Veg. Oil Weekly Research Report

Contents

Executive Summary

Domestic Veg. Oil Market Summary

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

On the currency front, Indian rupee is hovering near 72.48, up by 18 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 weak. Higher stocks at ports and pipeline may underpin prices in near term.

Outook:

Weekly Call - : At NCDEX, market participants are advised to go short below 750 levels for a target of 735 and 730 with a stop loss at 760 on closing basis. We expect refined soy oil at Indore (without GST) to stay in the range of Rs 720-770 per 10 Kg in the near term.

At MCX, market participants are advised to go short in CPO below 590 for a target of 575 and 570 with a stop loss at 600 on closing basis. We expect CPO Kandla 5 percent (without GST) to stay in the range of Rs 570-630 per 10 Kg in the near term.

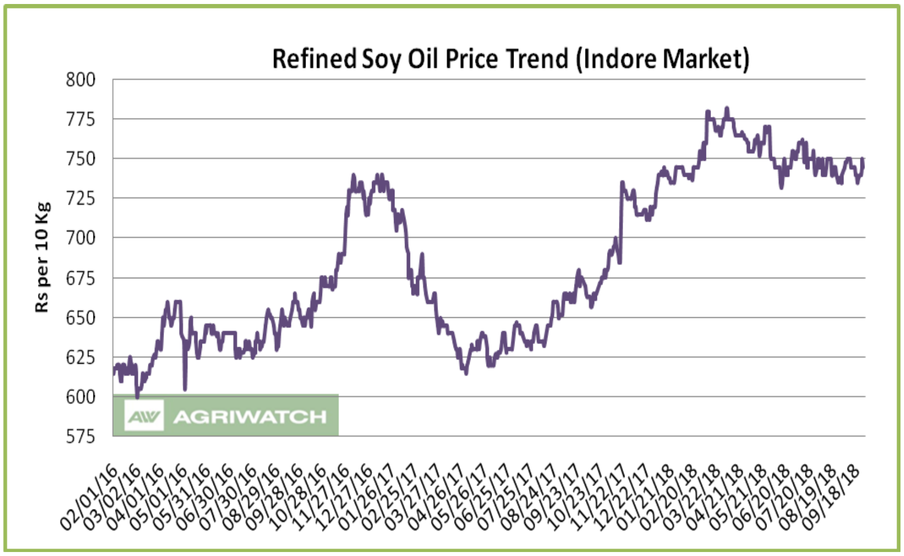
International Veg. Oil Market Summary

On the international front, trade dispute between US and China, record soybean crop in US, better than expected soybean crop condition in US, faster planting progress in Brazil, lower soybean demand from China, high stocks of soybean in China, liquidation of soybean state reserve in China and firm dollar is expected to underpin soy oil prices in coming days.

Expected rise in palm oil end stocks in Malaysia and Indonesia, rise in production of palm oil in Malaysia and Indonesia, slow rise in exports of palm oil from Malaysia and Indonesia and fall in competitive oil is expected to underpin CPO prices in near term.

Soy oil Fundamental Analysis and Outlook-:

Domestic Front



- Soy oil featured firm trend in domestic markets on rise in soy oil prices in international markets.
- Agriwatch View- Soy oil prices closed higher during the week in Indore on rise in prices of soy oil in international markets.

  Increase in import disparity and depreciation of Rupee likely to weaken demand.

  Fall of Rupee from 68 to 72 per USD has led to weak demand at high seas.

  Imports of soy oil are in disparity due depreciation of Rupee.

  Trade dispute between US, China and bearish international soybean complex situation on record soybean crop in US and expectation of higher soybean crop in Brazil and Argentina in 2018/19 and weak demand of soybean by China will be bearish for price.

  Further, due to disparity in imports of soy oil, depreciation of Rupee is expected to decrease imports. Presently disparity at ports is at 4.0-5.0 per kg. Prices are less unlikely to fall due to higher disparity in imports.

  Soy oil demand is weak at high seas as its prices rose less at high seas compared to CNF markets where prices rose compared to last week.

  Soy oil demand is weak at CNF markets as prices rose less at CNF compared to FOB markets compared to last week.

  Rebound in soy oil prices at CBOT due to demand prospected and rise in crude oil prices led to higher FOB prices.

  Basis too rose leding to rise in FOB soy oil prices. Its premium over CBOT has increased and brought prices higher.

  Imports of soy oil increased in August 2018 compared to August 2017 while it was lower than July 2018. Imports fell 40,000 tons in June compared to May 2018 while port stocks fell 80,000 tons indicating firm demand in August.

  CDSO is trading at low premium over RBD palmolein at high seas at Rs 40 (Rs 32 last week) per 10 kg will increase CDSO import demand.

  Refined soy oil premium over RBD palmolein is unchanged at Rs 83 (Rs 83 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 183 (USD 148.5 last week) per ton for Oct delivery, 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 trade weak in near term.

- Soy oil import scenario – According to SEA, soy oil imports rose 7.59 percent y-o-y in August to 3.12 lakh tons from 2.90 lakh tons in August 2017. In the period (Nov 2017-Augsut 2018), imports of soy oil were 24.42 lakh tons compared to 27.39 lakh tons in corresponding period last oil year, lower by 10.8 percent y-o-y.
- Imported crude soy oil CNF at West coast port is offered at USD 708 (USD 676) per ton for Sep delivery, Oct delivery is quoted at USD 708 (USD 676) per ton, Nov delivery is quoted at USD 712 (USD 681) per ton and Dec delivery is quoted at USD 712 (USD 681) per ton. Values in brackets are figures of last week. Last month, CNF CDSO Aug average price was USD 691.58 (USD 708.58 per ton in July 2018) per ton.
- On the parity front, margins were in disparity during the week on rise in prices of soy oil in international markets, and we expect margins to remain in disparity in coming days. Currently refiners lose USD 40-45/ton v/s gain 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 trade dispute between US and China, record soybean crop in US, better than expected planting progress in Brazil, high stock of soybean in China, weak demand of soybean in China due to outbreak of swine flu, liquidation of soybean state reserve by China, weak competitive oils and firm dollar.

However, lower stocks of soy oil in US in August due to strong domestic disappearance will limit losses.

Trade war between US and China has escalated with Trump Administration putting additional import duties on import of Chinese goods worth USD 200 billion, the duty will increase from 10 percent to 25 percent from October. US has threatened additional import duty on USD 270 billion goods as early as October. Trump administration has stated that it is time to take action against China as it is hurting US. US has imposed sanctions on China's defense on it purchase of Russian defense equipments.

