to 108 MMT on higher reported area for Parana and Rio Grande do Sul. Peanut production has increased for India on higher yields for the state of Gujarat. Sunflower seed production is lower for Ukraine, Argentina, and South Africa. Global soybean ending stocks for 2017/18 are forecast at 97.90 MMT up from previous month's forecast of 96.05 MMT, mostly reflecting increases for China, Argentina, and Brazil.

Price Outlook: We expect refined soy oil (without GST) at Indore to stay in the range of Rs 680-740 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 cues from international markets.
CPO prices fell in Kakinada while it rose in Kolkata.
RBD palmolein closed lower across board in India.

- Agriwatch View – Prices of CPO closed lower at the end of week on weak cues from international markets.

BMD CPO, CBOT soy oil and DALIAN RBD palmolein pulled prices lower in international markets, which underpin prices in India last week.

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

Prices of RBD palmolein were weaker at most places in India on weak demand.

Margins in importing CPO and selling after refining in domestic markets is higher than selling ready to use RBD palmolein in domestic markets. This is despite same quote of RBD palmolein compared to CPO at CNF markets.

Demand of RBD palmolein is firm at high seas as its fell less at high seas compared to CNF India compared previous week.

Demand of CPO is weak at CNF markets, as prices fell more at CNF markets compared to Indonesia FOB compared to previous week.

Demand of RBD palmolein was firm at CNF markets, as prices fell less at CNF markets compared to Malaysia FOB compared to last week.

With higher margins, firm demand at high seas and firm demand at CNF markets CPO prices will increase. RBD palmolein is selling on lower margins, weak demand at high seas and weak demand at CNF markets will underpin its prices.

Demand of RBD palmolein was firm compared to CPO at high seas as premium RBD palmolein over CPO was at Rs 57 (Rs 54) per 10 kg compared to last week.

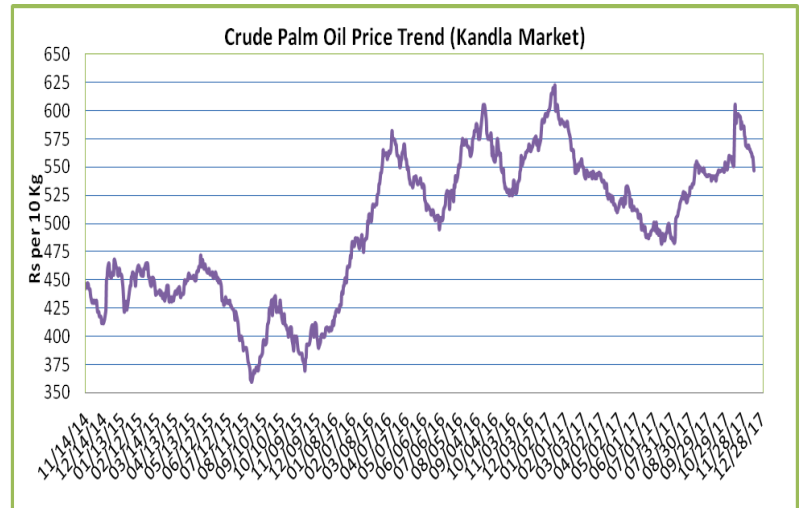
Positive refining margins and parity will increase imports of CPO and RBD palmolein in medium term.

Import of CPO in November was lower than October 2017 while it was lower than November 2016. Stocks at ports and pipelines increased in November compared to October indicating weak demand.

Import of RBD palmolein in November was lower than October 2017 but below November 2016. Stocks at ports and pipelines fell in November indicating weak demand as fall in imports was larger than fall in port stocks.

Appreciation of Indian rupee has made imports of palm oil dearer in India.

Increasing CDSO CNF premium over CPO CNF will increase imports of palm oil in medium term at USD 162.5 (USD 155 last week) per 10 kg. Premium of CDSO soy oil high seas over CPO high seas is at Rs 129 (Rs 116



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 109 (Rs 100 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 weak.

- Palm oil import scenario – Palm oil import scenario – According to Solvent Extractors of India (SEA), palm oil imports in November fell 10.5 percent y-o-y to 7.17 lakh tons from 8.01 lakh tons in November 2016. CPO Imports rose marginally y-o-y to 5.60 lakh tons from 5.57 lakh tons in November 2016. RBD palmolein imports fell 39 percent y-o-y to 1.47 lakh tons from 2.41 lakh tons in November 2016.

- On the trade front, CNF CPO (Indonesian origin) at Indian port quoted at USD 632.5 (USD 660) per ton for Dec delivery and Jan delivery is quoted at USD 632.5 (USD 660) per ton. Last month, CIF CPO November average price was at USD 704.42 per ton (USD 718.32 per ton in October 2017). Values in brackets are figures of last week.

Moreover, RBD palmolein (Malaysian origin) CNF at Indian port, offered at USD 632.5 (USD 660) per ton for Dec delivery, Jan delivery is quoted at US 632.5 (USD 660) per ton. Last month, CIF RBD palmolein November average price was USD 704.42 (USD 718.78 in October 2017) per ton. Values in bracket depict last week quotes.

Ready lift CPO duty paid prices quoted at Rs 549 (Rs 571) per 10 Kg and December delivery duty paid is offered at Rs 549 (Rs 569) per 10 kg. Ready lift RBD palmolein is quoted at Rs 606 (Rs 620) per 10 kg as on December 22, 2017

Values in brackets are figures of last week.

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

International Front

Agriwatch View – Fall in exports of palm oil from Malaysia in first 20 days of December indicate weak demand from top importing destinations like India and China. Exports of palm oil from Malaysia fell 2 percent.

