

Veg. Oil Weekly Research Report

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Executive Summary

Domestic Veg. Oil Market Summary

Edible oil witnessed mixed trend in domestic market in the week in review. CBOT soy oil and BMD CPO rose during the week. Soy oil, palm oil and rapeseed oil closed higher while coconut oil closed sideways. Sunflower oil and groundnut oil closed in red.

On the currency front, Indian rupee is hovering near 63.36, down by 50 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. Higher stocks at ports and pipeline may underpin prices in near term.

Recommendation:

Weekly Call - : At NCDEX, market participants are advised to go long above 730 levels for a target of 745 and 750 with a stop loss at 720 on closing basis. We expect refined soy oil at Indore (without GST) to stay in the range of Rs 700-780 per 10 Kg in the near term.

At MCX, Market participants are advised to go long in CPO above 555 for a target of 570 and 575 with a stop loss at 545 on closing basis. We expect CPO Kandla 5 percent (without GST) to stay in the range of Rs 540-590 per 10 Kg in the near term.

International Veg. Oil Market Summary

According to Malaysian government, Malaysia has removed export duty on crude palm oil for three months starting January 8 to support prices. If stocks fall below 1.6 MMT before three months then export duty may be imposed earlier than three months, according to Malaysia's minister of plantation and industries. The step has been taken to reduce stocks of palm oil in the country.

On the international front, weak soybean crop condition in Argentina, higher crush of soybean in US, appreciation of Argentina Peso, expectation of lower stocks of soy oil in US, weak dollar and rise in crude oil prices will support soy oil prices in coming days.

Removal of export duty on palm oil by Malaysia, expectation of firm exports of palm oil from Malaysia, firm demand of palm oil from India and China, expectation of fall in production of palm oil in Malaysia and firm competitive oil prices will support CPO prices in near term.

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

- Soy oil featured firm trend in domestic markets on spillover of higher international soy oil prices. Prices of refined soy oil rose at Kandla/Mudra, Kolkata and Mumbai. 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 support from higher international soy oil prices.

Higher palm oil prices supported the rise.

CDSO prices rose less at high seas

compared to India CNF compared to previous week indicating weak demand at high seas.

CDSO demand at CNF markets is firm as prices rose 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 crushing has increased due to hike in import duties on edible oils.

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

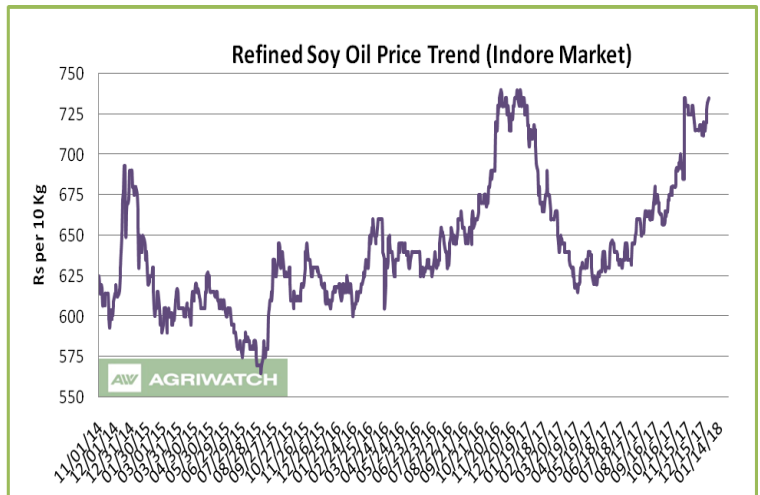
With hike in import duty of soy oil and palm oil, domestic crushing will benefit.

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 115 (Rs 102 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 158.5 (USD 165 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 rise on firm demand and firm 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 836 (USD 820) per ton for January delivery, February delivery is offered at USD 836 (USD 809) per ton and Mar delivery is quoted at USD 817 (USD 797) per ton. Values in brackets are figures of last week. Last month, CIF CDSO December average price was USD 811.6 (USD 838.04 per ton in November 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 40-45/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 firm in the coming days.

International Front

Agriwatch view- Prices of soy oil is supported by dry conditions in soybean belts in Argentina, appreciation of Argentina Peso and rise in crude oil prices.

Crude oil prices rose last week on lower crude oil inventory in US and disturbance in Iran which supported soy oil prices last week. There is good probability of further rise in crude oil prices, which will support soy oil prices in medium term.

Dry conditions in soybean growing belts in Argentina in last couple of weeks have raised expectation that planting will fall short of earlier forecast. There is limited window for planting and if conditions do not improve then soybean crop will decrease in the country. USDA kept Argentina soybean production estimate at 57 MMT in its December estimate. However, USDA is expected to decrease soybean crop in Argentina in its January estimate.

Appreciation of Argentina Peso and weakness of dollar has supported soy oil prices lower last week. Argentina peso rebounded last week after more than 15 percent depreciation previous week.

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

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.

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 biodiesel 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 out-priced all exports from the country to US.

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.