US has asked China to reduce trade deficit with US, open Chinese markets for US companies, provide level playing field for American companies, reform various industries and end subsidies to various industries including technology companies.

In return China has imposed import duty on US goods worth USD 100 billion. This has led to fall in soybean complex prices globally as US is the largest producer and China is largest importer. Trump administration has threatened China of dire consequences if it targets US farmers.

With escalation of hostilities with China, soybean stock situation will tighten in Brazil. This will lead to imports to the tune of 1 MMT from US to meet its crushing demand. It is unlikely that Chinese might purchase US cargoes due to hostilities between both countries. Instead, it is looking at other option to replace soybean imports. China has imported first soy oil consignment from Argentina after a break of 3 years and another consignment of Argentina soybean has left its port. Higher demand of soybean from China will prompt Argentina to imports US soybeans to the tune of 2 MMT as supply will thin in coming months. China is expected to open more trade sources like import of soy meal from India and China is buying more palm oil.

Chinese and Indian trade representatives have met where India has asked China to open imports of Indian rapeseed meal, which it banned in 2011 after it found malachite green in consignment used to color sacks in India.

Chinese are enquiring on import of rape meal, sunflower meal, cottonseed meal from Europe, Ukraine and India to tide over tight situation, which will arise in fourth quarter of 2018.

Trade dispute has led to lower sales of US soybean in MY 2018/19 leading to record soybean stocks in a year when US is expected to harvest record stocks.

However, soybean exports from US is expected to pickup due to fall in prices of soybean from US origin due to trade dispute which may prompt major buyers to buy more soybean from US as current prices of US soybean will give crushers big margins.

China is aggressively buying soybean from Brazil as Brazil is reporting 70 percent of exports of soybean in MY 2017/18 going to China.

Outbreak of swine flu in China has cut demand of soy meal in the country, which is holding record soybean and soy meal stocks.

NOPA reported fall of soy oil stocks in US in August due to lower crush of soybean. Domestic disappearance of soy oil is firm in US which has led to fall in stocks of soy oil in US in August.

USDA raised US soybean crop to record levels in its September supply and demand estimates due to higher yields of soybean due to better than expected soybean crop condition in US. More rise in soybean crop is not ruled out and exact amount of soybean produced in US will be known by December when harvest ends in November.

Planting of soybean has started in Brazil and weather is conducive for planting to progress. At present planting has reached 4.6 percent higher than last year and 5-year average. Brazil is expected to plant another record soybean crop in 2018/19.

Argentina is expected to import US soybean to supply soy oil and soy meal to China. US and China trade dispute has opened trade opportunity for Argentina.

Soybean crop condition in US has improved last week. Crop condition better than corresponding period last year and 5-year average, leading USDA to rise yields to record and raise 2018/19 soybean crop to record levels. Harvest of soybean has started in US and above last year and 5-year average.

Soybean disappearance in domestic market in US is strong due to fall in prices of soybean, which has led to record margins for crushers. Companies are recording record margins. This will lead to higher supply of soy oil in US, which will raise soy oil stocks in US in coming months, will underpin soy oil prices.

China increased soybean imports in August, most of it from Brazil due to restocking of soybean in the country to hedge its demand in fourth quarter of 2018 as Brazilian and Argentina supplies thin.

Crushers of soybean in China are struggling from weak demand due to low growth rate of livestock herd. Outbreak of swine flu has affected demand of feed, which has led to lower soybean demand, leading to shutdown of many crushers. This may prompt China to import lower amount of soybean in coming months as present stocks will offset lower imports in coming months.

China is liquidating soybean state reserves in an effort to loosen any tightness in soybean markets. Currently China is liquidating 2013 soybean stocks. China is also liquidating state soy oil stocks to loosen any tightness in edible oils markets. These steps have led to lower prices of soybean complex in China, which will underpin prices.

Competitive oils like BMD palm oil and DALIAN RBD palmolein is expected to trade weak due to strong supply concerns will underpin soy oil prices.

Soy oil prices corrected more than 25 percent in last couple of months due to trade dispute between US and China and good soybean crop condition, is expected to reignite demand and support prices.

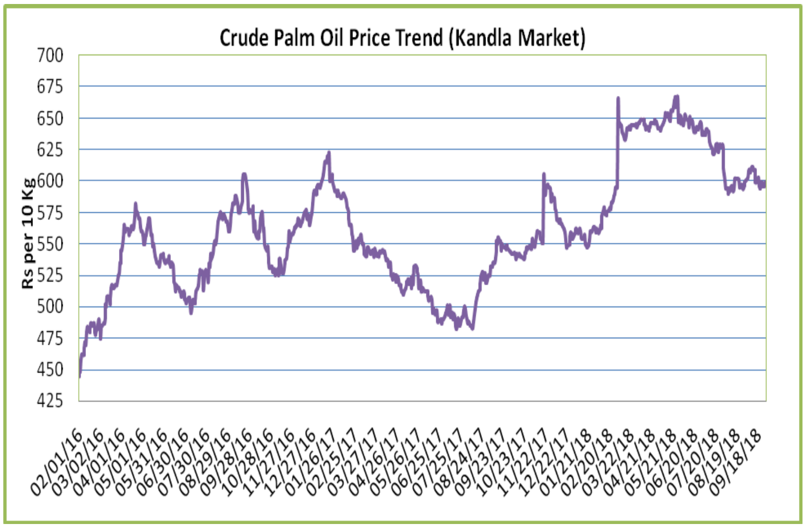
Dollar Index is expected to rise on higher than expected hike in interest rates by US FED in 2018 will weigh on soy oil prices in near term.

Prices are in a range.

Price Outlook: We expect refined soy oil (without GST) at Indore to stay in the range of Rs 720-770 per 10 Kg in the near term.