Demand slowed from India and China on winters and expectation of fall in prices of palm oil.

Moreover, expectation of rise in end stocks of palm oil in Malaysia in December on fall in exports and slow fall in production will underpin prices in medium term.

Further, appreciation of ringgit, which hit critical supports, will be bearish for palm oil. If it breaks critical supports then palm oil is expected to fall more.

Production of palm oil in Malaysia is expected to fall in December on seasonal downtrend of production, though at a lower rate of fall.

Fall in competitive oils like CBOT soy oil and RBD palmolein DALIAN is expected to underpin palm oil prices in near term.

Soy oil has been falling for some time while DALIAN is also correcting, weakening palm oil prices.

India is buying less palm oil from Malaysia on hike in import duty and higher margins in processing of CPO compared to ready to use palmolein. Further, demand is expected to be weak due to winters.

India hiked import duties on palm oil to reduce imports of palm oil. This step will weaken import demand from Malaysia in coming months.

Low soy oil premium over palm oil has led to weak demand from India. However, RBD palmolein stocks at ports and pipelines are low which could support imports from Malaysia at lower prices.

However, second hike in import duty in less than 4 months will weaken demand from Malaysia.

Chinese buyers were missing from market in December which led to weak shipments to China in December from Malaysia. China will buy more in January when they start stocking for Chinese New Year.

CNGOIC has indicated that it will buy 475,000 tons of palm oil every month to refurbish stocks of palm oil.

Malaysia must abandon export duty on palm to slow down the buildup of palm oil inventory in the country.

Malaysia lowered palm oil export duty from 6 percent to 5.5 percent for January to encourage exports.

Imposition of import duties in India has resulted in shifting of buyers towards Indonesia. Malaysian refiners are pricing aggressively at Indian ports. Higher margins in importing CPO compared to ready to use palmolein is expected to slow imports from Malaysia and shift buyers to Indonesia.

Indonesia kept export duty unchanged at zero for December with reference prices of USD 750 per ton. This is the ninth month zero export duty by Indonesia.

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

USDA estimates 2018 palm oil production in Indonesia at 38.5 MMT.

Firm ringgit will underpin palm oil prices in near to medium term.

Lower competitive oils prices will underpin 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 December 1-20 palm oil exports fell 2.0 percent to 865,309 tons compared to 882,943 tons in corresponding period last month. Top buyers are European Union at 237,497 tons (159,679 tons), China at 125,228 tons (138,376 tons), United States at 65,005 tons (48,050 tons), India at 49,880 tons (71,960 tons) and Pakistan at 25,000 tons (35,450 tons). Values in brackets are figures of corresponding period last month.
- According to cargo surveyor Intertek Testing Services (ITS), Malaysia's December 1-20 palm oil exports fell 2.0 percent to 874,022 tons compared to 891,926 tons in corresponding period last month. Top buyers are European Union at 241,607 tons (170,081 tons), China at 116,200 (152,396 tons) and India & subcontinent at 87,880 tons (121,510 tons). Values in brackets are figures of corresponding period last month.
- According to Malaysia Palm Oil Board (MPOB), Malaysia's November palm oil stocks rose 16.02 percent to 25.57 lakh tons compared to 22.03 lakh tons in October. Production of palm oil in November fell 3.29 percent to 19.43 lakh tons compared to 20.08 lakh tons in October. Exports of palm oil in November fell 11.94 percent to 13.54 lakh tons compared to 15.38 lakh tons in October. Imports of palm oil in November rose 124 percent to 0.30 lakh tons compared to 0.13 lakh tons in October. Rise in palm oil end stocks in October was above trade estimates.

- Policy update According to Malaysian Government circular, Malaysia decreased January crude palm oil export duty to 5.5 percent from 6 percent in December. Tax is calculated at reference price of 2,625.31 ringgit 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 December crude palm oil export duty to zero, unchanged from last month. This is the seventh consecutive month of zero tax. Reference prices of export tax are set at 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 October palm oil stocks rose 8.39 percent to 21.90 lakh tons compared to 20.20 lakh tons in September. Production of palm oil in October rose 12.96 percent to 20.09 lakh tons compared to 17.80 lakh tons in September. Exports of palm oil in October rose 2.04 percent to 15.49 lakh tons compared to 15.18 lakh tons in September. Imports of palm oil in October fell 67.26 percent to 0.13 lakh tons compared to 0.41 lakh tons in September. Rise in palm oil end stocks in October was below trade estimates.
- According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's December 1-15 palm oil exports fell 10.7 percent to 581,254 compared to 650,962 in corresponding period last month. Top buyers are European Union at 156,432 tons (137,865 tons), China at 60,188 tons (61,376 tons), India at 49,880 tons (71,960 tons), United States at 33,255 tons (11,250 tons) and Pakistan at 19,000 tons (35,450 tons). Values in brackets are of corresponding period last month.
- According to cargo surveyor Intertek Testing Services (ITS), Malaysia's December 1-15 palm oil exports fell 9.6 percent to 596,862 from 660,465 compared to corresponding period last month. Top buyers are European Union at 139,307 tons (143,267 tons), India & subcontinent at 81,880 tons (119,510 tons) and China at 69,960 (94,796 tons). Values in brackets are figures of corresponding period last month.
- According to Indonesia Palm Oil Association (GAPKI), Indonesia's October palm oil (excluding biodiesel and oleochemicals) exports fell 5.6 percent to 2.6 MMT from 2.79 MMT in September and 2.41 MMT in October 2016. End stocks of palm oil in Indonesia in October rose 16 percent to 3.38 MMT from 2.92 MMT in September 2017. Production of palm oil in Indonesia in October rose 3 percent to 4.16 MMT from 4.03 MMT in September 2017.
- According to China's General Administration of Customs (CNGOIC), China's October palm oil imports rose 77.73 percent to 4.80 lakh tons compared to October 2016. Year to date imports of palm oil rose 18.27 percent to 39.65 lakh tons compared to corresponding period last year. Imports from Indonesia in October rose 111.78 percent to 2.56 lakh tons compared to October 2016. Year to date imports of palm oil from Indonesia rose 29.84 percent to 24.75 lakh tons compared to corresponding period last year. Imports from Malaysia in October rose 49.59 percent to 2.22 lakh tons compared to October 2016. Year to date imports rose 3.29 percent from Malaysia to 14.88 lakh tons compared to corresponding period last year.
- According to Malaysian government, Malaysia's palm oil production is expected to rise 2.5 percent in 2018 to 20.5 MMT after rise of 15.5 percent rise in production in 2017 at 20 MMT. Malaysia palm oil output was 17.3