- Brazil exported 2.36 MMT of soybean in December 2017 compared to 2.14 MMT in November 2017 and 0.65 MMT during the same period previous year. It exported 0.67 MMT of soy meal in December 2017 compared to 1.07 MMT in November 2017 and 1.01 MMT during the same period previous year. Soy oil exports stood at 46,467 metric tonnes in December 2017 compared to 73,500 metric tonnes in November 2017 and 66,157 metric tonnes during the same period previous year.
- According to the agriculture ministry, Argentina has cut its soybean export tax to 29.5 per cent from 30 per cent previously. This is the first step towards gradually reducing the levy to 18 per cent in the next two years. According to the plan, there will be tax cut of one half-percentage point per month in the next twenty four months.
- According to USDA, 191 million bushels soybean was crushed in November 2017. This is higher than average analyst's expectation. According to analyst's estimates, crush figures were likely to be around 173.5 -175 million bushels. NOPA had estimated soybean crush figure at 163.546 million bushels for the month of November 2017.
- According to the data released by the Commerce Department of the Ministry of Industry, Foreign Trade and Services, Brazil exported a record 68.15 MMT of soybean in 2017, an increase of 32 per cent compared to 2016. The figure is slightly higher than 67.8 MMT of soybean exports estimated by Abiove. Brazil produced a record 114 MMT of soybean in 2017.
- 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 consultancy, AgRural forecast of rains during next two weeks in most soy producing regions of Brazil is likely to support soybean crop. Weather in January will define the crop output and yield. Harvesting will be little later than usual due to delayed planting. Last year Brazil produced 114 MMT of soybean following favourable weather. In the current season it is expected to produce 109 MMT soybean according to Conab.
- 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 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 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. Favorable 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.

- 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 favorable 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.
- 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 700-780 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 cues from international markets.

CPO prices rose in Kolkata and Mumbai.

RBD palmolein closed higher across board in India.

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

BMD CPO, CBOT soy oil and DALIAN RBD palmolein pushed prices higher in international markets, which supported prices in India last week.

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

Prices of RBD palmolein were firm at most places in India on firm 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 weak at high seas as its rose less at high seas compared to CNF India compared previous week.

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

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

With higher margins and firm demand at high seas CPO prices will increase. RBD palmolein is selling at 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 66 (Rs 59) per 10 kg compared to last week.

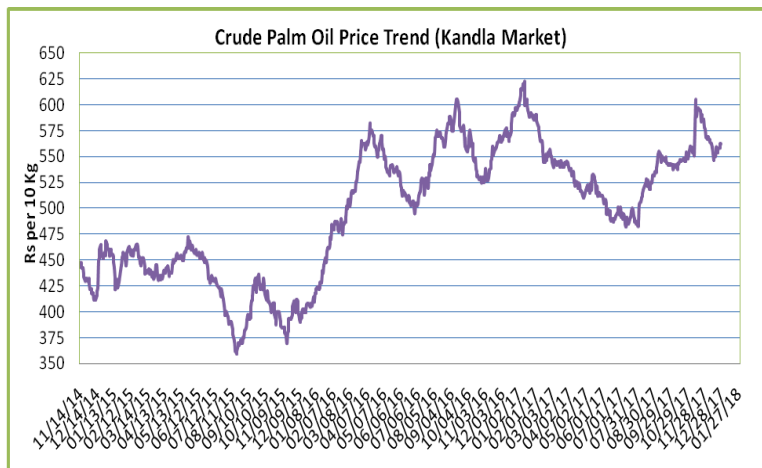
Positive refining margins and parity will increase imports of CPO and RBD palmolein in medium term.

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 158.5 (USD 165 last week) per 10 kg. Increasing premium of CDSO soy oil high seas over CPO high seas is at Rs 136 (Rs 126 last week) per 10 Kg, will increase CPO demand at high seas. Premium of refined soy oil over



RBD palmolein is Rs 115 (Rs 102 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 on firm international palm oil markets, seasonal uptrend of prices and firm demand.

- 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 677.5 (USD 655) per ton for Jan delivery and Feb delivery is quoted at USD 687.5 per ton. Last month, CIF CPO December average price was at USD 661.68 per ton (USD 704.42 per ton in November 2017). Values in brackets are figures of last week. Moreover, RBD palmolein (Malaysian origin) CNF at Indian port, offered at USD 677.5 (USD 655) per ton for Jan delivery, Feb delivery is quoted at US 687.5 per ton. Last month, CIF RBD palmolein December average price was USD 660.68 (USD 704.42 in November 2017) per ton. Values in bracket depict last week quotes. Ready lift CPO duty paid prices quoted at Rs 559 (Rs 559) per 10 Kg and January delivery duty paid is offered at Rs 559 (Rs 561) per 10 kg. Ready lift RBD palmolein is quoted at Rs 625 (Rs 618) per 10 kg as on January 5, 2018. Values in brackets are figures of last week.
- On the parity front, margins weakened during this week due to fall in prices of palm products in Indian markets. Currently refiners fetch USD 45-50/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 30-35/ton v/s gain of USD 40-45/ton (last month) parity.
- We expect palm oil to trade sideways to firm in the days ahead.

International Front

Agriwatch View – Suspension of crude palm oil export duty by Malaysia for next 3 months has raised expectation of higher exports of palm oil from the world's second exporting nation. This sudden step was prompted by expectation of rise in end stocks of Malaysia in coming months. This step has come with riser that if stocks drop to 1.6 MMT before 3 months then export duty will be increased.