Palm oil Fundamental Analysis and Outlook -:

Domestic Front



- Crude palm oil featured sideways trend at its benchmark market at Kandla on firm demand.
  RBD palmolein closed higher at its benchmark market of Kandla on firm demand.
- Agriwatch View – Prices of CPO closed sideways at Kandla on firm demand.
  Prices of CPO remained unchanged at high seas while prices fell at CNF markets compared to last week indicating firm demand at high seas.
  Rupee depreciated from 68 to 72 last five weeks, which has led to disparity in imports of CPO.
  CPO import disparity decreased on fall in prices of CPO in international markets, which stands at Rs 1.0-1.5 per kg. Higher disparity will weaken import demand and will not let prices fall.
  Any increase in disparity is likely to decrease imports of CPO.
  Traders are expected to take advantage of international prices of CPO by increasing buying at lower levels.
  Depreciation of Rupee will increase disparity and lower imports. Lower Rupee increases import prices of palm oil and which in turn increases disparity if domestic prices do not rise, which in turn dents demand.
  However, due to fall in international prices of CPO and reduction of export duty by Malaysia on exports of crude palm oil will increase imports by India.
  Data from cargo surveyors show rise in imports of palm oil by India in September.
  Imports of palm oil by India in August as reported by SEA showed 6.1 percent increase in imports compared to August 2017. CPO imports surged in August by increasing 8.33 percent compared to Aug 2017. Rise in CPO imports came on big base y-o-y. RBD palmolein imports fell 1.93 percent in August compared to Aug 2017.
  In oil year 2017-18 (Nov 2017-Aug 2018) palm oil imports have fallen 7.7 percent on lower imports of RBD palmolein compared to corresponding period last oil year.
  MPOB Malaysian palm oil August stocks rose on lower than expected rise in production of palm oil and fall in exports of palm oil from Malaysia.
  Imports of CPO rose in August due to parity in imports of CPO in the month of July and August, rise in demand at lower levels, higher premium of RBD palmolein over CPO at CNF markets, higher premium over soy oil over CPO at CNF markets, restocking before festive season demand, weak oilseed crop in India especially groundnut crop whose oil recovery is much higher and expected depreciation of Rupee. Import demand of CPO will decrease in September due to disparity in imports.
  Higher imports of CPO lead to higher stocks of CPO at ports in August.
  Demand of CPO is firm at CNF markets as prices remained unchanged at CNF while it fell at FOB markets compared to last week.
  RBD palmolein featured firm tone in its benchmark market on firm demand.

RBD palmolein prices rose at high seas compared to CNF markets where prices remained unchanged indicating firm demand.

Import demand of RBD palmolein rose in August due to import parity; fall in price of RBD palmolein in international markets, higher discount of RBD palmolein over soy oil and sunflower oil and expected depreciation of Rupee.

Import demand of RBD palmolein is weak in oil year 2017-18 (Nov 2017-Aug 2018) due to hike in import duty on RBD palmolein, higher differential of RBD palmolein import duty over CPO, depreciation of Rupee, premium of RBD palmolein over CPO at CNF markets, lower margins in imports of ready to use palmolein compared to domestic refined CPO.

Imports of RBD palmolein are in disparity due to fall in prices of palm products in domestic market.

At present there is disparity of Rs 4.0-5.0 per kg due to tight conditions.

Stocks of RBD palmolein at Indian ports have increased in August due to restocking at ports.

Demand of RBD palmolein was firm compared to CPO at high seas as premium RBD palmolein over CPO was at Rs 63 (Rs 61) per 10 kg compared to last week.

Margins are higher in importing CPO and selling refined oil in domestic markets, than selling ready to use RBD palmolein in domestic markets.

Higher refining margins in domestic refined palmolein compared to imported ready to use palmolein will encourage imports of CPO compared to RBD palmolein.

Demand of RBD palmolein is weak at CNF markets as prices fell at CNF while it rose at FOB markets compared to last week.

Import of RBD palmolein in August was lower than August 2017 while it surged compared to July 2018. Imports of RBD palmolein surged in August compared to July while port stocks rose indicating restocking of RBD palmolein in August.

CDSO CNF premium over CPO CNF is at USD 183 (USD 148.5 last week) per 10 kg which is high and will increase imports of CPO. Premium of CDSO soy oil high seas over CPO high seas is at Rs 103 (Rs 93 last week) per 10 Kg, will increase CPO demand at high seas. Premium of refined soy oil over RBD palmolein at Rs 83 (Rs 83 last week) per 10 kg is low and will decrease RBD palmolein demand. RBD palmolein discount over sunflower at CNF markets is at USD 157.5 (USD 177.5 last week) per ton. Increasing premium of refined sunflower oil over RBD palmolein due to hike in import duty on sun oil at Rs 168 (Rs 180) per 10 kg, will increase RBD palmolein imports. Values in brackets are figures of last week.

Prices of CPO are expected to remain sideways to weak.

- Palm oil import scenario – According to Solvent Extractors Association (SEA), palm oil imports in August rose 6.1 percent y-o-y to 9.22 lakh tons from 8.69 lakh tons in August 2017. Imports in the period (November 2017-August 2018) are reported lower y-o-y at 70.28 lakh tons compared to 76.14 in the corresponding period last oil year, down 7.7 percent y-o-y.

  Crude Palm oil import scenario- According to Solvent Extractors Association (SEA), CPO Imports rose 8.33 percent y-o-y in August to 6.50 lakh tons from 6.0 lakh tons in August 2017. Imports in the period (November 2017-August 2018) are reported higher by 1.93 percent y-o-y at 51.85 lakh tons compared to 50.87 lakh tons in the corresponding period last oil year.

RBD palmolein import scenario- RBD palmolein imports fell y-o-y in August by 1.93 percent to 2.59 lakh tons from 2.64 lakh tons in August 2017. Imports in the period (November 2017-August 2018) are reported lower by 28.76 percent y-o-y at 17.54 lakh tons compared to 24.62 lakh tons in the corresponding period last oil year.

- On the trade front, CNF CPO (Indonesian origin) at Indian port is quoted at USD 525 (USD 527.5) per ton for Sep delivery and Oct delivery is quoted at USD 525 (USD 527.5) per ton. Last month, CNF CPO Aug average price was at USD 565.19 per ton (USD 583.23 per ton in July 2018). Values in brackets are figures of last week. Moreover,

  RBD palmolein (Malaysian origin) CNF at Indian port, offered at USD 557.5 (USD 557.5) per ton for Sep delivery and Oct delivery is quoted at USD 557.5 (USD 557.5) per ton. Last month, CIF RBD palmolein Aug average price was USD 579.84 (USD 591.77 in July 2018) per ton. Values in bracket depict last week quotes.

  Ready lift CPO duty paid prices quoted at Rs 599 (Rs 599) per 10 Kg and Oct delivery duty paid is offered at Rs 599 (Rs 592) per 10 kg. Ready lift RBD palmolein is quoted at Rs 662 (Rs 655) per 10 kg as on Sep 28, 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 20-25/ton v/s gain of USD 90-95/ton (last month) margin in processing the imported CPO and imports of ready to use palmolein lose USD 35-40/ton v/s gain of USD 65-70/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 expectation of rise in stocks of palm oil in Malaysia and Indonesia until December, expectation of higher production of palm oil in Malaysia and Indonesia until, lower rise exports of palm oil from Malaysia in coming months, lower supply of palm to biodiesel units due to infrastructure problems in Indonesia.