MMT in 2016. Average prices of palm oil in 2018 are estimated at 2,750 ringgit per ton due to higher demand by China, EU and India. Average prices of palm oil in 2017 are estimated at 2,700 ringgit (USD 638) per ton.

- Policy update- According to Malaysia Palm Oil Board (MPOB), Malaysia increased November crude palm oil export duty to at 6.0 percent from 6.5 percent in September. Tax is calculated at reference price of 2,833.25 ringgit 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 December crude palm oil export duty to zero, unchanged from last month. Tax is not charged if prices are at or below USD 750 per ton. Indonesia kept export duty at zero as it expects that prices will miss certain thresholds

Price Outlook: We expect CPO Kandla 5 percent (without GST) to stay in the range of Rs 520-580 per 10 Kg in the near term.

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

- Mustard oil prices featured mostly sideways to weak trend in primary markets on firm supply and weak demand. Arrivals of rapeseed rose last week.
- Agriwatch view: Prices of rapeseed oil expeller featured weak trend in various centers in India on firm supply and on weak demand.

Price of expeller mustard oil fell in Jaipur, Ganganagar, Mumbai and New Delhi while it remained

unchanged in Kota and Hapur. Prices rose in Neewai and Kolkata at the end of the week. Prices of kacchi ghani rapeseed oil traded lower in Kota, Ganganagar and Neewai while it remained unchanged in Jaipur and Bharatpur. Prices rose in Hapur and Agra.

Canola oil CNF price closed lower during the week.

Prices fell as market is adequately stocked.

Rise in arrivals of rapeseed in various mandis led to higher supply of rapeseed oil.

Prices fell on fall on soy oil and palm oil prices.

Rapeseed crop will be lower on fall in sowing of rapeseed fell by more than 10 percent. Rapeseed sowing in Rajasthan is down 26 percent.

Higher crop of rapeseed in MY 2017/18 has led to higher supply of rapeseed for crushing which will cap gains.

Low premium of rapeseed oil over soy oil in domestic market was at Rs 55 (Rs 55) per 10 Kg, will support rapeseed oil prices in medium term.

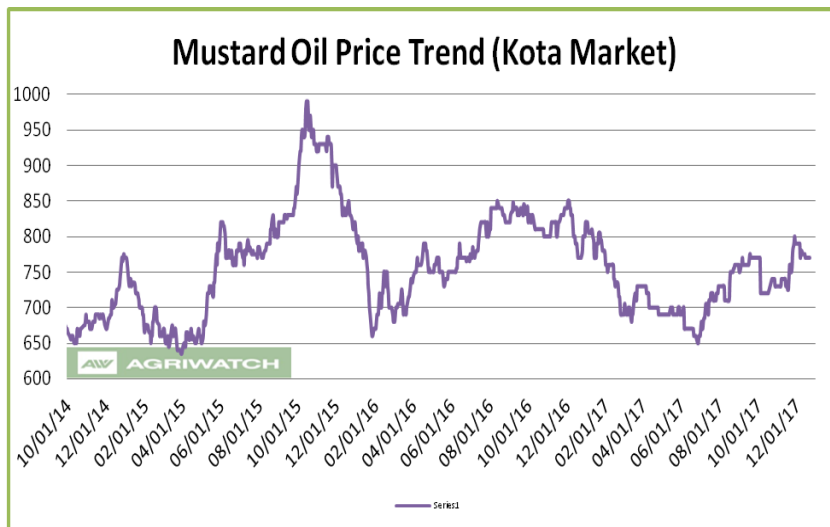
Premium of canola oil compared to CDSO has increased to USD 45 (USD 35) per ton will support imports.

Lower prices of expeller rapeseed oil led to fall in import demand of canola oil in oil year 2017-18.

Government hiked import duty on canola oil, to check rise in imports of canola oil.

Markets are expected to trade sideways to firm tone in coming days on firm demand on winters in North India, stocking at lower levels, rise in prices of rapeseed and seasonal uptrend of prices.