Abandoning of export duty was due to lower purchases by India which was buying less due to hike in import duty and increase in differential of import duty of crude palm oil and refined oil. This step led to sudden slowdown of demand from Malaysia, which led to sharp fall in palm oil prices.

This step will increase exports from Malaysia.

Rise in exports of palm oil from Malaysia in December indicate firm demand from top importing destinations like India and China. Exports of palm oil from Malaysia rose 6-10 percent in December from Malaysia.

Demand increased from India on higher purchases on buying at lower quotes and low stocks of RBD palmolein at Indian ports and pipelines.

Malaysia has chosen this time to remove export duty as demand in January will come from China ahead of Chinese New Year in February when Chinese buyers are active in market. This step will bolster demand from Malaysia, as it was not able to sell refined oils due to Chinese demand of crude palm oil from Indonesia.

Demand of India is expected to increase in this time as stocks of refined palm oil has fallen at Indian ports.

However, appreciation of ringgit, which broke critical supports, will be bearish for palm oil. It has broken critical supports of 4.0 per USD more appreciation is due.

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

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

Soy oil has been falling for some time, has reached oversold territory, and is expected to rebound of technical support while DALIAN is also behaving the same, supporting palm oil prices.

Indonesia kept export duty unchanged at zero for January 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.

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

- According to Malaysian government, Malaysia has removed export duty on crude palm oil for three months starting January 8 to support prices. If stocks fall below 1.6 MMT before three months then export duty may be imposed earlier than three months, according to Malaysia's minister of plantation and industries. The step has been taken to reduce stocks of palm oil in the country.
- According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's December palm oil exports rose 9.8 percent to 1,439,477 tons compared to 1,311,012 tons last month. Top buyers are European Union at 340,262 tons (246,561 tons), China at 198,728 tons (236,606 tons), India at 87,260 tons (112,960 tons), United States at 97,705 tons (69,225 tons), and Pakistan at 42,000 tons (69,450 tons). Values in brackets are figures of last month.
- According to cargo surveyor Intertek Testing Services (ITS), Malaysia's December palm oil exports rose 6.7 percent to 1,422,070 tons compared to 1,332,342 tons last month. Top buyers are European Union at 437,097 tons (306,636 tons), India & subcontinent at 222,870 tons (177,510), tons and China at 190,600 tons (280,926 tons). Values in brackets are figures of 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 Indonesia trade ministry, Indonesia keeps January crude palm oil export duty to zero, unchanged from last month. This is the ninth consecutive month of zero tax. Reference prices of export tax are set at USD 750 per ton.

Previous updates

- According to China's General Administration of Customs (CNGOIC), China's November palm oil imports rose 22.57 percent to 5.47 lakh tons compared to November 2016. Year to date imports of palm oil rose 18.77 percent to 45.12 lakh tons compared to corresponding period last year. Imports from Indonesia in November rose 42.47 percent to 3.75 lakh tons compared to November 2016. Year to date imports of palm oil from Indonesia rose 31.37 percent to 28.51 lakh tons compared to corresponding period last year. Imports from Malaysia in November fell 49.59 percent to 6.13 lakh tons compared to November 2016. Year to date imports rose 2.23 percent from Malaysia to 16.60 lakh tons compared to corresponding period last year.
- 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 1-25 palm oil exports rose 1.3 percent to 1,108,189 tons compared to 1,094,318 tons in corresponding period last month. Top buyers are European Union at 284,807 tons (215,814 tons), China at 154,428 tons (182,376 tons), United States at 88,705 tons (52,250 tons), India at 87,260 tons (112,960 tons) and Pakistan at 42,000 tons (51,450 tons). Values in brackets are figures of corresponding period last month.
- According to cargo surveyor Intertek Testing Services (ITS), Malaysia's December 1-25 palm oil exports rose 1.0 percent to 1,090,622 tons compared to 1,079,427 tons in corresponding period last month. Top buyers are European Union at 302,297 tons (203,096 tons), China at 162,100 (221,696 tons) and India & subcontinent at 135,130 tons (159,510 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 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. 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 Kandra 5 percent (without GST) to stay in the range of Rs 540-590 per 10 Kg in the near term.

Rapeseed oil Fundamental Review and Analysis:-

Domestic Front

- Mustard oil prices featured mostly sideways to firm trend in primary markets on firm demand and weak demand. Arrivals of rapeseed rose last week.

- Agriwatch view: Prices of rapeseed oil expeller featured firm trend in various centers in India on firm demand.

Price of expeller mustard oil remained unchanged in Kota and Kolkata while it rose in Jaipur, Neewai, Ganganagar and New Delhi.. Prices fell in Mumbai. Prices of kacchi ghani

rapeseed oil traded higher in Kota, Jaipur, Ganganagar and Neewai while it fell in Bharatpur and Agra at the end of the week.

Canola oil CNF price closed higher during the week.

Prices rose as demand was firm on winters in North India.

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

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 20 (Rs 55) per 10 Kg, will support rapeseed oil prices in medium term.