Palm oil end stocks is expected to rise in Malaysia and Indonesia until December due to surge in production of palm oil in both countries outpacing demand.

Palm oil end stocks are expected to reach 3-3.3 MMT in Malaysia by December, which are record highs. Same is with Indonesia where stocks of palm oil are expected to reach 5 MMT by December.

Primary cause of rise in stocks of palm oil is higher production outpacing demand.

Production is expected to rise in both countries on seasonal uptrend of production. Production of palm oil is expected to rise above 40 MMT in Indonesia in 2018/19 on higher produce from maturing plantations.

Production of palm oil will rise slower than expected in Malaysia due to weak plant profile, shortage of labor and lower fertilizer use and production will not cross 20 MMT in 20181/9.

Exports of palm oil will rise in September and October due to removal of export duty on exports of CPO by Malaysia. India will purchase more in October ahead of Diwali festival.

However, demand in all major locations will decrease from November due to seasonal downtrend of demand due to winters in North Hemisphere.

Palm oil end stocks rose in August due to lower than expected rise in production of palm oil in Malaysia and fall in exports of palm oil from Malaysia in August.

Exports of palm oil are rose 64-72 percent in Malaysia in first 25 days of September on higher imports by EU, and India. Rise in imports of palm oil from Malaysia in September is due to abolition of export duty on export of crude palm oil from Malaysia from September.

RBD palmolein Malaysia premium has increased over Indonesia CPO due to higher depreciation of Indonesia Rupiah compared to Ringgit with USD. Export demand will weaken due to high premium of Malaysian olein and buyers will shift to Indonesia.

Demand from India is firm due to restocking by India ahead of festivals, removal of export duty on exports of CPO by Malaysia, fall in prices of palm oil and depreciation of Ringgit. However, demand over longer horizon is likely to weaken due to depreciation of Rupee, high stocks of palm oil at ports and disparity in imports of palm oil.

However, India is a price sensitive country and will import in higher amount if prices fall. Festive season demand will keep imports higher in October.

Demand of palm oil from China is expected to remain firm due to abolition of CPO export duty by Malaysia, thinning of expected supply of soybean in fourth quarter of 2018 from Brazil, lower palm oil prices, China looking for alternate sources to replace import of soybean from US.

However, outbreak of swine flu in China, record stocks of soybean and soy meal in China and liquidation of state reserves of soybean may prompt lower imports of palm oil in coming months.

Abolition of export duty on exports of CPO from Malaysia from September has yielded good results for exports of palm oil from Malaysia. This will lead to lowering of higher stocks of palm oil in Malaysia, which is struggling from higher stocks of palm oil.

With removal of export duty on exports of crude palm oil by Malaysia has led to increase in exports of palm oil from Malaysia. Exports surged in first 25 days of September, which indicates that exports in September will be higher than expected.

Competitive oils like RBD palmolein DALIAN and CBOT soy oil is expected to underpin palm oil prices.

CBOT soy oil is expected to be underpinned by fall in soybean complex prices due to US and China trade dispute and higher soybean output in US will underpin palm oil prices.

Crude oil prices rose due to fall in crude oil inventories in US. Due to sanctions on Iran and lower crude oil production hike by Saudi Arabia fell leading to higher crude oil prices supporting palm oil prices.

Indonesia has mandated biodiesel use in every vehicle with 20 percent bio content blend from September which will increase palm oil consumption in the country. The country is planning B30 norms which aims to blend 30 percent bio content on diesel. Indonesia intends to cut crude oil imports, which dents its current account deficit leading to lower Indonesia Rupiah.

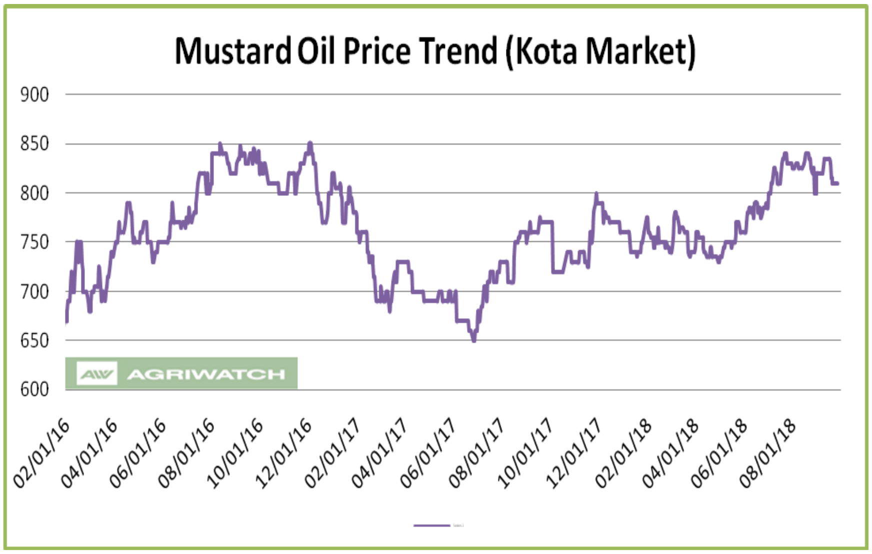
Higher demand of palm oil in Indonesia will soak incremental supply of palm oil in Indonesia.

Prices are in range.

Price Outlook: We expect CPO Kandla 5 percent (without GST) to stay in the range of Rs 570-630 per 10 Kg in the near term.

Rapeseed oil Fundamental Review and Analysis-:

Domestic Front



- Mustard oil prices featured sideways trend in benchmark market on weak demand and fall in prices of rapeseed. Arrivals of rapeseed fell last week.
- Agriwatch view: Prices of rapeseed oil expeller featured sideways trend in its benchmark market, on weak demand.

  Hike in import duty on rapeseed (canola) oil has weakened its demand.

  Fall in rapeseed prices led to lower rapeseed oil prices. Fall in raw material prices led to lower product prices. Supply of rapeseed oil fell due to higher supply of rapeseed for crushing against weak demand.

  Sale of rapeseed by NAFED was has started which has adverse affect on prices. NAFED is currently holding 8.5 lakh tons of rapeseed.