- Government of India hiked import duty on crude rapeseed oil from 12.5 percent to 25 percent while refined rapeseed oil will be charged import duty of 35 percent from 20 percent earlier.
- All India sowing of rapeseed reached 62.80 lakh hectares as on 22 December 2017 compared to 68.22 lakh hectares in corresponding period last year. Rajasthan is lagging in sowing as on 22 December 2017 and it has reached 20.55 lakh hectares compared to 27.79 lakh hectares in corresponding period last year.
- India imported 0.41 lakh tons of rapeseed (Canola) oil in November 2017 v/s 0.32 lakh tons in November 2016, down 28 percent: SEA





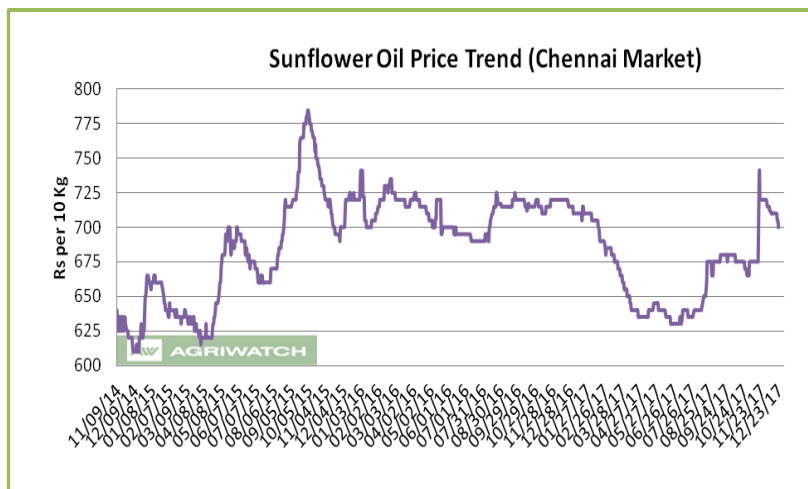
- CNF canola oil premium over soybean oil is USD 45 (USD 35 last week) per ton for January delivery as on December 22, 2017.
- Currently, RM oil at Jaipur market, (expeller) is offered at Rs 780 (Rs 790) per 10 Kg, and at Kota market, it is offered at Rs 770 (Rs 770) per 10 kg as on December 22, 2017. 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 GST) prices in Kota may stay in the range of Rs 740-820 per 10 Kg.

Sunflower oil Fundamental Review and Analysis:-

Domestic Front

- Sunflower oil price traded lower during the week in its benchmark market of Chennai on firm supply. Prices remained unchanged in Hyderabad while it fell in Kandla/Mudra. Prices remained unchanged in Kakinada. Prices fell in Mumbai while it remained unchanged in Latur. Sunflower expeller closed lower in Hyderabad and Erode. Prices remained unchanged in Chellakaere and Latur at the end of the week.



- Agriwatch view: Prices of sunflower oil traded lower in Chennai on firm supply. Most of the markets witnessed sideways to weak movement of prices during the week.

Prices of sunflower oil fell more in Chennai compared to CNF markets indicating firm supply.

Prices of sunflower oil are trading at discount over soy oil in domestic market indicating that supply sunflower oil is high and there is potential for prices to rise.

Fall in soy oil and palm oil prices supported the fall.

CSFO CIF premium over CDSO CIF markets is at USD 2.5 (USD -15 last week) per ton for Jan delivery, indicating ample space for prices to rise in domestic markets as sunflower oil is considered superior oil.

Sunflower oil discount over soy oil in domestic markets indicate firm supply compared to soy oil. In domestic market, sunflower oil prices premium over soy oil is by Rs -15 (Rs -5 last week) per 10 kg, which indicates that markets are adequately supplied.

Sunflower oil premium over palm oil at CNF India is USD 165 (US 140 last week) which is high and may weaken imports. Sunflower oil is trading at low premium over soy oil in domestic market, which may increase demand in medium term.

Supply has improved in markets as imports rose 33 percent in November after rising 43 percent in oil year 2016-17 (November-October) indicating firm supply of sunflower oil in domestic market. Imports of sunflower oil will show steady rise in coming months due to low premium of sunflower oil over CDSO, CPO and appreciation of Rupee. Further, import duty on crude sunflower is lower than crude soy oil which will support imports. Imports of sunflower oil in November were above October and above November 2016 while stocks at ports and pipelines rose indicating firm supply at high seas. Supply of sunflower is firmer than demand.

Importers are importing and stocking at ports as it is quoted below soy oil in both CNF and high seas.

Refiners are purchasing more 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 2.5 (USD -15 last week) per ton for Jan delivery.

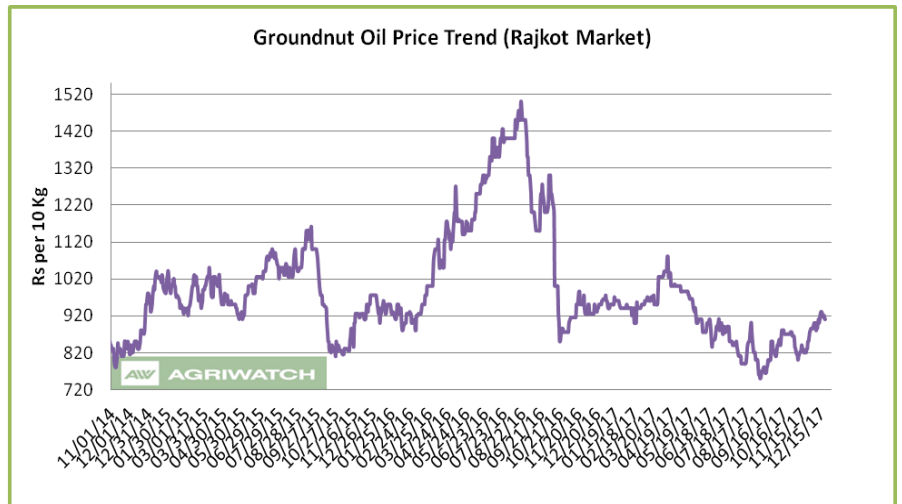
Government of India increased import duties of crude and refined sunflower oil to check 43 percent surge in imports of sunflower oil in 2016-17 oil year.