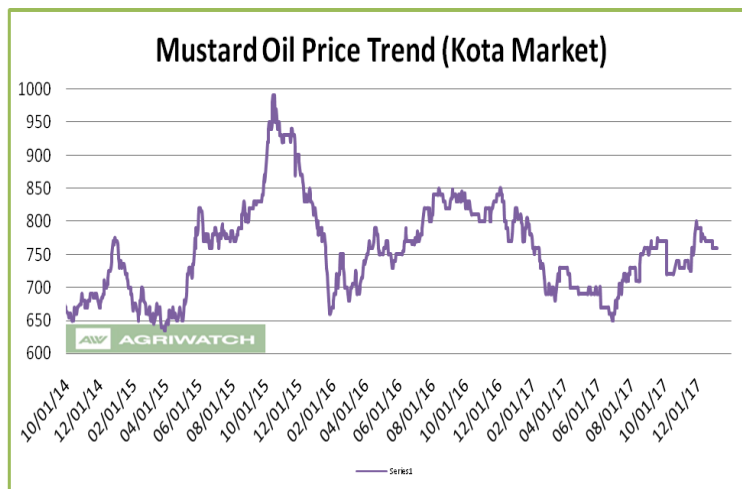
Premium of canola oil compared to CDSO has increased to USD 29 (USD 45) per ton will support imports.

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.

- All India sowing of rapeseed reached 65.25 lakh hectares as on 5 Jan 2018 compared to 69.53 lakh hectares in corresponding period last year. Rajasthan is lagging in sowing as on 5 Jan 2018 and it has reached 20.89 lakh hectares compared to 27.98 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 CDSO is USD 29 (USD 45 last week) per ton for January delivery as on Jan 5, 2018.
- Currently, RM oil at Jaipur market, (expeller) is offered at Rs 760 (Rs 760) per 10 Kg, and at Kota market, it is offered at Rs 778 (Rs 770) per 10 kg as on January 5, 2018. Values in brackets are figures of last week.
- We expect RM seed oil prices to trade sideways to firm tone in the coming days.

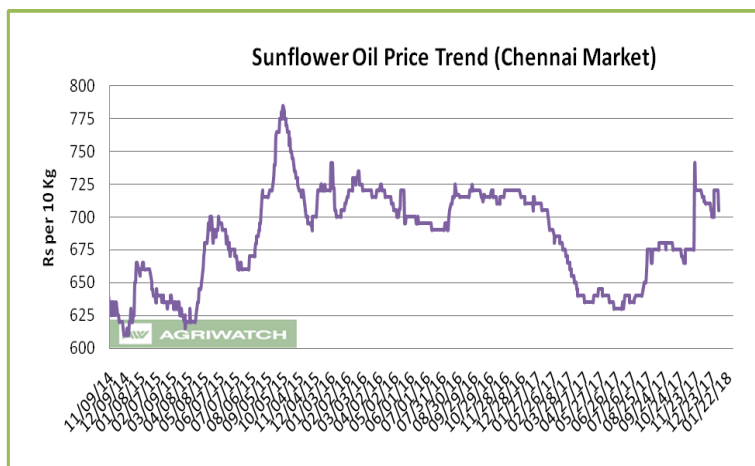


Price Outlook: Rapeseed oil (without GST) prices in Kota may stay in the range of Rs 740-820 per 10 Kg.

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 Kandla/Mudra. Prices remained unchanged in Mumbai and Latur. Sunflower expeller closed rose in Erode. Prices of expeller sunflower oil remained unchanged in Latur while it fell in Chellakere 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 in Chennai while it rose at CNF markets indicating firm supply.

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

Markets are already stocked for festival season January and demand is firm. Market will remain idle in second half of January due to low demand which will underpin prices.

CSFO CIF premium over CDSO CIF markets is at USD -22 (USD -23.5 last week) per ton for Feb delivery, indicating ample space for prices to rise in domestic markets as sunflower oil is considered superior oil.

Sunflower oil is trading at discount to 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 -35 (Rs 0 last week) per 10 kg, which indicates that markets are adequately supplied.

Sunflower oil premium over palm oil at CNF India is USD 136 (US 142.5 last week) which is low and may support imports. Sunflower oil is trading at discount to 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 discount of sunflower oil over CDSO and low premium over 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 -22 (USD 23.5 last week) per ton for Feb delivery.

Prices of sunflower oil are expected to trade sideways to weak on firm weak and weak competitive oil prices. Prices are expected to trade sideways to weak in near term.