  Stock of rapeseed with NCDEX us 0.22 lakh tons. Stocks with trade are less.

  With fall in prices of rapeseed, arrivals decreased last week. However, fall in rapeseed prices will benefit crushing.

  Demand of rapeseed oil is weak against good stocks position. However, prices will find support due to stocking of rapeseed oil before festivals in East and North India.

  Rise in soy oil and palm oil prices supported..

  Rapeseed end stocks in MY 2018-19 is expected to be much lower than expected on account of limited stocks of rapeseed. Agriwatch estimated rapeseed crop at 6.45 MMT in the current marketing year. There is shortage of rapeseed in market due to lower crop and higher demand of rapeseed. There are limited supply of rapeseed which will limit fall rapeseed oil prices in coming months.

  High discount of RBD palmolein and soy oil prices to rapeseed kacchi ghani prices is likely cap rapeseed oil prices.

  Lower crop of rapeseed in MY 2018/19 will lead to lower supply of rapeseed for crushing which will support prices.

  High premium of Jaipur kacchi ghani rapeseed oil over refined soy oil in domestic market is at Rs 116 (Rs 132) per 10 Kg will cap gains rapeseed oil prices.

  Jaipur kacchi ghani rapeseed oil premium over RBD palmolein is at Rs 203 (Rs 215) per 10 kg will cap gains in rapeseed oil prices.

  Import of canola is weak in oil year 2017-18 (Nov-August) while stocks at ports rose indicating weak demand of canola oil. Hike in import duty on canola oil slow import demand.

  Kacchi Ghani and refined soy oil trading range is high, which will slow demand of rapeseed oil.

Premium of canola oil compared to CDSO has decreased to USD 42 (USD 59) per ton will increase imports. Due to increase in prices of rapeseed oil, imports of canola oil are expected to rise in coming months. Stocks of canola oil at ports have increased due to restocking at ports.

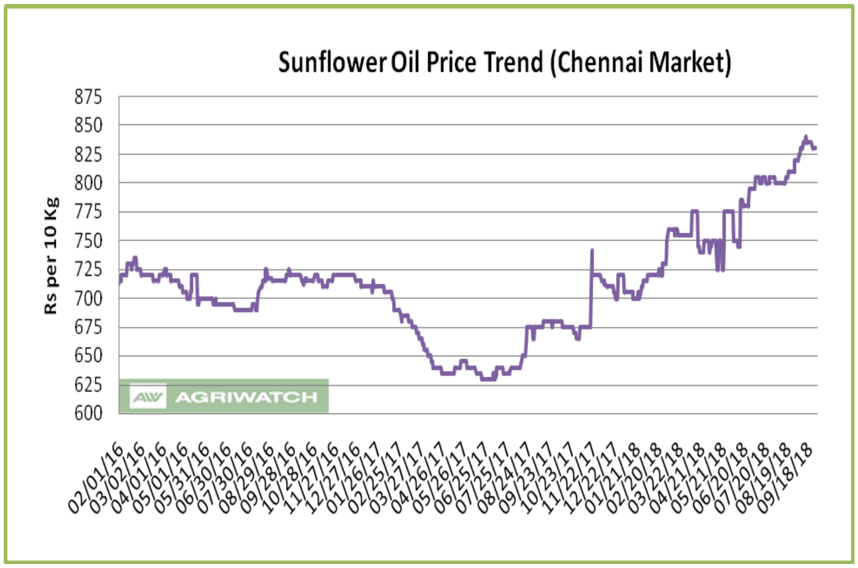
Markets are expected to trade sideways to firm tone in coming days on firm demand and rise in rapeseed prices.

- Rapeseed oil import scenario- India imported 0.25 lakh tons of rapeseed (Canola) oil in August 2018 v/s 0.45 lakh tons in August 2017, lower by 44.44 percent y-o-y. In the period (Nov 2017-August 2018) imports were 2.22 lakh tons compared to 2.40 lakh tons in the corresponding period last oil year, lower by 7.5 percent y-o-y.
- CNF canola oil premium over CDSO is USD 42 (USD 59 last week) per ton for ready delivery as on Sep 28, 2018.
- Currently, RM oil at Jaipur market, (expeller) is offered at Rs 850 (Rs 850) per 10 Kg, and at Kota market, it is offered at Rs 810 (Rs 810) per 10 kg as on Sep 28, 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 780-850 per 10 Kg.

Sunflower oil Fundamental Review and Analysis-:

Domestic Front



- Sunflower oil price traded weak during the week in its benchmark market Chennai on fall of sunflower oil prices in international markets .
- Agriwatch view: Prices of sunflower oil traded lower in Chennai on fall in prices of sunflower oil at CNF markets.

  Sunflower oil prices fell less at high seas compared to CNF markets indicting firm demand at high seas.

  Prices of sunflower oil are supported by fall in sunflower oil premium over soy oil at CNF markets. Premium of sunflower oil over soy oil fell from above USD 100 per ton to current USD 7 per ton. Since both the import duty on soy oil is same, falling sunflower oil premium will increase import demand.

  Import demand of sunflower oil rose in August due to fall in sunflower oil prices at CNF markets, parity in import of sunflower oil in July-August and lower premium of sunflower oil over soy oil at CNF markets.

  In domestic market, sunflower oil prices premium over soy oil is at Rs 85 (Rs 100 last week) per 10 kg, which indicates that chance of correction of sunflower oil prices as prices are converging at CNF markets..

  Demand of sunflower oil is likely to capped due to high premium over RBD palmolein and falling discount over groundnut oil.

  Sunflower oil premium over RBD palmolein at CNF India is at USD 157.5 (US 177.5 last week) which will decrease imports.

  In domestic market refined sunflower oil (Chennai) premium over RBD palmolein (Chennai) is at Rs 162 (Rs 165 last week) per 10 kg which is high and cap gains in domestic market

  In domestic market groundnut oil premium over sunflower oil at Chennai market is at Rs 70 (Rs 65 last week) per 10 kg will cap gains in sunflower oil prices.

  There is parity in imports of sunflower oil, which will increase import demand.

  Hike in import duty on sunflower oil has increased its premium over RBD palmolein and soy oil in domestic markets.

  Prices of sunflower oil will be capped by higher supply due to higher imports of sunflower oil in oil year 2017-18 (Nov-August).

  Imports of sunflower oil rose in oil year 2017-18 (Nov 2017-Aug 2018) by 20 percent compared to corresponding period in last oil after rise of 43 percent in 2016-17 oil year. Imports of sunflower oil rose 68,000 tons in August while stock at ports has risen rose 50,000 tons indicating firm supply. At present restocking is taking place at ports, which has increased sunflower port stocks in last two months.