- Prices of sunflower oil are expected to trade sideways to weak on firm demand, low premium of sunflower oil over soy oil and seasonal uptrend of prices. Prices are expected to trade sideways to firm in near term.
- All India sowing of sunflower reached 1.35 lakh hectares as on 22 December 2017 compared to 1.30 lakh hectares in corresponding period last year.
- Sunflower oil import scenario – According to SEA, India imported 1.94 lakh tonnes of crude sunflower oil during November 2017 v/s 1.58 lakh tonnes in November 2016, higher by 33 percent y-o-y.
- On the trade front, CIF sunflower oil prices (Ukraine origin) at West coast of India quoted at USD 797.5 (USD 800) per ton for JF delivery, Mar delivery is quoted at USD 802.5 (USD 803) per ton and AMJ delivery is quoted at USD 807.5 (USD 807.5) per ton. CIF sun oil (Ukraine origin) November monthly average was at USD 809.77 per ton compared to USD 820.63 per ton in October. Values in brackets are figures of last week.
- Prices are likely to stay in the range of USD 780-820 per ton in the near term. CIF Sunflower oil premium over CDSO is hovering at USD 2.5 (USD -15 last week) per ton for Jan delivery.
- Currently, refined sunflower oil at Chennai market is offered at Rs 700 (Rs 710) per 10 Kg, and at Hyderabad market, it is offered at Rs 717 (Rs 717) per 10 kg as on December 22, 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 (without GST) prices in Chennai may stay in the range of Rs 680-720 per 10 Kg.

Groundnut oil Fundamental Review and Analysis:-` Domestic Front

- Groundnut oil prices featured weak trend in Rajkot due to weak demand. Prices fell in Jamnagar and Gondal. Prices remained unchanged in Chennai while it fell in Mumbai. Prices remained unchanged in New Delhi. Prices of groundnut oil (expeller) rose in Hyderabad at the end of the week.
- Agriwatch view: Prices of groundnut oil featured weak trend in Rajkot on weak demand.



Demand is weak due to weak soy oil and palm oil prices, which have led the buyers to avert buying at higher prices. Market is waiting for soy oil and palm oil prices to stabilize.

There is no parity in crushing of groundnut oil, which has led to lower crushing.

Parity in crushing of groundnut will only come when prices reach Rs 950-960 per 10 kg.

Restricted selling by crushers may support prices.

Groundnut oil offtake from stockists and traders is weak and supply is weak due to disparity in crushing of groundnut.

Gujarat government's procurement of Rs 900/20 kg is progressing at slow pace. Groundnut arrivals has decreased at various mandis in Gujarat.

Gujarat government has already purchased 3.5 lakh tons of groundnut.

However, due to higher crop of groundnut gains in prices of groundnut is capped.

Crushing season is progressing slowly which has led to supply shortfall.

Groundnut oil prices are expected to trade sideways to firm on firm demand, disparity in crush margins, seasonal uptrend of prices and increase in prices of groundnut.

- All India sowing of groundnut reached 4.14 lakh hectares as on 22 December 2017 compared to 3.75 lakh hectares in corresponding period last year.
- On the price front, currently the groundnut oil prices in Rajkot is quoted at Rs 9,100 (Rs 9,300) per quintal and it was quoted at Rs 8,600 (Rs 8,600) per quintal in Chennai market on December 22, 2017. Values in brackets are figures of last week.
- Groundnut oil prices are likely to trade sideways to firm in the coming days.

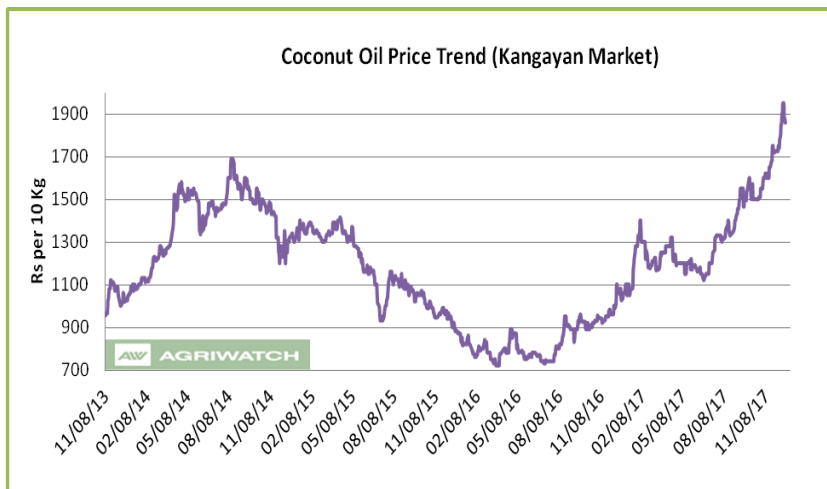
Price Outlook:

Groundnut oil (without GST) in Rajkot market is likely to trade in the price band of Rs 880-960 per 10 Kg.

Coconut Oil Fundamental Review and Analysis:- Domestic Front

- Coconut oil featured weak trend in its benchmark market of Kangayam on fall in prices of copra and weak demand. Prices remained unchanged in Kochi at the end of the week.
- Agriwatch view: Coconut oil prices featured weak trend during the week on weak demand and fall in prices of copra.

Copra prices fell last week supporting fall in coconut oil prices.



Prices of copra surged in 2017 due to drought in Erode in 2016 have led to depletion of copra stocks.