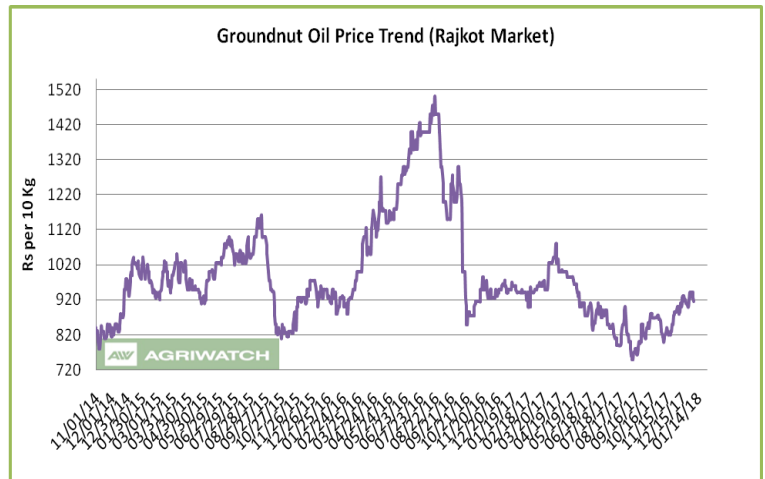
- All India sowing of sunflower reached 1.53 lakh hectares as on 5 Jan 2018 compared to 1.41 lakh hectares in corresponding period last year.
- Sunflower oil import scenario – According to SEA, India imported 1.94 lakh tonnes of crude sunflower oil during November 2017 v/s 1.58 lakh tonnes in November 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 805 (USD 797.5) per ton for Feb delivery, March delivery is quoted at USD 808 (USD 802.5) per ton and April delivery is quoted at USD 813 (USD 807.5) per ton. CIF sun oil (Ukraine origin) December monthly average was at USD 799.92 per ton compared to USD 809.97 per ton in November. 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 -22 (USD -23.5 last week) per ton for Feb delivery.
- Currently, refined sunflower oil at Chennai market is offered at Rs 705 (Rs 720) per 10 Kg, and at Kandla/Mudra market, it is offered at Rs 725 (Rs 725) per 10 kg as on Jan 5, 2018. Values in brackets are figures of last week.
- We expect sunflower oil prices to trade sideways to weak tone in the coming days.

Price Outlook: Sunflower oil (without GST) prices in Chennai may stay in the range of Rs 680-730 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 fell in Chennai and Mumbai. Prices remained unchanged in New Delhi. Prices of groundnut oil (expeller) fell 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 as competitive oils prices are low.



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.

Low demand has led weak crushing leading to weak supply of groundnut oil.

Crushers are liquidating stocks in expectation of lower prices, which underpin prices.

Groundnut oil offtake from stockists and traders has weakened, as there is expectation in market that prices will fall in coming months.

Prices fell on seasonal downtrend of prices.

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

Gujarat government has already purchased 6.6 lakh tons of groundnut and is expected to procure 12 lakh tons of groundnut by end of March.

However, due to higher crop of groundnut, groundnut oil prices will remain weak.

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

Groundnut oil prices are expected to trade sideways to weak on weak demand, low competitive oils prices and seasonal downtrend of prices.

- All India sowing of groundnut reached 4.59 lakh hectares as on 5 Jan 2018 compared to 4.28 lakh hectares in corresponding period last year.
- On the price front, currently the groundnut oil prices in Rajkot is quoted at Rs 9,150 (Rs 9,250) per quintal and it was quoted at Rs 8,400 (Rs 8,500) per quintal in Chennai market on January 5, 2018. Values in brackets are figures of last week.
- Groundnut oil prices are likely to trade sideways to weak in the coming days.

Price Outlook:

Groundnut oil (without GST) in Rajkot market is likely to trade in the price band of Rs 850-950 per 10 Kg.

Coconut Oil Fundamental Review and Analysis:- Domestic Front

- Coconut oil featured sideways trend in its benchmark market of Kangayam on stable prices of copra. Prices remained unchanged in Kochi at the end of the week.
- Agriwatch view: Coconut oil prices featured sideways trend during the week on flat prices of copra.

Copra prices remained unchanged last week leading to flat prices of coconut oil prices.

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

Flat raw material prices led to flat product prices.

Demand of coconut oil is weak which has capped upside in prices.

Prices of coconut oil have surged which has depleted demand.

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 have 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.

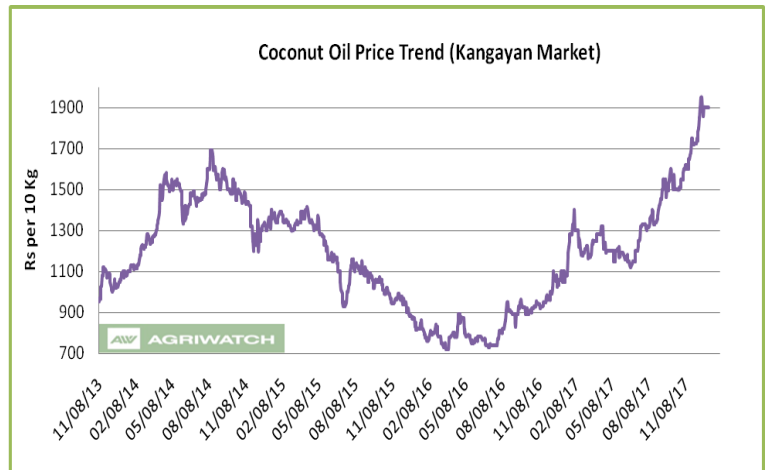
Corporate demand, which contributes about 80 percent of demand, is moderate. Consumers of coconut oil have shifted away from coconut oil due to higher prices.

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 and weak demand.

