

# 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 with gains reported in Mustard and Sun oil whereas others lost value CBOT soy oil and BMD palm oil fell during the week.*

*On the currency front, Indian rupee is hovering near 67.86, gained by 15 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 depreciate and crude oil prices will rise in near-term.*

*We expect soy oil and palm oil to trade in range. Higher stocks at ports and pipeline may underpin prices in near term.*

### **Outlook:**

*Weekly Call - :*

*In NCDEX refined soy oil Market participants are advised to go short below 750 levels for a target of 740 and 735 with a stop loss at 765 on closing basis. Bulls can take buying opportunity at anything below 740.*

*In MCX CPO Market participants are advised to go short in CPO above 650 for a target of 630 with a stop loss at 650 on closing basis. Bulls can take 630 good buying levels*

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

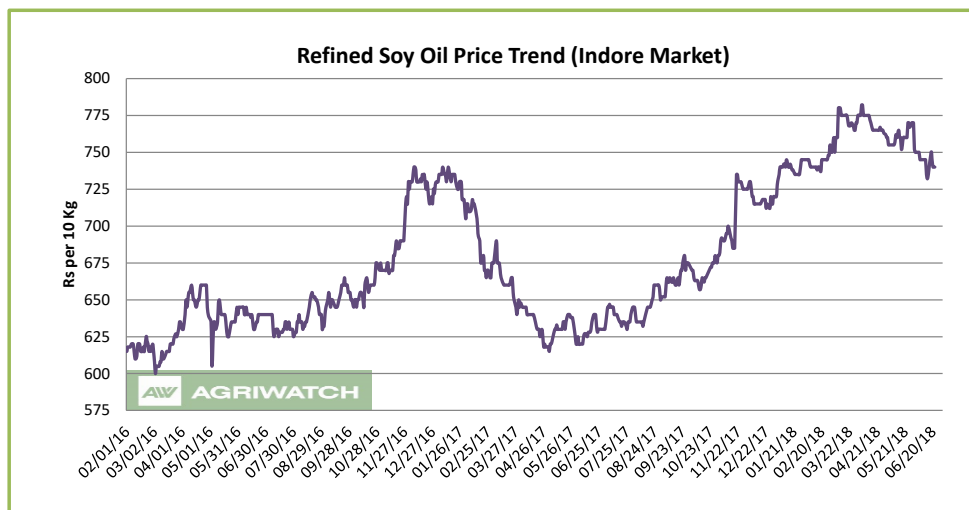
*On the international front, trade war between China and US, good soybean crop condition in US, lower soybean demand from US, depreciation of Argentina Peso, higher expected soybean crop in Brazil and Argentina in 2018/19 is expected to underpin soy oil prices in coming days.*

*Slow fall in stocks of palm oil in Malaysia, slow fall production of palm oil in Malaysia, fall in palm oil exports from Malaysia, weak demand of palm oil from India and China is expected to underpin CPO prices in near term.*

## Soy oil Fundamental Analysis and Outlook:-

### Domestic Front

- Soy oil featured weak trend in domestic markets in the week under consideration after rising for a brief period over duty hike in the soft oil basket.
- Agriwatch View- The duty hike has resulted in increasing the threshold price to rise by 15 rupees per 10 kg thus soy oil price is expected to remain above 735 to 740.



- There has been rise in duty by 11% from the previous duty structure including 10% surcharge which results in net rise of 20 rupees per 10 kg from previous duty to new duty. Interestingly most of this duty was absorbed and soy oil only witnessed rise of 10 to 15 per 10 kg. This was due to landed cost of Argentinean soy coming out to be 700 per 10 kg which is equivalent to 715 of refined oil and that time the NCDEX was trading at 730 which was still high by 15 rupees per 10 kg.
- At domestic front soy oil bearishness has been partially eaten by the recent rise in import duty and thus making the refined soy oil prices to trade above 730-740. Any further weakness in CBOT soy oil will be the key determinant in coming days.
- Further the soy oil premium over RBD Palmolein has been just INR 30 per 10 kg due to heavy duty on RBD palmolein which is going to help soy to eat away more of the palm oil share in India keeping the core demand of palm oil intact and constraint of soy oil availability in international market.
- The advantage of sun over soya has vanished in terms of duty which was having a discount of 5% over soya. Thus in coming months the lagging soy oil imports is expected to improve over 1. Fall in soy oil prices at origin, 2. US soy oil to be much cheaper than sun oil Ukraine. 3. Limited imports in the first half of 2017-18 oil year and soy oil seek improved imports to meet its core demand 4. Seasonal rise in supplies at origins on higher crush for the season.
- Looking at spreads (Sun and Soya) , as on 21<sup>st</sup> May, 1 M FOB basis the Sun was having a premium of \$41 per ton whereas on CNF basis the premium was \$41 per ton over crude degummed soybean oil. At kandla refined sunflower oil was having a premium of INR 35 per 10 kg over refined soybean oil. Refined soy oil premium over RBD palmolein at kandla increased to Rs (Rs 40 last week) per 10 Kg, which is low and may support soy oil prices in domestic markets. In USD terms, premium of CDSO CNF over CPO CNF was quoted at USD 102 (USD 90 last week) per ton for July delivery, which is low and increase 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 weak in near term.

- Government of India (GOI) hiked import duty on imports of soy oil and sunflower oil. Import duty on crude soy oil was hiked from 30% to 35% while on refined soy oil it was hiked to 45% from 35%. Import duty on crude sunflower oil was hiked to 35% from 25% and on refined sunflower oil was hiked to 45% from 35%. Import duty on crude rapeseed oil was hiked to 35% from 25% and on refined rapeseed oil was hiked to 45% from 35%.
- According to Solvent Extractors Association (SEA), India's May edible oil imports fell 5.89 percent y-o-y to 12.46 lakh tons from 13.24 lakh tons in May 2017. Palm oil imports in May fell 37.7 percent y-o-y to 4.97 lakh tons from 7.98 lakh tons in May 2017. CPO Imports fell 32.5 percent y-o-y to 3.32 lakh tons from 4.92 lakh tons in May 2017. RBD palmolein imports fell 46.26 percent y-o-y to 1.58 lakh tons from 2.94 lakh tons in May 2017. Soy oil imports rose 16.76 percent in May y-o-y to 3.97 lakh tons from 3.40 lakh tons in May 2017. Sunflower oil imports rose 113.5 percent y-o-y in May to 3.31 lakh tons from 1.55 lakh tons in May 2017. Rapeseed (canola) oil import fell to 24.14 percent 0.22 lakh tons compared 0.29 imports in May 2017.
- According to Solvent Extractors Association (SEA), India's May edible oil stocks at ports and pipelines rose 13.86 percent m-o-m to 26.62 lakh tons from 23.38 lakh tons in April 2018. Stocks of edible oil at ports rose to 1,002,000 tons (CPO 320,000 tons, RBD Palmolein 170,000 tons, Degummed Soybean Oil 230,000 tons, Crude Sunflower Oil 270,000 tons and 12,000 tons of Rapeseed (Canola) Oil) and about 1,660,000 tons in pipelines. (Stocks at ports were 1,068,000 tons in April 2018). India is presently holding 42 days of edible oil requirement on 1st June, 2018 at 26.62 lakh tons compared to 37 days of requirements last month at 23.38 lakh tons. India's monthly edible oil requirement is 19.0 lakh tons.
- Imported crude soy oil CNF at West coast port is offered is offered at USD 728 (USD 720) per ton for June delivery and July delivery is quoted at USD 728 (USD 723) per ton, Aug delivery is quoted at USD 739 (USD 737) per ton and Sep delivery is quoted at USD 742 (USD 739) per ton. Values in brackets are figures of last week. Last month, CNF CDSO May average price was USD 768.18 (USD 806.68 per ton in April 2018) per ton.
- On the parity front, margins have returned to parity during the week on low prices of soy oil in domestic markets, and we expect margins to remain in parity in coming days. Currently refiners gain USD 20-25/ton v/s loss of USD 0-5/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- Soy oil prices are expected to be underpinned by better than expected soybean crop condition in US, trade dispute between US, China and EU, lower purchase of soybean by China from US, depreciation of Argentina Peso, higher soybean crop expected in Brazil and Argentina in 2018/19 and fall in competitive oils.