Fall in prices of copra lead to the fall in prices of coconut oil during the week. Fall in prices of raw material led to lower product prices.

Fall in prices of palm oil supported the fall.

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. There is good export demand of copra from West Asian markets and Chinese markets.

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.

Demand of coconut oil has weakened as prices of coconut oil has doubled in 2017 and further slowdown of demand is expected.

Demand of coconut oil is firm in Kerala on Sabarimala pilgrimage festival.

Farmers are holding copra to take advantage of prices.

Corporate demand, which contributes about 80 percent of demand, is moderate. Consumers of coconut oil have shifted away from coconut oil due to higher prices.

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

Coconut oil is costliest domestic edible oil, which has weakened demand.

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

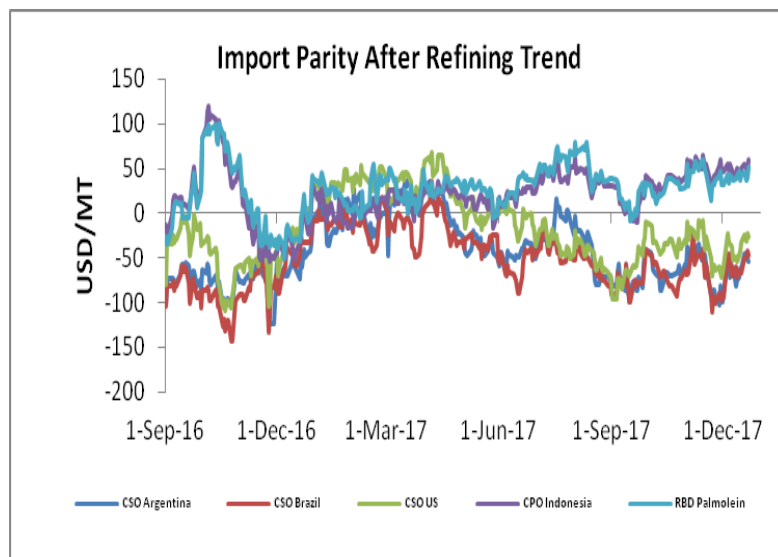
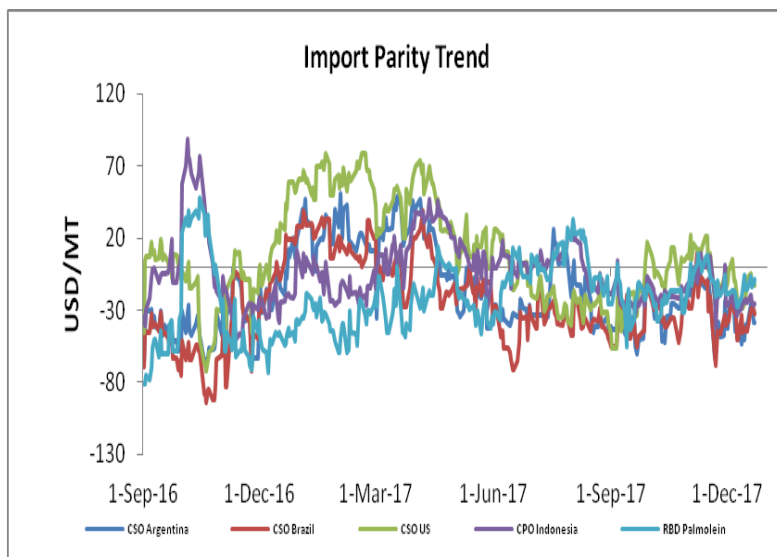
Prices are expected to trade sideways to weak tone in near term.

- On the price front, currently the coconut oil prices in Kochi is hovering near Rs 17,200 (17,200) per quintal, and was quoting Rs 18,600 (Rs 19,000) per quintal in Erode market on December 22, 2017.

Price Outlook: Coconut oil (withut GST) prices in Erode may stay in the range of Rs 1750-2050 per 10 Kg.