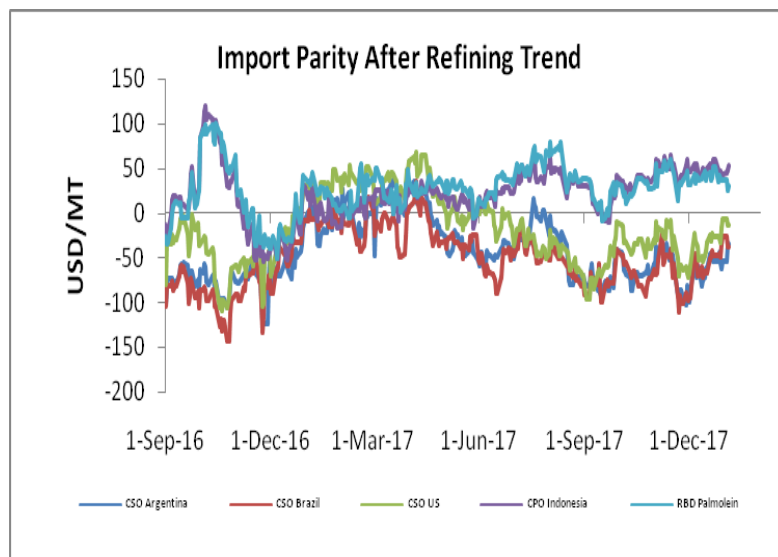
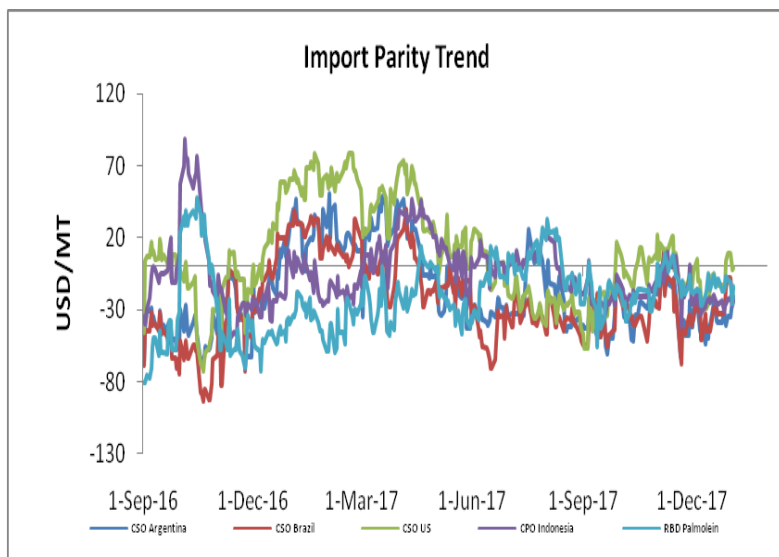
- On the price front, currently the coconut oil prices in Kochi is hovering near Rs 17,300 (17,300) per quintal, and was quoting Rs 19,000 (Rs 19,000) per quintal in Erode market on January 5, 2018.



Price Outlook: Coconut oil (without GST) prices in Erode may stay in the range of Rs 1800-2050 per 10 Kg.