- Y-o-y higher soy oil stocks in US over robust crush of bean on higher demand of meal has been bearish to the CBOT soy oil prices. Further the trade spat between US and China has brought the entire soy complex under the influence of bears in the market. The near futures bean has helped its self to weaken towards \$ 8.5 per bushel whereas the CBOT soy oil too weaken below 29 cents before recovering.
- The Soy oil basis remained tight for the season and buyer's is at 150 points. Soy oil 1 M FOB crashed to \$666 per ton was on account of aggressive fall in CBOT prices. However, post that Argentine soy oil recovered to 688. July Soy oil is offered at \$688 per ton, Aug/Sep at 687 and OND at 694.

- India is expected to book heavily at these prices to meet its soft oil demand to be delivered in another two months before beginning of festivals. We can expect monthly imports in July to August in between 3.5 to 4 lakh tons or even more.
  - At soybean front, rains across the Midwest key soybean growing region is going to further help the standing soybean crop. Crucial is how the US soybean end stocks will look like at the end of 2017-18. Higher soy oil stocks and fear of dampening US bean exports has resulted in soy oil price at CBOT to trade under 29 cents per pound.
  - Soybean crop planting in US is progressing at good pace, above corresponding period last year and above 5-year average. Crop health is better than corresponding period last year and 5-year average. Good rains in US Midwest will support planting of soybean and will improve yields.
  - In the weekly USDA crop progress report released on 18 June; Soybeans planting are reported at 97% which is up from 95% from the corresponding period last year and higher compared to the 5 year average of 91%. About 90% of the crop has emerged which is higher than 87% during the corresponding period last year and also up from the 5 year average of 81%. About 73% of the soybean planted crop is under good to excellent condition which is up from 67% during the corresponding period last year.
  - According to Informa, U.S. soybean acreage has been increased to 89.902 million acres in 2018 compared to previous estimates of 89.40 million acres. The government is scheduled to release updated figures on June 29, 2018. In March 2018, USDA had forecast soybean acreage at 88.982 million acres.
  - According to latest estimates by Conab, Brazil's soybean production is estimated at 118.05 MMT in 2017 -18 compared to previous estimates of 117 MMT
- Prices are in a range.

### Previous updates

- According to National Oilseed Processors Association (NOPA), U.S. May soybean crush rose 1.53 percent to 163.572 million bushels from 161.106 million bushels in April 2018. Crush of soybean in May 2017 was 149.246 million bushels. Soy oil stocks in U.S. at the end of May fell 11.28 percent m-o-m to 1.856 billion lbs compared to 2.092 billion lbs in end April 2018. Stocks of soy oil in end May 2018 was higher by 6.12 percent compared to end May 2017, which was reported at 1.749 million lbs.
- According to China's General Administration of Customs, soybean imports in May 2018 increased by 40 per cent to 9.69 MMT compared to previous month. It increased by 1 per cent compared to 9.59 MMT in May 2017. During the period January –May 2018, China imported 36.17 MMT soybeans, lower by 2.6 per cent compared to previous year.
- According to the latest estimates by the Rosario Grains Exchange, Argentina's soybean output in 2017 -18 is estimated at 35 MMT compared to previous month's forecast of 37 MMT. Drought during the initial growing stage and recent excessive rains have affected the crop output.
- According to United States Department of Agriculture (USDA) June estimate, U.S 2018/19 end stock estimate of soy oil is decreased to 2,176 million lbs compared to 1,836 million lbs in its earlier estimate. Opening stocks in 2018/19 is increased to 2,176 million lbs compared to 1,896 million lbs in its earlier estimate. Production of soy oil in 2018/19 is increased to 23,100 million lbs from 23,040 million lbs in its earlier estimate. Imports in

2018/19 were unchanged at 300 million. Biodiesel use estimate in 2018/19 is kept unchanged at 7,300 million lbs. Food, feed and other industrial use in 2018/19 is kept unchanged at 14,000 million lbs. Exports in 2018/19 estimate are unchanged at 2,100 million lbs. Average price range in 2018/19 is kept unchanged at 29.5-33.5 cents/lbs.

- The U.S. Department of Agriculture's monthly supply and demand report for the month of June forecasts U.S. 2018/19 soybean stocks at 385 million bushels, from 505 million bushels in its earlier estimate. Opening stocks in 2018/19 is estimated at 505 million bushels compared to 530 million bushels in its earlier estimate. Soybean production is estimated in 2018/19 is at 4,280 million bushels compared to 4,392 million bushels in 2017/18. U.S. soybean exports in 2018/19 estimate is kept unchanged at 2,290 million bushels. Imports in 2018/19 are estimated at 25 million bushels from its earlier estimate. Crush in 2018/19 is estimated at 2,000 million bushels compared to 1,995 million lbs in its earlier estimate. Seed use in 2018/19 is kept unchanged at 103 million bushels from its earlier estimate. Residual use is kept unchanged at 32 million lbs. Average price range in 2018/19 is kept unchanged at 8.75-11.25 cents/lbs.
- According to data released by the Trade Ministry, Brazil's exports of soybean increased to 12.35 MMT in May 2018 compared to 10.26 MMT in April 2018 and 10.96 MMT during the same period previous year. Exports of soy meal increased to 1.65 MMT in May 2018 compared to 1.55 MMT in April 2018 and 1.63 MMT during the same period previous year.
- USDA increased 2018/19 soybean crop of Brazil to 118 MMT in its June estimate from earlier estimate to 117 MMT. USDA increased 2018/19 soybean crop of Argentina to 56 MMT from 37 MMT.
- According to the latest estimates by the Buenos Aires Exchange, Argentina's soybean output has been reduced to 36 MMT compared to previous estimates of 38 MMT. Drought during the growth period and recent heavy rains during harvesting has affected output.
- According to China's Agriculture ministry, soybean imports in 2018-19 are expected to decline by 0.3 per cent to 95.65 MMT compared to previous year. Imports are expected to decline for the first time in the last 15 years following trade rift between U.S. and China. Soybean output is expected to increase by 4.9 per cent to 15.27 MMT in 2018 -19 compared to previous year.
- According to the latest report released by the Agriculture Ministry of Argentina, soybean output is estimated at 37.6 MMT in 2017 -18 compared to 55 MMT during previous year. Prolonged drought condition has affected current year's production.
- According to the latest report released by the Rosario Exchange, Argentina's soybean output in 2017 -18 is estimated at 37 MMT compared to previous estimates of 40 MMT. Prolonged drought in the soybean growing regions has affected yields.
- Brazil's soybean exports have surpassed 10 MMT in April 2018 and is recorded at 10.26 MMT compared to 8.81 MMT in March 2018. It exported 10.43 MMT in April 2017. Exports have increased following ongoing trade rift between U.S. and China, with Chinese buyers purchasing their requirement from Brazil currently.
- According to the latest report by consultancy AgRural, Brazil's soybean output in 2017/18 has been estimated at 119 MMT compared to previous month's estimate of 117.9 MMT. According to AgRural excellent yield in the agricultural frontier Matopiba is boosting output.