Import Parity Trend

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

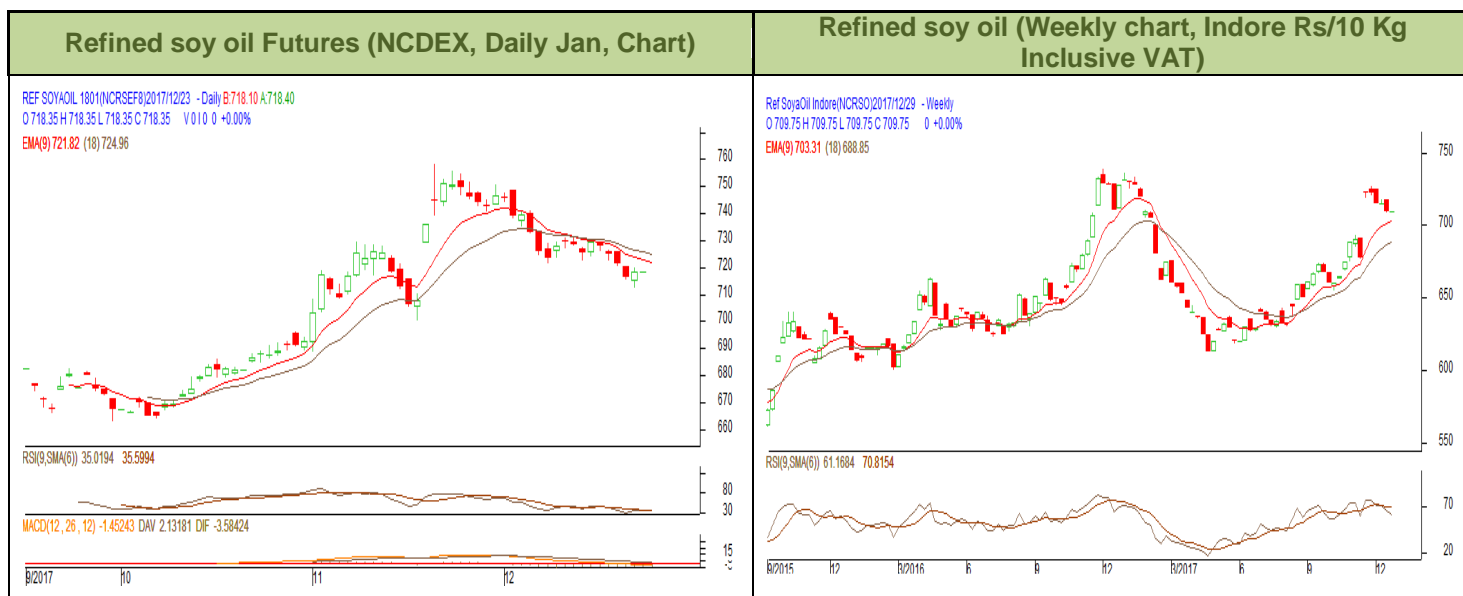


	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
Oct, 2017	-66.77	-68.43	-34.19	33.93	27.29
Nov, 2017	-63.29	-70.36	-37.37	49.56	42.85

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 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 downtrend 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 700 in weekly might take the prices below 680 levels.
- Expected price band for next week is 690-750 level in near to medium term. RSI, stochastic and MACD is suggesting downtrend in the market.

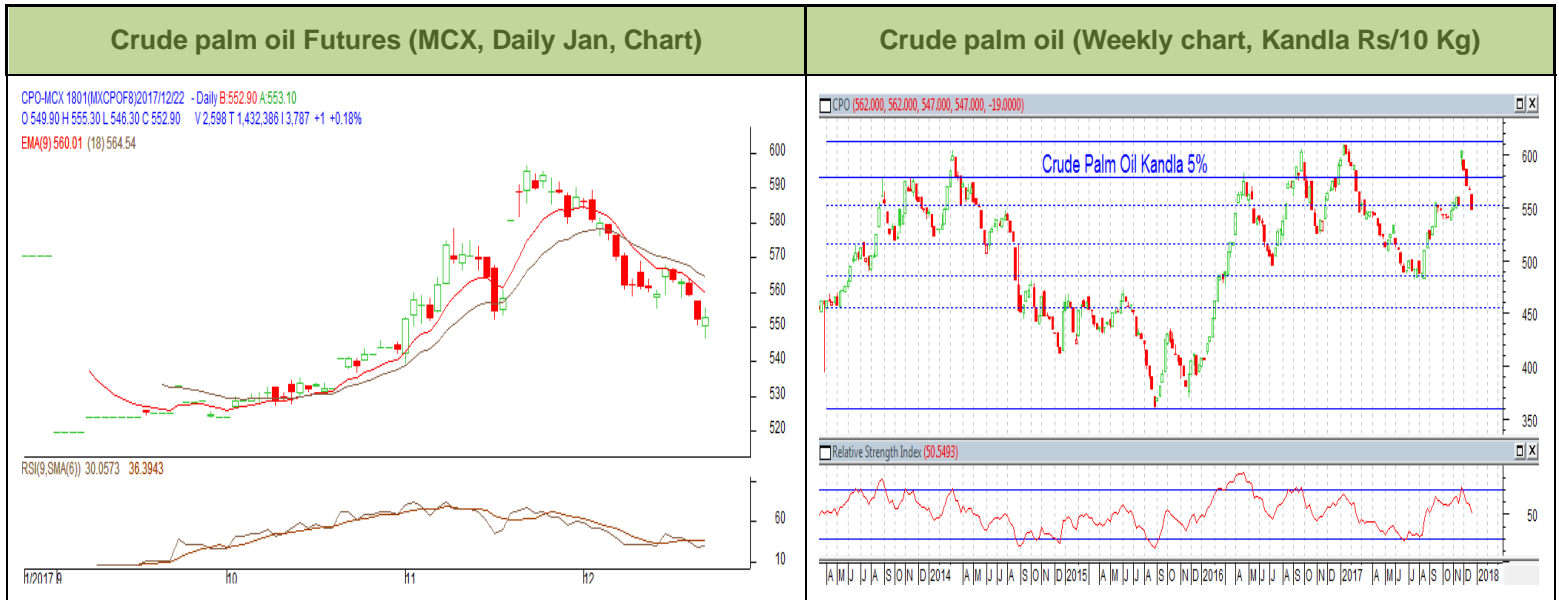
Strategy: Market participants are advised to go short below 725 levels for a target of 710 and 705 with a stop loss at 735 on closing basis.

RSO NCDEX (January)

Support and Resistance				
S2	S1	PCP	R1	R2
685.00	700.00	718.35	740.00	755.00

Spot Market outlook: Refined soy oil Indore (without GST) is likely to stay in the range of Rs 680-740 per 10 Kg.

Technical Analysis (Crude Palm oil)



Outlook - Prices show downtrend in prices during the week. We expect that CPO January 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 550 in weekly chart may bring the prices to 530 levels.
- Expected price band for next week is 530-580 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 555 for a target of 540 and 535 with a stop loss at 565 on closing basis.

CPO MCX (January)

Support and Resistance				
S2	S1	PCP	R1	R2
532.00	547.00	552.9	566.00	577.00

Spot Market outlook: Crude palm oil (without GST) is likely to stay in the range of Rs 520-580 per 10 Kg.