Import Parity Trend

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

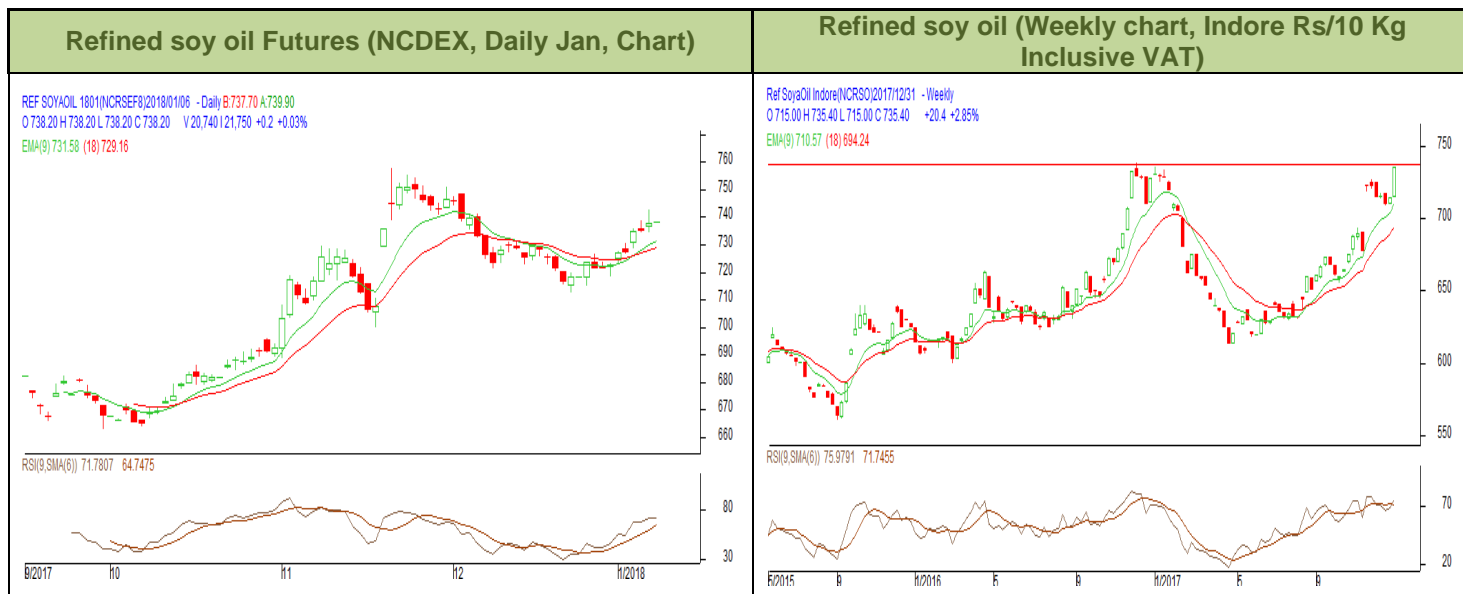


	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
Nov, 2017	-63.29	-70.36	-37.37	49.56	42.85
Dec, 2017	-61.72	-56.52	-35.04	48.83	40.37

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 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 720 in weekly might take the prices below 700 levels.
- Expected price band for next week is 700-760 level in near to medium term. RSI, stochastic and MACD is suggesting downtrend in the market.

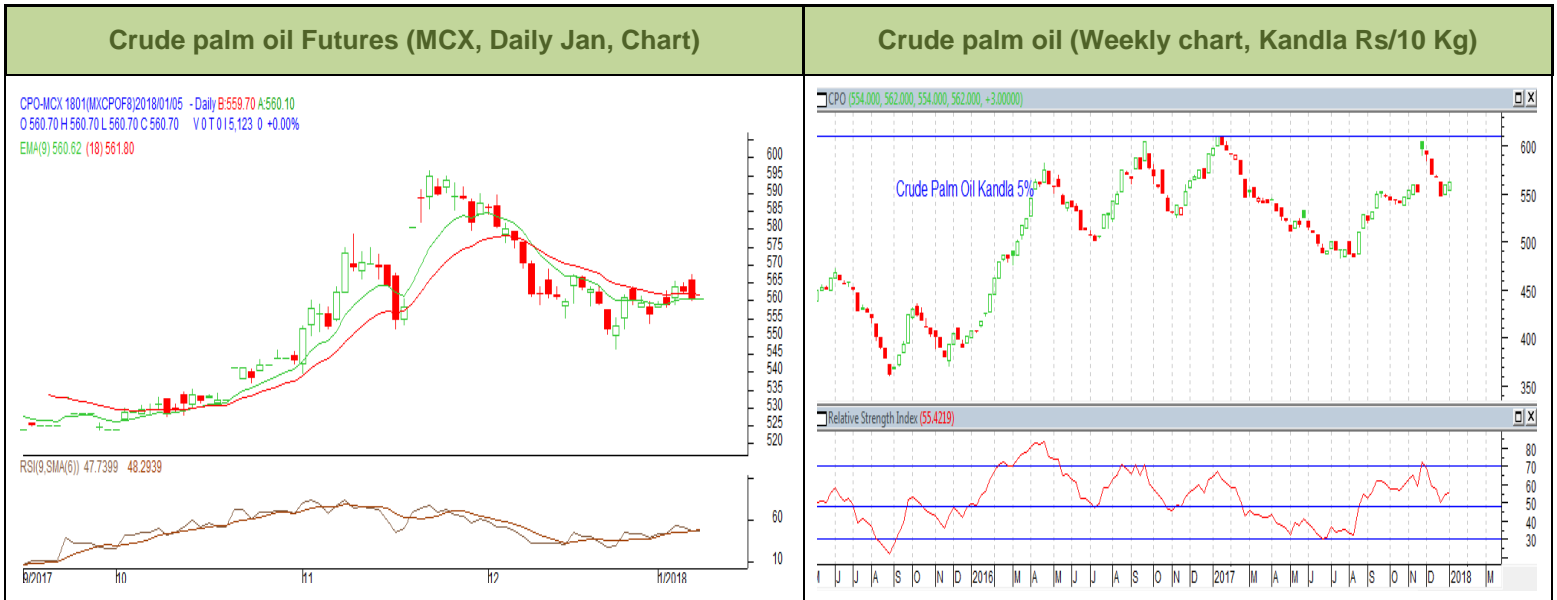
Strategy: Market participants are advised to go long above 730 levels for a target of 745 and 750 with a stop loss at 720 on closing basis.

RSO NCDEX (January)

Support and Resistance				
S2	S1	PCP	R1	R2
685.00	700.00	738.00	740.00	755.00

Spot Market outlook: Refined soy oil Indore (without GST) is likely to stay in the range of Rs 700-780 per 10 Kg.

Technical Analysis (Crude Palm oil)



Outlook - Prices show uptrend in prices during the week. We expect that CPO January 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 550 in weekly chart may bring the prices to 530 levels.
- Expected price band for next week is 540-590 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 555 for a target of 570 and 575 with a stop loss at 545 on closing basis.

CPO MCX (January)

Support and Resistance				
S2	S1	PCP	R1	R2
532.00	547.00	560.7	566.00	577.00

Spot Market outlook: Crude palm oil (without GST) is likely to stay in the range of Rs 540-590 per 10 Kg.