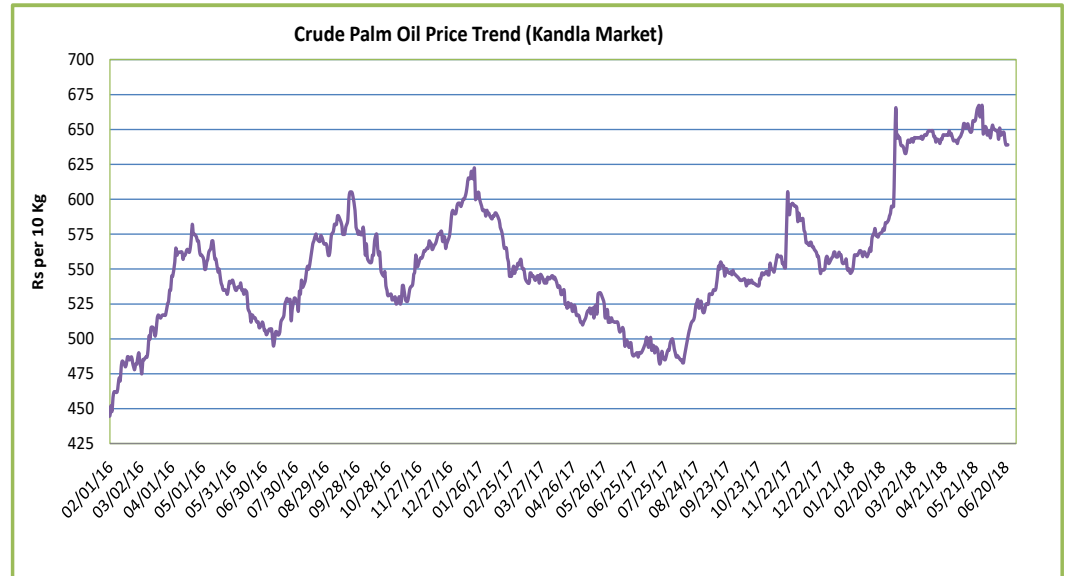
**Price Outlook:** We expect refined soy oil (without GST) at Indore to stay in the range of Rs 720-780 per 10 Kg in the near term.

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

#### **Domestic Front**

- Crude palm oil continue to inch lower over swelling stock at ports amidst poor demand from refiners. CNF prices also crashed by \$17 in the week on poor queries.  
RBD palmolein also edged low taking cues from CPO across physical market amidst poor seasonal demand.

- Agriwatch View – Price of CPO and palmolein is expected to further weaken in coming week in order to find some demand at lower prices. With the duty hike in the soft oils the spreads between the palm oil and soft oil has widened



further and thus giving even brighter prospects for the incremental palm oil imports. The total palm oil import for the 2018-19 oil year can exceed 98 lakh tons moving forward.

CDSO CNF premium over CPO CNF is at USD 103 (USD 90 last week) per 10 kg which is low and will decrease imports. Low premium of CDSO soy oil high seas over CPO high seas is at Rs 59 (Rs 49 last week) per 10 Kg, will decrease CPO demand at high seas. Premium of refined soy oil over RBD palmolein at Rs 40 (Rs 35 last week) per 10 kg is low and will decrease RBD palmolein demand. Increasing premium of refined sunflower oil over RBD palmolein due to hike in import duty on sun oil at Rs 65 (Rs 26) per 10 kg, will increase imports and decrease RBD palmolein prices. Values in brackets are figures of last week.

- Palm oil import scenario – According to Solvent Extractors Association (SEA), palm oil imports in June fell 37.7 percent y-o-y to 4.97 lakh tons from 7.98 lakh tons in May 2017. Imports in the period (November 2017-May 2018) are reported lower marginally y-o-y at 50.7 lakh tons compared to 51.05 in the corresponding period last oil year.

Crude Palm oil import scenario- According to Solvent Extractors Association (SEA), CPO Imports fell 32.5 percent y-o-y in may to 3.32 lakh tons from 4.92 lakh tons in May 2017. Imports in the period (November 2017-May 2018) are reported higher by 13.77 percent y-o-y at 38.67 lakh tons compared to 33.99 lakh tons in the corresponding period last oil year.

RBD palmolein import scenario- RBD palmolein imports fell y-o-y in May by 46.26 percent to 1.58 lakh tons from 2.94 lakh tons in May 2017. Imports in the period (November 2017-May 2018) are reported lower by 31.5 percent y-o-y at 11.38 lakh tons compared to 16.62 lakh tons in the corresponding period last oil year.



- On the trade front, CNF CPO (Indonesian origin) at Indian port quoted at is quoted at USD 625 (USD 630) per ton for July delivery and JAS delivery is quoted at USD 625 per ton. Last month, CIF CPO May average price was at USD 652.29 per ton (USD 656.16 per ton in April 2018). Values in brackets are figures of last week. Moreover, RBD palmolein (Malaysian origin) CNF at Indian port, offered at USD 632.5 (USD 650) per ton for July delivery and July delivery is quoted at USD 632.5 per ton. Last month, CIF RBD palmolein May average price was USD 661.66 (USD 673.04 in April 2018) per ton. Values in bracket depict last week quotes. Ready lift CPO duty paid prices quoted at Rs 646 (Rs 651) per 10 Kg and June delivery duty paid is offered at Rs 646 (Rs 651) per 10 kg. Ready lift RBD palmolein is quoted at Rs 710 (Rs 710) per 10 kg as on June 15, 2018. Values in brackets are figures of last week.
- On the parity front, margins increased during this week due to fall in prices of palm products in international markets. Currently refiners fetch USD 75-80/ton v/s gain of USD 55-60/ton (last month) margin in processing the imported CPO and imports of ready to use palmolein fetch USD 50-55/ton v/s gain of USD 30-35/ton (last month) parity.
- We expect palm oil to trade sideways to weak in the days ahead.

### International Front

Agriwatch View –

Palm oil prices are expected to fall on slow fall in end stocks of palm oil in Malaysia, better than expected palm oil production of palm oil in Malaysia, fall in exports of palm oil from Malaysia in June, weak competitive oils in second quarter of 2018 and slow fall in exports of palm oil from Malaysia.

Post Eid festival FFBs harvesting operation is expected to accelerate and awaiting harvest is expected to result in spurt in production. It will be crucial to see MPOA production pace for 1-20th Jun'18 which would decide overall production number for Jun'18. Malaysia palm oil production for Jun'18 can be 1.62 MMT against 1.52 MMT in previous month.

With reported poor exports demand the Malaysian palm oil stocks should range between 2.25 to 2.3 million tons by end of June.

US FED had raised the interest rates by 25bp, as widely expected, bringing the fed funds target range to 1.75 to 2%. Further, FED had also indicated that two more increases are likely this year. Such move has resulted in weakening Malaysian ringgit, which might lend some support palm oil prices. Fed interest rate hike has continued to result in weakening Malaysian ringgit, which will limit any aggressive falls on any rise in stocks or aggressive fall in crude oil prices.

The SPPOMA - 1-20th June FFB production has been down by -23.28% and oil production is down by -21.75% on m-o-m basis mainly due to prolonged holidays over Eid. OER has been positive and is high by +0.29%.

Weak exports demand of palm olein has resulted in the strong weakness in palmolein at origins. The palm olein forward prices for the OND delivery have gone below \$600 per ton.

Indian buyers will keep on bargain hunting and the CPO auction prices in Indonesia is expected to remain under severe pressure as India will go for aggressive booking filling their pipelines for the key festival season.

Chinese edible oil stock is 20% high y-o-y, which is expected to keep prospects of any revival in Chinese demand dampened.



As per market anticipation, the major oil producers are set to pump about 1m more barrels a day to help cool crude prices as part of an OPEC deal, according to Saudi Arabia's energy minister in OPEC meeting held in Vienna. An agreement was reached to release the equivalent of about 1m barrels to the market; which will be distributed pro rata for which deal has yet to be signed.

EU 2017/18 palm oil imports stood at 5.93 million tonnes, almost unchanged from 5.95 million tonnes a year earlier.

The use of palm oil as fuel should disappear in Europe by 2030 under a reform of the bloc's renewable energy laws agreed this morning after all-night negotiations in the EU senate. Under the new regime, which will begin in 2020, EU member states will no longer have to meet a certain percentage of their renewable energy obligations through the use of food-based biofuel. The agreement sets a target of 14% renewables in transport by 2030 – part of an overall renewable energy target of 32% . Member states may continue using food-based biofuels to meet their renewable transport targets but their contribution will be limited to no more than the amount of biofuels they were using in 2020 – with a maximum of 7%. The rest will need to be met with electricity or advanced biofuels which are not made from food crops.

Additional restrictions will be put on palm and soybean oil biofuels, which can still be used but cannot be at a level above each country's 2019 consumption levels. This should cause the use of palm oil to gradually decline from 2023 onwards, until it reaches 0% in 2030..