Veg. Oil Prices at Key Spot Markets

Commodity	Centre	Prices(Per 10 Kg)		Change
		22-Dec-17	15-Dec-17	
Refined Soybean Oil	Indore	712	715	-3
	Indore (Soy Solvent Crude)	680	680	Unch
	Mumbai	705	720	-15
	Mumbai (Soy Degum)	675	682	-7
	Kandla/Mundra	700	712	-12
	Kandla/Mundra (Soy Degum)	675	682	-7
	Kolkata	710	725	-15
	Delhi	740	760	-20
	Nagpur	732	743	-11
	Rajkot	700	705	-5
	Kota	720	715	5
	Hyderabad	710	710	Unch
	Akola	730	739	-9
	Amrawati	730	737	-7
	Bundi	715	730	-15
	Jalna	734	744	-10
	Alwar	NA	NA	-
	Solapur	734	743	-9
	Dhule	733	738	-5
Palm Oil	Kandla (Crude Palm Oil)	574	594	-20
	Kandla (RBD Palm oil)	604	620	-16
	Kandla RBD Pamolein	641	651	-11
	Kakinada (Crude Palm Oil)	588	593	-5
	Kakinada RBD Pamolein	641	651	-11
	Haldia Pamolein	643	664	-21
	Chennai RBD Pamolein	646	662	-16
	KPT (krishna patnam) Pamolein	635	653	-18
	Mumbai RBD Pamolein	646	667	-21
	Delhi	675	680	-5
	Rajkot	633	646	-13
	Hyderabad	675	670	5
	Mangalore RBD Pamolein	648	662	-14
	PFAD (Kandla)	452	462	-11
	Refined Palm Stearin (Kandla)	494	515	-21
	Tuticorin (RBD Palmolein)	654	654	0
* Inclusive of GST				
Refined Sunflower Oil	Chennai	700	710	-10

	Mumbai	745	760	-15
	Mumbai(Expeller Oil)	655	660	-5
	Kandla	800	730	70
	Kandla/Mundra (Crude)	NA	NA	-
	Hyderabad (Ref)	717	717	Unch
	Latur (Expeller Oil)	730	730	Unch
	Chellakere (Expeller Oil)	650	650	Unch
	Erode (Expeller Oil)	735	745	-10
Groundnut Oil	Rajkot	910	930	-20
	Chennai	860	860	Unch
	Delhi	850	850	Unch
	Hyderabad *	870	860	10
	Mumbai	940	950	-10
	Gondal	900	930	-30
	Jamnagar	910	925	-15
Rapeseed Oil/Mustard Oil	Jaipur (Expeller Oil)	780	790	-10
	Jaipur (Kacchi Ghani Oil)	805	805	Unch
	Kota (Expeller Oil)	770	770	Unch
	Kota (Kacchi Ghani Oil)	800	805	-5
	Neewai (Kacchi Ghani Oil)	770	765	5
	Neewai (Expeller Oil)	776	800	-24
	Bharatpur (Kacchi Ghani Oil)	815	815	Unch
	Alwar (Kacchi Ghani Oil)	NA	NA	-
	Alwar (Expeller Oil)	NA	NA	-
	Sri-Ganga Nagar(Exp Oil)	770	775	-5
	Sri-Ganga Nagar (Kacchi Ghani Oil)	790	800	-10
	Mumbai (Expeller Oil)	770	775	-5
	Kolkata(Expeller Oil)	1020	900	120
	New Delhi (Expeller Oil)	800	810	-10
	Hapur (Expeller Oil)	860	860	Unch
	Hapur (Kacchi Ghani Oil)	920	900	20
	Agra (Kacchi Ghani Oil)	825	820	5
Refined Cottonseed Oil	Rajkot	670	675	-5
	Hyderabad	675	670	5
	Mumbai	690	692	-2
	New Delhi	660	670	-10
Coconut Oil	Kangayan (Crude)	1860	1900	-40
	Cochin	1720	1720	Unch
	Trissur	NA	NA	-
Sesame Oil	New Delhi	875	900	-25
	Mumbai	NA	NA	-
Kardi	Mumbai	880	880	Unch



Rice Bran Oil (40%)	New Delhi	520	510	10
Rice Bran Oil (4%)	Punjab	585	590	-5
Rice Bran Oil (4%)	Uttar Pradesh	NA	NA	-
Malaysia Palmolein USD/MT	FOB	610	618	-8
	CNF India	640	655	-15
Indonesia CPO USD/MT	FOB	615	628	-13
	CNF India	640	655	-15
RBD Palm oil (Malaysia Origin USD/MT)	FOB	605	612	-7
RBD Palm Stearin (Malaysia Origin USD/MT)	FOB	613	622	-9
RBD Palm Kernel Oil (Malaysia Origin USD/MT)	FOB	1290	1390	-100
Palm Fatty Acid Distillate (Malaysia Origin USD/MT)	FOB	595	600	-5
Crude palm Kernel Oil India (USD/MT)	CNF India	1290	1340	-50
Ukraine Origin CSFO USD/MT Kandla	CIF	800	800	Unch
Rapeseed Oil Rotterdam Euro/MT	FOB	NA	NA	-
Argentina FOB (\$/MT)		21-Dec-17	14-Dec-17	Change
Crude Soybean Oil Ship		NA	NA	-
Refined Soy Oil (Bulk) Ship		NA	NA	-
Sunflower Oil Ship		NA	NA	-
Cottonseed Oil Ship		NA	NA	-
Refined Linseed Oil (Bulk) Ship		NA	NA	-
* Including GST				

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