Veg. Oil Prices at Key Spot Markets

Commodity	Centre	Prices(Per 10 Kg)		Change
		5-Jan-18	29-Dec-17	
Refined Soybean Oil	Indore	735	715	20
	Indore (Soy Solvent Crude)	705	682	23
	Mumbai	730	715	15
	Mumbai (Soy Degum)	690	678	12
	Kandla/Mundra	730	710	20
	Kandla/Mundra (Soy Degum)	695	682	13
	Kolkata	727	715	12
	Delhi	765	760	5
	Nagpur	761	739	22
	Rajkot	720	708	12
	Kota	730	710	20
	Hyderabad	NR	NA	-
	Akola	760	736	24
	Amrawati	760	736	24
	Bundi	721	721	Unch
	Jalna	760	740	20
	Alwar	NA	NA	-
	Solapur	760	741	19
	Dhule	761	741	20
Palm Oil	Kandla (Crude Palm Oil)	590	586	4
	Kandla (RBD Palm oil)	625	614	11
	Kandla RBD Pamolein	662	651	11
	Kakinada (Crude Palm Oil)	NR	NR	-
	Kakinada RBD Pamolein	662	646	16
	Haldia Pamolein	658	646	13
	Chennai RBD Pamolein	667	651	16
	KPT (krishna patnam) Pamolein	651	641	11
	Mumbai RBD Pamolein	683	656	26
	Delhi	685	675	10
	Rajkot	656	641	16
	Hyderabad	NR	NR	-
	Mangalore RBD Pamolein	667	651	16
	PFAD (Kandla)	441	452	-11
	Refined Palm Stearin (Kandla)	483	483	Unch
	Tuticorin (RBD Palmolein)	671	653	18
	Superolien (Kandla)	683	672	11
	Superolien (Mumbai)	709	693	16

* Inclusive of GST

Refined Sunflower Oil	Chennai	705	720	-15
	Mumbai	745	745	Unch
	Mumbai(Expeller Oil)	660	655	5
	Kandla	800	795	5
	Kandla/Mundra (Crude)	NA	NA	-
	Hyderabad (Ref)	NA	NA	-
	Latur (Expeller Oil)	730	730	Unch
	Chellakere (Expeller Oil)	655	660	-5
	Erode (Expeller Oil)	735	730	5
Groundnut Oil	Rajkot	915	925	-10
	Chennai	840	850	-10
	Delhi	850	850	Unch
	Hyderabad *	870	890	-20
	Mumbai	960	970	-10
	Gondal	925	935	-10
	Jamnagar	930	940	-10
Rapeseed Oil/Mustard Oil	Jaipur (Expeller Oil)	778	770	8
	Jaipur (Kacchi Ghani Oil)	797	791	6
	Kota (Expeller Oil)	760	760	Unch
	Kota (Kacchi Ghani Oil)	795	790	5
	Neewai (Kacchi Ghani Oil)	765	754	11
	Neewai (Expeller Oil)	780	774	6
	Bharatpur (Kacchi Ghani Oil)	805	815	-10
	Alwar (Kacchi Ghani Oil)	NA	NA	-
	Alwar (Expeller Oil)	NA	NA	-
	Sri-Ganga Nagar(Exp Oil)	775	770	5
	Sri-Ganga Nagar (Kacchi Ghani Oil)	795	790	5
	Mumbai (Expeller Oil)	770	780	-10
	Kolkata(Expeller Oil)	865	865	Unch
	New Delhi (Expeller Oil)	802	800	2
	Hapur (Expeller Oil)	860	860	Unch
	Hapur (Kacchi Ghani Oil)	930	930	Unch
	Agra (Kacchi Ghani Oil)	810	820	-10
Refined Cottonseed Oil	Rajkot	680	672	8
	Hyderabad	NA	NA	-
	Mumbai	700	695	5
	New Delhi	680	665	15
Coconut Oil	Kangayan (Crude)	1900	1900	Unch
	Cochin	1730	1730	Unch
	Trissur	NA	NA	-
Sesame Oil	New Delhi	900	900	Unch
	Mumbai	NA	NA	-

Kardi	Mumbai	780	775	5
Rice Bran Oil (40%)	New Delhi	530	530	Unch
Rice Bran Oil (4%)	Punjab	585	585	Unch
Rice Bran Oil (4%)	Uttar Pradesh	NA	NA	-
Malaysia Palmolein USD/MT	FOB	660	625	35
	CNF India	680	655	25
Indonesia CPO USD/MT	FOB	650	633	17
	CNF India	680	655	25
RBD Palm oil (Malaysia Origin USD/MT)	FOB	655	620	35
RBD Palm Stearin (Malaysia Origin USD/MT)	FOB	670	628	42
RBD Palm Kernel Oil (Malaysia Origin USD/MT)	FOB	1360	1345	15
Palm Fatty Acid Distillate (Malaysia Origin USD/MT)	FOB	635	605	30
Crude palm Kernel Oil India (USD/MT)	CNF India	NA	NA	-
Ukraine Origin CSFO USD/MT Kandla	CIF	800	795	5
Rapeseed Oil Rotterdam Euro/MT	FOB	NA	NA	-
Argentina FOB (\$/MT)		4-Jan-18	28-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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