Prices are in range with the market awaiting for 1-25<sup>th</sup> exports data and production data, which will give anticipations for the stocks at Malaysia. With OPEC and FED decisions out in market and also trade spat between US and China factoring out the market will lack fundamental factors in coming week resulting in sideways movement in prices at origin in physical as well as futures market. However price risk remains over any decisions over US soy biodiesel and Trump taking any turnaround over its decision of imposing duties on Chinese goods.

### Previous updates

- According to Malaysia Palm Oil Board (MPOB), Malaysia's May palm oil stocks fell 0.51 percent to 21.70 lakh tons compared to 21.81 lakh tons in April. Production of palm oil in May fell 2.11 percent to 15.25 lakh tons compared to 15.58 lakh tons in April. Exports of palm oil in May fell 15.65 percent to 12.91 lakh tons compared to 15.30 lakh tons in April. Imports of palm oil in May fell 9.44 percent to 0.32 lakh tons compared to 0.36 lakh tons in April. Fall in end stocks of palm is lower than trade estimates.
- According to Indonesia Palm Oil Association (GAPKI), Indonesia's April palm and palm kernel oil exports fell 13.6 percent m-o-m to 2.22 MMT compared to 2.57 MMT in April 2017. On m-o-m basis exports fell 7.4 percent. Exports were 2.40 MMT in March 2018. End stocks of palm oil in Indonesia rose to 3.97 MMT in April from 3.65 MMT in March, higher by 8.77 percent m-o-m.
- According to China's General Administration of Customs (CNGOIC), China's March palm oil imports rose 27.13 percent to 4.80 lakh tons compared to March 2017. Year to date imports of palm oil rose 5.53 percent to 13.21 lakh tons. Imports from Indonesia in March rose 35.29 percent to 3.47 lakh tons compared to March 2017. Year to date imports of palm oil from Indonesia rose 9.84 percent to 9.25 lakh tons. Imports from Malaysia in March rose 9.7 percent to 1.32 lakh tons compared to March 2017. Year to date imports of palm oil from Malaysia fell 3.39 percent to 3.95 lakh tons.

- Policy update- According to Malaysia Palm Oil Board (MPOB), Malaysia kept crude palm oil export duty unchanged at 5 percent for July. Export duty of palm oil is calculated at reference price of 2,407.20 ringgit (\$611.41) 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 kept palm oil export duty for June unchanged at zero, below threshold prices of USD 750 per ton. This is 14th straight month of zero export duty, as palm oil is expected to miss certain thresholds.

**Price Outlook:** We expect CPO Kandla 5 percent (without GST) to stay in the range of Rs 620-680 per 10 Kg in the near term.

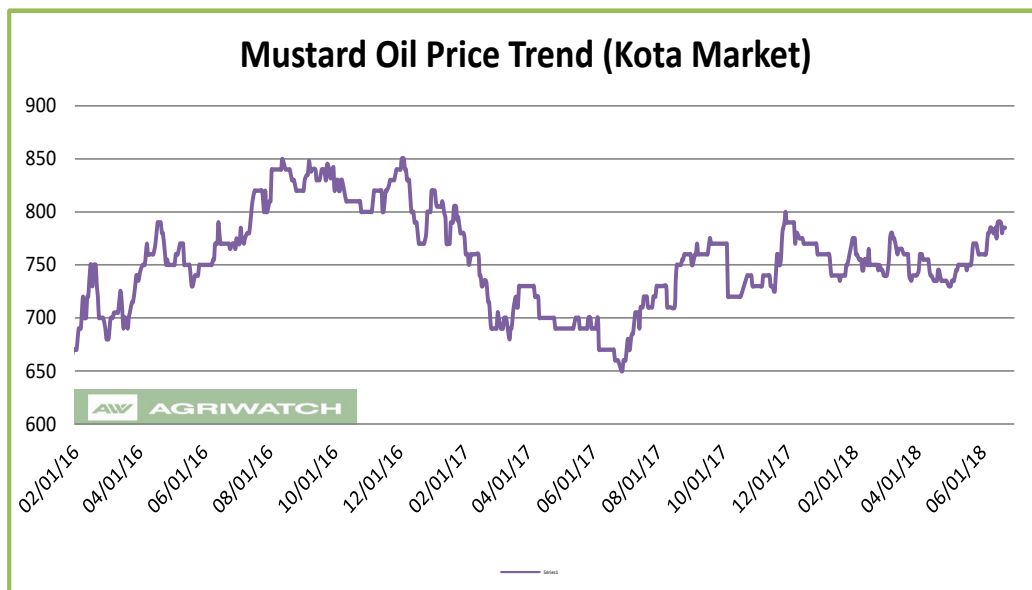
### **Rapeseed oil Fundamental Review and Analysis:-**

#### **Domestic Front**

- Mustard oil prices featured firm to flat trend in the week under consideration over limited cues from mustard seed and competitive veg oil after correcting its difference with major commodity soft oils..
- Agriwatch view: Prices of rapeseed oil is expected to consolidate in the range of 790-820 per 10 kg for kachhi ghani as well as expeller in coming two three week. Post that we can expect prices inching towards 850 per 10 kg or towards 900 per 10 kg which has been a seasonal pattern of price action with very little deviations across years.

Continued

opportunity seeker for buying the mustard oil from stockiest in the east has led to prices spiraling up and remained decoupled with commodity oils. As the sun and soy are being traded in the range of 740 to 760 the chances for



mustard oil kachi ghani as well as the expeller coming down 790-800 remains very feeble unless GOI bring down the import duty. We can expect prices to continue to trade above this level till new crop sowing intentions starts coming into picture.

Further mustard prices which is currently underpinned by unseasonal bearishness in soybean on the international cues from US – China trade spat has the potential to restrict gains further till the indian soybean get decoupled with international soy complex.

The crush margin for kachi ghani is favorable at current price of mustard, kachhi ghani and mustard cake prices. Thus the crushing is going to remain robust giving decent supplies of mustard oil which is supplementing the robust offtake.

Premium of canola oil compared to CDSO has increased to USD 49 (USD 62) per ton on CNF basis at Indian ports. This has the potential to bring renewed interest in canola oil bookings. However, with supplies of domestic rapeseed oil remaining decent, disposing of canola oil will be difficult even in the blend space as RB palmolein is much cheaper than canola oil. Due to low prices of rapeseed oil, imports of canola oil are expected to be weak in coming months. Stocks of canola oil at ports have decreased due to firm demand.

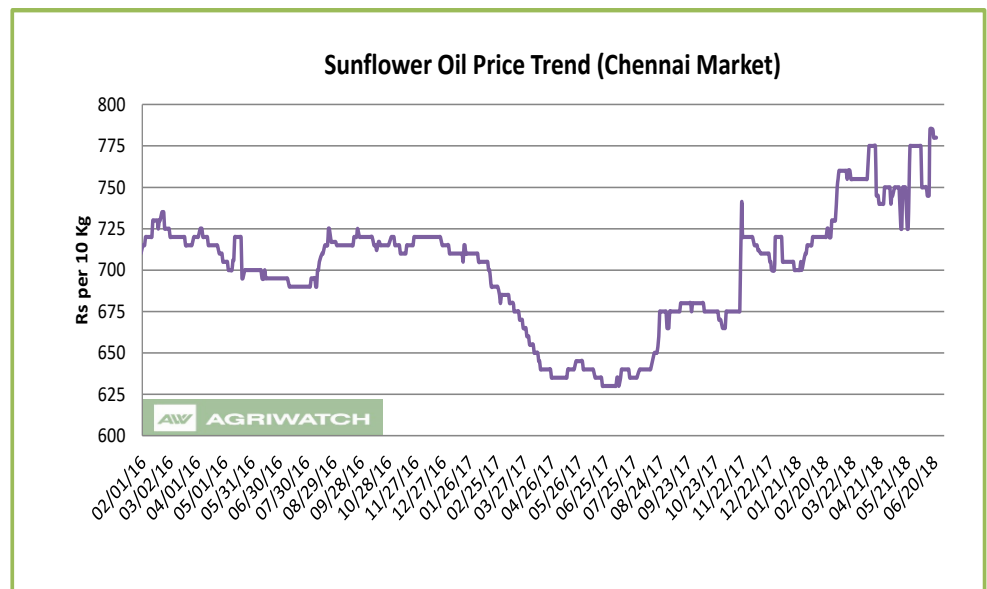
- Rapeseed oil import scenario- India imported 0.22 lakh tons of rapeseed (Canola) oil in May 2018 v/s 0.29 lakh tons in May 2017. In the period (Nov 2017-May 2018) imports were 1.81 lakh tons compared to 1.81 lakh tons in the corresponding period last oil year, up marginally y-o-y.