CSFO CNF premium over CDSO CNF markets is at USD 7.0 (USD 59 last week) per ton for Oct delivery, indicating space for prices to rise.

Higher stocks of sunflower oil at ports and pipelines were due to higher imports of sun oil in oil year 2017-18 and 2016-17 will cap gains on sun oil prices. Higher supply in domestic market will keep lid on prices.

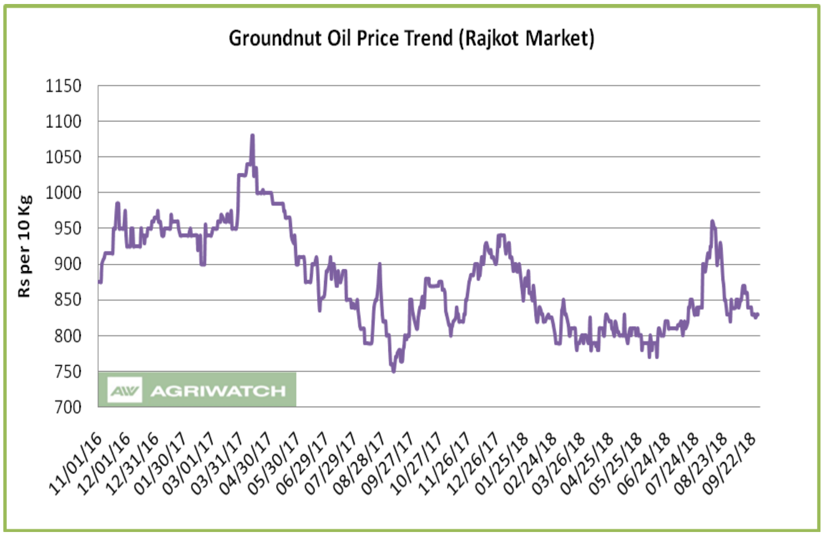
Refiners have increased purchase of crude sunflower oil from international markets as CIF sunflower oil premium over CNF soybean oil has fallen.

Prices of sunflower oil are expected to be supported by firm demand and seasonal uptrend of prices.

- Sunflower oil imports scenario- According to Solvent Extractors Association (SEA), Sunflower oil imports rose 55.22 percent y-o-y in August to 2.08 lakh tons from 1.33 lakh tons in August 2017. Imports in the period (November 2017-August 2018) are reported higher by 20.34 percent y-o-y at 22.18 lakh tons compared to 18.43 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 715 (USD 735) per ton for Oct delivery and ND delivery is quoted at USD 710 (USD 717.5) per ton. CNF sun oil (Ukraine origin) August monthly average was at USD 761.54 per ton compared to USD 797.23 per ton in July. Values in brackets are figures of last week.
- Prices are likely to stay in the range of USD 700-750 per ton in the near term. CNF Sunflower oil premium over CDSO is hovering at USD 7.0 (USD 59 last week) per ton for Oct delivery. CNF sunflower oil premium over RBD palmolein is hovering around USD 157.5 (USD 177.5) per ton.
- Currently, refined sunflower oil at Chennai market is offered at Rs 830 (Rs 835) per 10 Kg, and at Kandla/Mudra market, it is offered at Rs 805 (Rs 805) per 10 kg as on Sep 28, 2018. Values in brackets are figures of last week.
- We expect sunflower oil prices to trade sideways to firm tone in the coming days.

Price Outlook: Sunflower oil (without GST) prices in Chennai may stay in the range of Rs 800-860 per 10 Kg.

Groundnut oil Fundamental Review and Analysis-:
Domestic Front



- Groundnut oil prices featured weak trend in Rajkot due to weak demand.
- Agriwatch view: Prices of groundnut oil featured weak trend in Rajkot on weak demand.

  Groundnut prices fell due to rise in groundnut supply on higher auction of groundnut by NAFED. However, disparity in groundnut on higher prices of groundnut will weaken groundnut demand.

  Groundnut supply has improved as prices offered by NAFED on groundnut auction has stabilized which has led to higher demand in auction as traders are able to trade due to stable reserve prices of groundnut auction.

  NAFED is the sole supplier of groundnut in Gujarat, at the moment, as stocks with farmers are less than 1 lakh tons and negligible stocks with traders. About 5.5 lah tons of groundnut is with NAFED and it intends to offload as much as possible before new groundnut crop arrives in Gujarat. This has raised expectation of higher supply of groundnut in the market.

  Auctions of NAFED groundnut has increased last week due to improving demand of groundnut. Demand of groundnut in auction increased due to weakness in pickup in demand.

  Crushing has increased due to stable prices of groundnut, which has led to improve in supply of groundnut.

  Retail demand fell due to postponement of demand due to fall in prices of groundnut oil from higher levels. Prices of groundnut oil fell from Rs 950 per 10 kg to Rs 830 per 10 kg, which weakened demand. However, there is demand at lower levels.

  Sowing of groundnut is lagging by 3.25 percent as of 20.09.2018 on major fall in groundnut sowing in Gujarat due to less rains in the state. Groundnut crop in Gujarat will be adversely affected by dry condition prevailing in the state. Groundnut crop in Gujarat planting was delayed due to dry conditions in the state. At present, groundnut cop in Gujarat is in bad condition and significant losses are expected. In the South India (Rayalseema) groundnut crop is facing dry condition due to severe deficit of rains.

  Exports of 2017 crop are less and most of groundnut is diverted towards crushing.

  Groundnut exports are very less, as prices of groundnut is higher than international markets.

  Crushers have no stocks and are dependent on ready markets. Groundnut oil and groundnut trade has weakened. However, the groundnuts arriving in mandis are consumed in ready markets.

  In Andhra Pradesh and Tamil Nadu prices of groundnut oil fell due to parity with Gujarat and weak demand. Retail demand of groundnut oil is weak. There is parity in crush of groundnut in Tamil Nadu and Andhra Pradesh.

  There is limited stock of groundnut with farmers across India which may support higher prices.

Demand of groundnut oil will find support due to festive season from Oct-Nov. Lower crop of groundnut will lead to higher product prices in coming months.