**Price Outlook:** Rapeseed oil (without GST) prices in Kota may stay in the range of Rs 790-830 per 10 Kg.

### **Sunflower oil Fundamental Review and Analysis:-**

#### **Domestic Front**

- Sunflower oil price declined after gaining post duty hike in soft oils. Heavy pressure is in sun oil duty all time monthly high imports in May and huge stocks at ports.
- Prices fell in most of the consumption market as well as ports. Whereas in production market prices remained flat.
- Agriwatch view: Prices are expected to trade in a weak note as the sellers try to sell their sun stocks which have built up over the ports and pipeline.



Further cargoes which have been booked from Ukrainian origin at bargain prices of USD 725 per ton are going to be delivered in July-August month, keeping the supplies intact in coming months. As monsoon has arrived, deliveries at port will also be difficult due to port congestions.

- Aggressive forward booking in the Jan-Feb months on advantages over soy over lower duty has created imports in May month at unprecedented level.
- In May India imported 3.31 lakh tons against 1.55 lakh tons last year in the same time frame. In April'18 India imported 2.94 lakh tons. Stocks at ports as on 1<sup>st</sup> June are at 2.7 lakh tons, which is also an all-time high.
- With the duties even for the sun and soya duty advantage of sun has vanished, and which is going to bring pressure on Sun FOB and CNF prices down the line to maintain its dominance over soya. Near-month forward delivery on CIF basis at Indian ports weekend by \$11 post duty hike on 21<sup>st</sup> June.

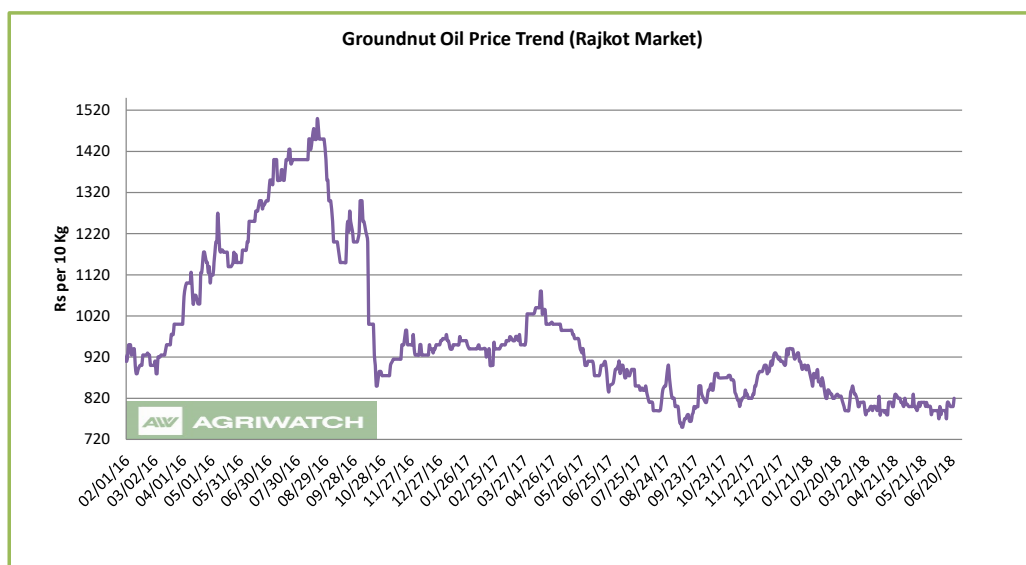
- Sun has lost its shine as the soy oil prices has been spiralled down due to trade spat between US and China and higher monthly crush resulting y-o-y higher soy oil stocks in US.  
CSFO CNF premium over CDSO CNF markets is at USD 55 (USD 77 last week) per ton for July delivery, indicating space for prices to rise in domestic markets has narrowed. Sun was at premium of \$43 per ton on 21<sup>st</sup> June on CNF basis giving more scope for soya to find space in Indian edible oil basket. However palm will remain leader this oil year.
- Sunflower oil imports scenario- According to Solvent Extractors Association (SEA), Sunflower oil imports rose 113.5 percent y-o-y in May to 3.31 lakh tons from 1.55 lakh tons in May 2017. Imports in the period (November 2017-May 2018) are reported higher by 23.13 percent y-o-y at 16.50 lakh tons compared to 13.40 lakh tons in the corresponding period last oil year.
- On the trade front, CIF sunflower oil prices (Ukraine origin) at West coast of India quoted at USD 775 (USD 784) per ton for July delivery, Aug/Sep delivery is quoted at USD 780 (USD 787) per ton and Oct delivery is quoted at USD 775 per ton. CNF sun oil (Ukraine origin) May monthly average was at USD 823.72 per ton compared to USD 806.59 per ton in March. Values in brackets are figures of last week.
- Prices are likely to find weakness with aggressive falls being restricted to seasonal tapering of sun oil at origins thus sun premium over soy is likely to maintain. We expect the sun premium to remain the range of 25-40 per 10 kg. Presently the premium at Kandla delivery is at 29 rupees per 10 kg.
- We expect sunflower oil prices to trade sideways in the coming days.

**Price Outlook:** Sunflower oil (without GST) prices in Chennai may stay in the range of Rs 750-780 per 10 Kg.

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

- Groundnut oil prices inched high in key physical markets taking support from soft oils. Duty hike has irked improved stockiest activity anticipating limited fall in coming week.

- Agriwatch view: Prices of groundnut oil featured positive to sideways trade in coming week as the firmness in soft oil and limited scope of sudden rise in groundnut crush from the stocks of Nafed is going to keep its inherent fundamentals

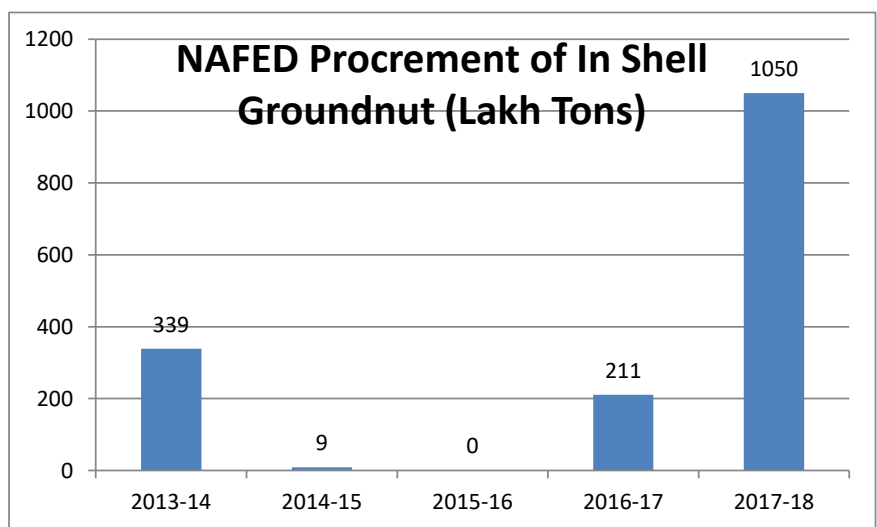


positive. Further action will depend on development in soft oil dynamics and any signs of NAFED stock crushing.

- Groundnut prices rose during the week. Bearishness in the soft oils post duty hike has let the groundnut oil to fell towards 770 per 10 kg at Rajkot maintaining a spread of INR 40-50 per 10 kg. Post duty rose in the soft oil basket has resulted in groundnut oil coming back to INR 800 per ton giving indication of strong underlying weakness in groundnut oil. Further prices are expected to remain consolidative till any strong fundamentals evolve in soft oil complex.
- The centre is considering increasing the MSP of groundnut by another 400 quintal for 2018-19 kharif season as country moves into an election year. Thus the groundnut MSP will become 4850 per quintal against 4450 per quintal in 2017-18 on unshelled basis.
- Gujarat government is against to adopt "Bhavantar yojana" in line with MP state government as it doesn't consider quality of the product which is discouraging to the farmers who are producing quality groundnuts.
- NAFED is in the process of issuing tender to offload 1 lakh tons of groundnut in the first round. Nafed is currently holding stock of 8.3 lakh tons in Gujarat warehouse. However with the fall in consumption of groundnut oils the demand of the groundnut is expected to remain very low and hence the response to the tender is expected to be very dull.
- Saurashtra Oil Mills Association thus is asking the center to set peanut oil promotion council to encourage groundnut oil consumption and also urged the govt to take groundnut oil in the mid-day meal scheme as well as distribution through PDS.
- Thus any sudden rise in crush in coming months looks improbable unless there is any support mechanism is announced by govt. Further at the tenders are quoted at 3400 to 3550 per quintal and with prevailing prices of the groundnut cake and groundnut oil finding profitable margins is difficult. Nafed is also waiting for the centre to decide the price of groundnut oil and groundnut cake before the auction. Thus in coming months groundnut oil is expected to continue to trade at range bound manner.
- SOMA is also demanding different auction to the different warehouses as the qualities are different in warehouses.
- Groundnut oil prices has been helped by the successive rise in soft oil import duties or otherwise situation for groundnut oil might would have been even worse and could have fell to 750-740 per 10 kg easily or even low. With the rise in MSP of groundnut and floating prices of groundnut oil and groundnut cake finding profitable crush margin will be even more difficult and thus crushers will try to crush on off days when the availability of other oilseeds decline.
- With new crop to arrive in another 3-4 months new season procurement will be even more difficult as Nafed is struggling to dispose its 8 lakh tons of stocks, indicating no sign of bullishness even in the coming season.
- Multiple fires in at the Nafed warehouse has resulted in the probe in the alleged malpractices in during procurement process of groundnut post kharif season. There has been reports of bags filled with rubbish and soil in the warehouses which was a result of hasty procurement by procurement agencies which swayed with standard procurement practices.
- Earlier, Nafed had appointed four State-level procurement agencies, namely, Gujarat Cooperative Oilseeds Growers' Federation Ltd (Grofed), Gujarat State Cooperative Marketing Federation Ltd (Gujcomasol), Gujarat

State Co-Operative Cotton Federation Limited (GujCot) and Banas Dairy, through their affiliate taluk-level farmer cooperatives, to procure groundnut from the farmers. The agencies were incapable of conducting or monitoring the center sponsored procurement process.

- Oil Millers are not willing to pay the price that Nafed is offering as it is INR 100 above the current market price. Further there are quality issue in the procured groundnut and there are cases where in a bag of 20 kg 5 kg weight was of stones and trashes. There is also enough stocks in the open market and thus until the oil demand rises the takers for auction will be very limited.
- The tender necessitated off take of 100 tons of groundnut within 7 days failing which the winner has to pay the warehouse charges and also has to pay 10% of the price in advance. Instead SOMA is demanding extended period of delivery with auction at each warehouses rather than tendering process. NAFED is against open auction over the cartelization during bidding process.
- Oil processors are demanding deposit should be at 5%. that millers and traders should be allowed more time to take delivery of groundnut stock they have purchased so that market remains stable. The deposit is an insurance against purchaser backing out after agreeing to purchase certain quantity of groundnut. Allowing staggered delivery runs the risk of purchaser stopping to take delivery of groundnut should oil market and groundnut market witness any price shock.
- Oil processors in Gujarat is also asking for export incentives for the exports of groundnut meal which will help in disposing groundnut stocks.
- Stocks with Nafed as on 22nd June is 10.49 lakh tons with 71.8 thd tons sold and 1.029 lakh tons of previous year's stock. In 2017-18 Nafed procured 10.479 lakh tons of in shell groundnut with 8.29 lakh tons in Gujarat, 1.46 lakh tons in Gujarat, 11.8 thd tons in Karnataka, 60.9 thd tons in AP and 975 tons in Orissa. In 2017-18 Nafed procurement was highest on record.
- In a series of fires at NAFED warehouses nearly 98 thd tons of groundnut has been destroyed occurred at 5 places. There has been allegations that the groundnut has too much of foreign matters nearly 20-30% of stone, soil and trash material.
- On the price front, currently the groundnut oil prices in Rajkot is quoted at Rs 8,100 (Rs 7,800) per quintal and it was quoted at Rs 8,400 (Rs 8,400) per quintal in Chennai market on June 15, 2018. Values in brackets are figures of last week.
- Groundnut oil prices are likely to trade sideways to weak in the coming days.



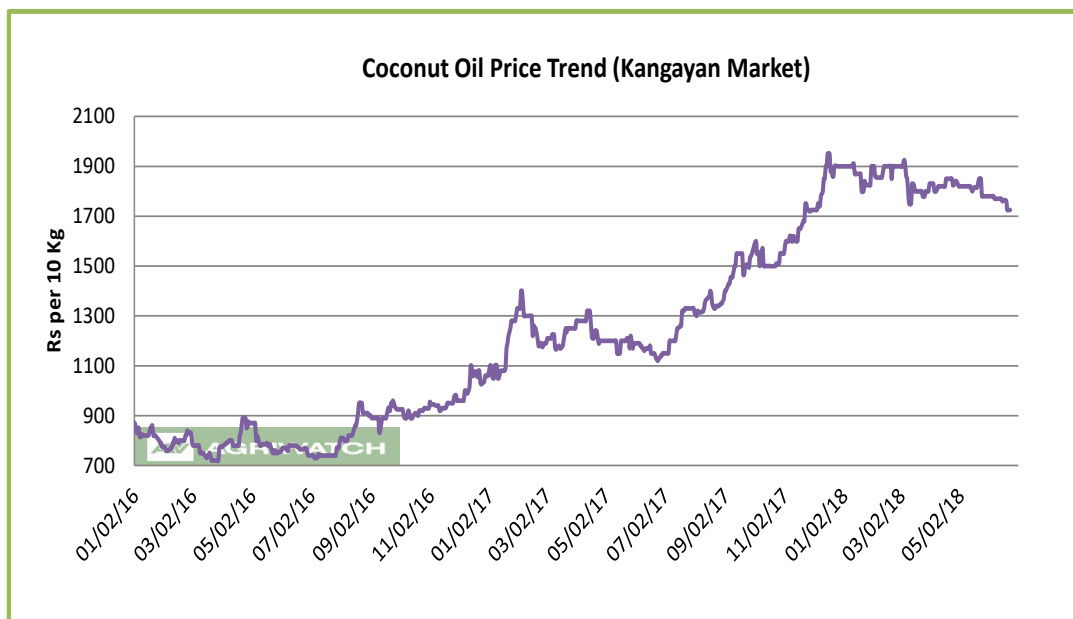
#### **Price Outlook:**

Groundnut oil (without GST) in Rajkot market is likely to trade in the price band of Rs 750-850 per 10 Kg.



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

- Coconut oil prices at the key spot markets continue to weak amidst limited support from the crude oil, lower seasonal demand and increased seasonal crushing.
- Agriwatch view: Weak trend is expected to continue in coconut oil prices as the market lacks bullish fundamentals. With the start of the 2018-19 marketing season in July the peak crushing is slated to start from coming months onwards.
- The coconut complex also getting bearish sentiments on early start of the monsoon and thus impeding any further boost in the diversion towards tender coconut.
- Sun drying of copra has almost completed and we are expecting copra arrival to improve from July onwards. In the first twenty two days of June month the arrivals is slightly higher m-o-m but low by nearly 2000 tons y-o-y.
- In Karnataka after 6 years of drought efforts have been initiated in the state to expand the area for coconut cultivation. A large number of coconut seedlings have been raised at different government farms in the district and 1,65,866 of them are ready for transplanting and are available for sale. There are plans to raise at least 2 lakh more seedlings by 2020, said senior officials at the department.
- 6200 litres of spurious coconut oil was seized in Kerala which has further dampened the demand. Blending of coconut oil is prevalent in state after the coconut oil sky rocketed in the aftermath of consecutive drought. .
- On the price front, .as there has been permanent acreage loss in achieving the production level of before drought years is very difficult. However as the rains has been good last year coconut yield is expected to remain better than last two three years. Thus coconut oil production can improve by 15-20% in the 2018-19 coconut season.
- Under such conditions coconut oil at Kangayam market is expected to take support at INR 1700 per 10 kg for few weeks before edging high. However any aggressive bearishness in crude oil is expected to bring more weakness in coconut oil moving forward.