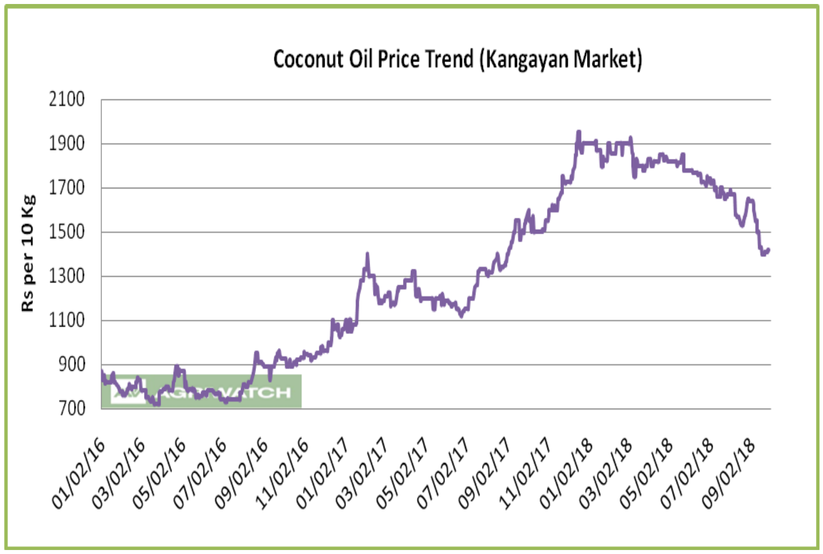
Groundnut oil prices are expected to trade sideways to firm on expectation of rise in groundnut prices and weak supply.

- On the price front, currently the groundnut oil prices in Rajkot is quoted at Rs 8,300 (Rs 8,400) per quintal and it was quoted at Rs 9,000 (Rs 9,000) per quintal in Chennai market on Sep 28, 2018. Values in brackets are figures of last week.
- Groundnut oil prices are likely to trade sideways to firm in the coming days.

Price Outlook:

Groundnut oil (without GST) in Rajkot market is likely to trade in the price band of Rs 800-950 per 10 Kg.

Coconut Oil Fundamental Review and Analysis-:
Domestic Front



- Coconut oil featured firm trend in its benchmark market of Kangayam on rise in prices of copra.
- Agriwatch view: Coconut oil prices featured firm trend during the week on rise in prices of copra and buying at lower levels.

  Coconut oil prices rose last week on rise in prices of copra. Higher prices of raw material resulted in higher product prices.

  Markets found support on bargain buying. With sharp fall in prices of coconut oil, demand came to market at lower levels. Most of the demand was to cover stocks, which was due on higher prices of coconut oil.

  Demand of coconut oil weakened on rise in prices of coconut oil in last one and half year.

  Retail demand has weakened due to fall in prices of coconut oil, which has led to postponement of demand.

  Stockists and retailers are not stocking in anticipation of weak demand.

  Corporate demand, which is one of the major contributors, is weak.

  Traders and upcountry buyers are dependent on ready market as they do not feel confident on prices.

  Fall in palm oil prices have underpin coconut oil prices.

  Production will increase 10-15% in 2018-19 from initial estimate of 15-20% gain in coconut oil production on account of production loss due to floods in Kerala. Yield will remain higher in Tamil Nadu, Karnataka and Andhra Pradesh compared to last three years.

  Copra supply is improving, as stocks buildup has started in the market despite higher exports and diversion of coconut products to other value added products.

  Demand of coconut oil has shrunk due to higher prices of coconut oil 2017-18. Household consumption contracted and no other oil has replaced the gap.

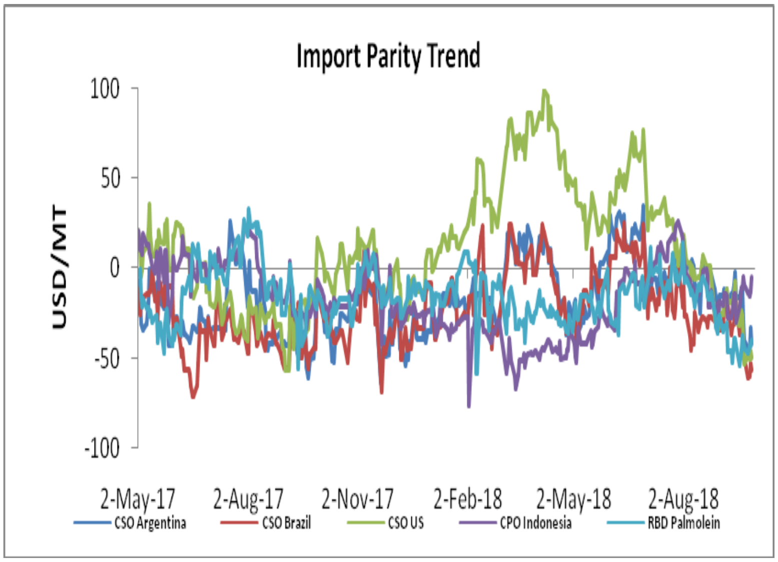
  Coconut oil prices are expected to fall on higher coconut oil production, weak demand, fall in copra prices and seasonal downtrend of prices.

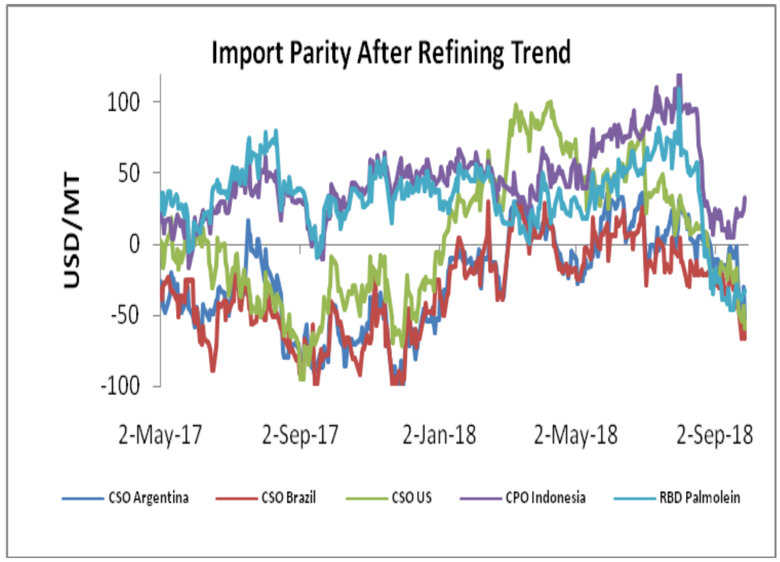
  Coconut oil prices are expected to be weak in days ahead.
- On the price front, currently the coconut oil prices in Kochi is hovering near Rs 16,700 (16,700) per quintal, and was quoting Rs 14,200 (Rs 14,000) per quintal in Erode market on Sep 28, 2018.