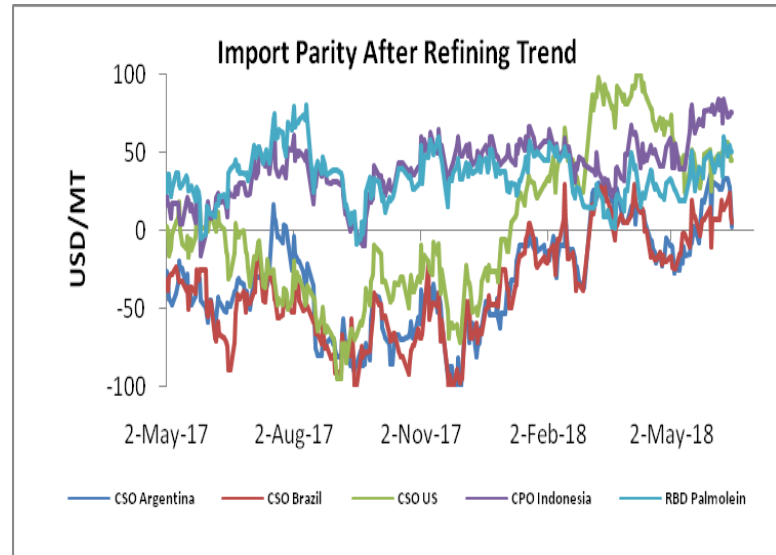
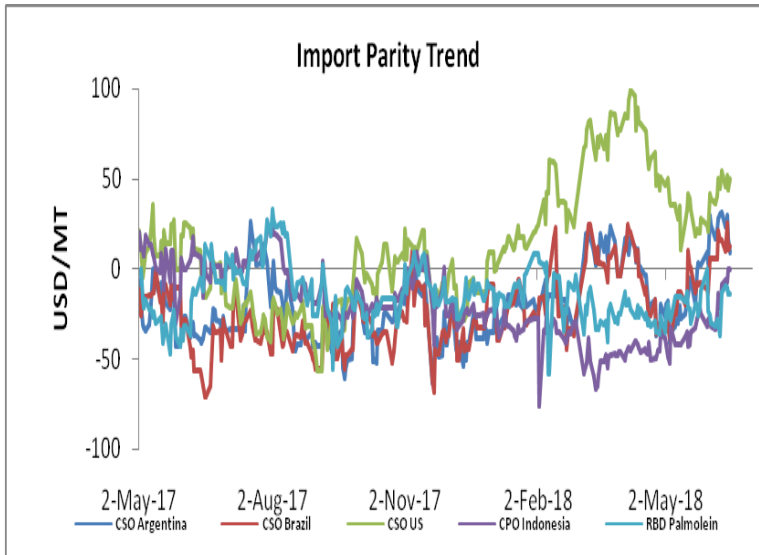


**Price Outlook:** Coconut oil (without GST) prices in Erode may stay in the range of Rs 1700-1750 per 10 Kg incoming week.



### Import Parity Trend

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



	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
<b>Apr, 2018</b>	-1.55	-2.87	80.73	51.08	30.06
<b>May, 2018</b>	-4.94	-4.68	45.14	59.15	32.72

### Outlook:-

Import parity for crude soy oil from Argentina has returned to parity due to fall in prices of soy oil in international markets. We expect CDSO import parity to remain in parity in medium term. Parity on import of CPO from Indonesia is higher than import of RBD palmolein from Malaysia.

**Technical Analysis (Refined soy oil)**


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

- Weekly chart of refined soy oil at NCDEX depicts formation of doji hammer which is a bullish reversal pattern and thus indicative of completion of the downward leg. The soy oil prices bounced back from 740 levels and remained above the previous weekly closing. .
- Any close below 730 in weekly might take the prices below 720 levels.
- Expected price band for next week is 720-780 level in near to medium term. RSI is suggesting prices to remain consolidative in coming week.

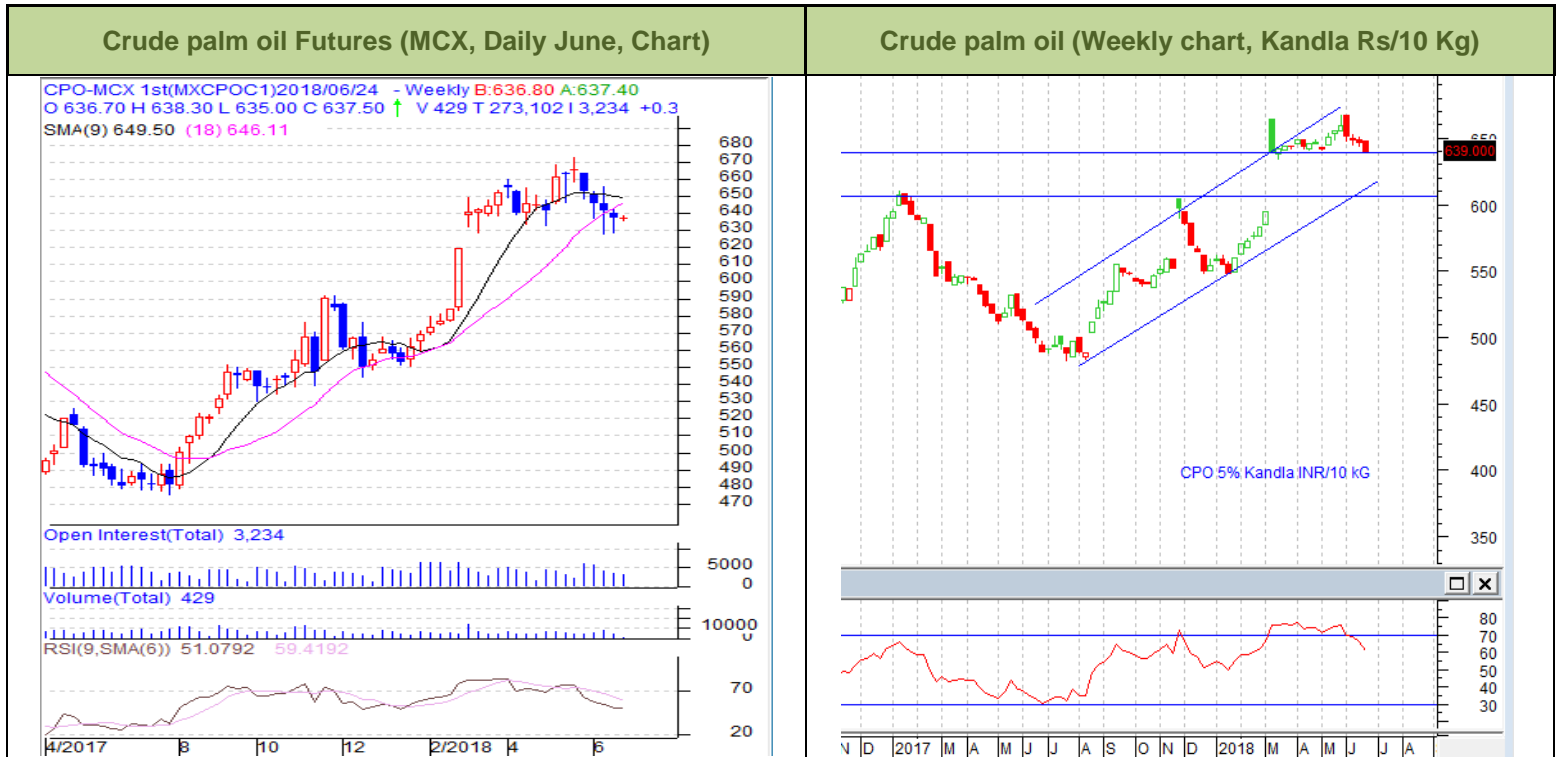
**Strategy:** Market participants are advised to go short below 750 levels for a target of 740 and 735 with a stop loss at 765 on closing basis. Bulls can take buying opportunity at anything below 740.

**RSO NCDEX (July)**

Support and Resistance				
S2	S1	PCP	R1	R2
715	729	748.3	750	765.00

**Spot Market outlook:** Refined soy oil Indore (without GST) is likely to stay in the range of Rs 720-780 per 10 Kg.

### Technical Analysis (Crude Palm oil)



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

- CPO failed to break the support level of 630 for the second week and closed near to the previous week closing, indicating market lacking directions and bulls and bears equally well positioned.
- Any close below 630 in weekly chart may bring the prices to 620 levels.
- Expected price band for next week is 640-655 level. RSI is indicating flat trend in the upcoming week. .

**Strategy:** Market participants are advised to go short in CPO above 650 for a target of 630 with a stop loss at 650 on closing basis. Bulls can take 630 good buying levels.

#### CPO MCX (June)

Support and Resistance				
S2	S1	PCP	R1	R2
617.00	635.00	638.3	665.00	680.00

**Spot Market outlook:** Crude palm oil (without GST) is likely to stay in the range of Rs 630-660 per 10 Kg.

**Edible Oil Prices at Key Market:**

Commodity	Centre	Prices(Per 10 Kg)		Change
		22-Jun-18	15-Jun-18	
Refined Soybean Oil	Indore	740	765	-25
	Indore (Soy Solvent Crude)	700	728	-28
	Mumbai	760	770	-10
	Mumbai (Soy Degum)	700	720	-20
	Kandla/Mundra	731	750	-19
	Kandla/Mundra (Soy Degum)	700	715	-15
	Kolkata	735	760	-25
	Delhi	780	805	-25
	Nagpur	756	770	-14
	Rajkot	730	745	-15
	Kota	735	755	-20
	Hyderabad	NR	NR	-
	Akola	757	772	-15
	Amrawati	757	772	-15
	Bundi	740	765	-25
	Jalna	755	767	-12
	Alwar	NA	NA	-
	Solapur	755	755	Unch
	Dhule	757	768	-11
Palm Oil *	Kandla (Crude Palm Oil)	671	678	-7
	Kandla (RBD Palm oil)	694	714	-20
	Kandla RBD Pamolein	736	753	-17
	Kakinada (Crude Palm Oil)	NR	NR	-
	Kakinada RBD Pamolein	740	748	-8
	Haldia Pamolein	740	751	-11
	Chennai RBD Pamolein	746	751	-5
	Chennai RBD Pamolein (Vitamin A&D Fortified)	819	791	28
	KPT (krishna patnam) Pamolein	735	743	-8
	Mumbai RBD Pamolein	756	772	-16
	Mangalore RBD Pamolein	748	751	
	Tuticorin (RBD Palmolein)	746	758	-12
	Delhi	772	780	-8
	Rajkot	735	751	-16
	Hyderabad	NR	NR	-
	PFAD (Kandla)	415	431	-16
	Refined Palm Stearin (Kandla)	541	504	37
	Superolien (Kandla)	767	772	-5

	Superolien (Mumbai)	793	803	<b>-10</b>
<b>* Inclusive of GST</b>				
<b>Refined Sunflower Oil</b>	Chennai	780	740	<b>40</b>
	Mumbai	790	800	<b>-10</b>
	Mumbai(Expeller Oil)	735	700	<b>35</b>
	Kandla	805	750	<b>55</b>
	Kandla/Mundra (Crude)	NA	NA	<b>-</b>
	Hyderabad (Ref)	NR	750	<b>-</b>
	Latur (Expeller Oil)	750	750	<b>Unch</b>
	Chellakere (Expeller Oil)	715	718	<b>-3</b>
	Erode (Expeller Oil)	820	780	<b>40</b>
<b>Groundnut Oil</b>	Rajkot	820	820	<b>Unch</b>
	Chennai	850	840	<b>10</b>
	Delhi	850	850	<b>Unch</b>
	Hyderabad *	865	880	<b>-15</b>
	Mumbai	840	870	<b>-30</b>
	Gondal	810	820	<b>-10</b>
	Jamnagar	820	820	<b>Unch</b>
<b>Rapeseed Oil/Mustard Oil</b>	Jaipur (Expeller Oil)	795	745	<b>50</b>
	Jaipur (Kacchi Ghani Oil)	815	764	<b>51</b>
	Kota (Expeller Oil)	785	745	<b>40</b>
	Kota (Kacchi Ghani Oil)	805	750	<b>55</b>
	Neewai (Kacchi Ghani Oil)	792	735	<b>57</b>
	Neewai (Expeller Oil)	802	750	<b>52</b>
	Bharatpur (Kacchi Ghani Oil)	805	765	<b>40</b>
	Alwar (Kacchi Ghani Oil)	NR	NA	<b>-</b>
	Alwar (Expeller Oil)	NR	NA	<b>-</b>
	Sri-Ganga Nagar(Exp Oil)	790	730	<b>60</b>
	Sri-Ganga Nagar (Kacchi Ghani Oil)	805	750	<b>55</b>
	Mumbai (Expeller Oil)	830	760	<b>70</b>
	Kolkata(Expeller Oil)	700	NA	<b>-</b>
	New Delhi (Expeller Oil)	813	770	<b>43</b>
	Hapur (Expeller Oil)	NR	NR	<b>-</b>
	Hapur (Kacchi Ghani Oil)	NR	NR	<b>-</b>
	Agra (Kacchi Ghani Oil)	810	770	<b>40</b>
<b>Refined Cottonseed Oil</b>	Rajkot	740	750	<b>-10</b>
	Hyderabad	NR	740	<b>-</b>
	Mumbai	760	770	<b>-10</b>
	New Delhi	725	725	<b>Unch</b>

<b>Coconut Oil</b>	Kangayan (Crude)	1725	1850	<b>-125</b>
	Cochin	1800	1940	<b>-140</b>
	Trissur	NA	NA	-
<b>Sesame Oil</b>	New Delhi	1000	1000	<b>Unch</b>
	Mumbai	Unq	NA	-
<b>Kardi</b>	Mumbai	880	880	<b>Unch</b>
<b>Rice Bran Oil (40%)</b>	New Delhi	Unq	510	-
<b>Rice Bran Oil (4%)</b>	Punjab	660	630	<b>30</b>
<b>Rice Bran Oil (4%)</b>	Uttar Pradesh	NA	NA	-
<b>Malaysia Palmolein USD/MT</b>	FOB	593	648	<b>-55</b>
	CNF India	615	670	<b>-55</b>
<b>Indonesia CPO USD/MT</b>	FOB	577	635	<b>-58</b>
	CNF India	608	655	<b>-47</b>
<b>RBD Palm oil (Malaysia Origin USD/MT)</b>	FOB	590	645	<b>-55</b>
<b>RBD Palm Stearin (Malaysia Origin USD/MT)</b>	FOB	585	645	<b>-60</b>
<b>RBD Palm Kernel Oil (Malaysia Origin USD/MT)</b>	FOB	955	1090	<b>-135</b>
<b>Palm Fatty Acid Distillate (Malaysia Origin USD/MT)</b>	FOB	483	555	<b>-72</b>
<b>Crude palm Kernel Oil India (USD/MT)</b>	CNF India	870	1065	<b>-195</b>
<b>Ukraine Origin CSFO USD/MT Kandla</b>	CIF	778	823	<b>-45</b>
<b>Rapeseed Oil Rotterdam Euro/MT</b>	FOB	950	920	<b>30</b>
<b>Argentina FOB (\$/MT)</b>		<b>21-Jun-18</b>	<b>14-Jun-18</b>	<b>Change</b>
Crude Soybean Oil Ship		686	684	<b>2</b>
Refined Soy Oil (Bulk) Ship		710	708	<b>2</b>
Sunflower Oil Ship		718	752	<b>-34</b>
Cottonseed Oil Ship		666	664	<b>2</b>
Refined Linseed Oil (Bulk) Ship		Unq	Unq	-
<b>* indicates including GST</b>				

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