Price Outlook: Coconut oil (without GST) prices in Erode may stay in the range of Rs 1300-1600 per 10 Kg.

Import Parity Trend

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





	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
July, 2018	2.92	-10.31	33.11	94.05	68.10
Aug, 2018	7.38	-18.86	8.84	68.70	32.82

Outlook-:

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

Technical Analysis (Refined soy oil)

Refined soy oil Futures (NCDEX, Daily Oct, Chart)	Refined soy oil (Weekly chart, Indore Rs/10 Kg Inclusive VAT)
	

Outlook – Refined soybean oil witnessed uptrend during the week in review and is likely to trade with a sideways to weak tone in the coming days.

- Weekly chart of refined soy oil at NCDEX depicts downtrend during the week in review. We expect prices to trade sideways to weak tone in the near term.
- Any close below 740 in weekly might take the prices below 730 levels.
- Expected price band for next week is 730-770 level in near to medium term. RSI and MACD is suggesting downtrend in the market.

Strategy: Market participants are advised to go short below 750 levels for a target of 735 and 730 with a stop loss at 760 on closing basis.

RSO NCDEX (Oct)

Support and Resistance				
S2	**S1**	**PCP**	**R1**	**R2**
700.00	720.00	746.5	756.00	768.00

Spot Market outlook: Refined soy oil Indore (without GST) is likely to stay in the range of Rs 720-770 per 10 Kg.

Technical Analysis (Crude Palm oil)

Crude palm oil Futures (MCX, Daily Oct, Chart)	Crude palm oil (Weekly chart, Kandla Rs/10 Kg)
	

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

- Candlestick in weekly chart of crude palm oil at MCX depicts downtrend in the prices. We expect prices to trade with a sideways to weak note in the near term.
- Any close below 580 in weekly chart may bring the prices to 570 levels.
- Expected price band for next week is 560-630 level. RSI and MACD are suggesting downtrend in prices in the coming week.

Strategy: Market participants are advised to go short in CPO below 590 for a target of 575 and 570 with a stop loss at 600 on closing basis.

CPO MCX (Oct)

Support and Resistance				
S2	**S1**	**PCP**	**R1**	**R2**
570.00	585.00	587.9	626.00	635.00

Spot Market outlook: Crude palm oil (without GST) is likely to stay in the range of Rs 570-630 per 10 Kg.

Veg. Oil Prices at Key Spot Markets

Edible Oil Prices at Key Market:

Commodity	Centre	Prices(Per 10 Kg)		Change
		28-Sep-18	21-Sep-18	
Refined Soybean Oil	Indore	745	735	10
	Indore (Soy Solvent Crude)	715	695	20
	Mumbai	745	755	-10
	Mumbai (Soy Degum)	700	685	15
	Kandla/Mundra	735	720	15
	Kandla/Mundra (Soy Degum)	705	685	20
	Kolkata	750	730	20
	Delhi	780	770	10
	Nagpur	765	750	15
	Rajkot	730	715	15
	Kota	740	735	5
	Hyderabad	775	Closed	-
	Akola	764	751	13
	Amrawati	763	751	12
	Bundi	750	745	5
	Jalna	759	751	8
	Alwar	Unq	Unq	-
	Solapur	756	747	9
	Dhule	750	748	2
Palm Oil *	Kandla (Crude Palm Oil)	629	629	Unch
	Kandla (RBD Palm oil)	662	658	3
	Kandla RBD Pamolein	698	688	11
	Kakinada (Crude Palm Oil)	625	614	11
	Kakinada RBD Pamolein	698	693	5
	Haldia Pamolein	711	704	7
	Chennai RBD Pamolein	704	704	Unch
	Chennai RBD Pamolein (Vitamin A&D Fortified)	779	779	Unch
	KPT (krishna patnam) Pamolein	695	693	2
	Mumbai RBD Pamolein	719	719	Unch
	Mangalore RBD Pamolein	716	711	5
	Tuticorin (RBD Palmolein)	Closed	Closed	-
	Delhi	735	725	10
	Rajkot	695	687	8
	Hyderabad	715	Closed	-
	PFAD (Kandla)	389	389	Unch
	Refined Palm Stearin (Kandla)	536	536	Unch

	Superolien (Kandla)	735	735	Unch
	Superolien (Mumbai)	779	779	Unch
* Inclusive of GST				
Refined Sunflower Oil	Chennai	830	835	-5
	Mumbai	820	820	Unch
	Mumbai(Expeller Oil)	780	775	5
	Kandla	805	805	Unch
	Kandla/Mundra (Crude)	Unq	Unq	-
	Hyderabad (Ref)	825	Closed	-
	Latur (Expeller Oil)	790	800	-10
	Chellakere (Expeller Oil)	800	800	Unch
	Erode (Expeller Oil)	880	880	Unch
Groundnut Oil	Rajkot	830	840	-10
	Chennai	900	Closed	-
	Delhi	925	925	Unch
	Hyderabad *	940	Closed	-
	Mumbai	870	880	-10
	Gondal	830	840	-10
	Jamnagar	825	830	-5
Rapeseed Oil/Mustard Oil	Jaipur (Expeller Oil)	850	850	Unch
	Jaipur (Kacchi Ghani Oil)	861	870	-9
	Kota (Expeller Oil)	810	810	Unch
	Kota (Kacchi Ghani Oil)	845	845	Unch
	Neewai (Kacchi Ghani Oil)	820	830	-10
	Neewai (Expeller Oil)	850	855	-5
	Bharatpur (Kacchi Ghani Oil)	862	860	2
	Alwar (Kacchi Ghani Oil)	Unq	Unq	-
	Alwar (Expeller Oil)	Unq	Unq	-
	Sri-Ganga Nagar(Exp Oil)	825	825	Unch
	Sri-Ganga Nagar (Kacchi Ghani Oil)	845	845	Unch
	Mumbai (Expeller Oil)	845	850	-5
	Kolkata(Expeller Oil)	980	970	10
	New Delhi (Expeller Oil)	850	850	Unch
	Hapur (Expeller Oil)	900	890	10
	Hapur (Kacchi Ghani Oil)	940	930	10
	Agra (Kacchi Ghani Oil)	867	865	2
Refined Cottonseed Oil	Rajkot	780	770	10
	Hyderabad	775	Closed	-
	Mumbai	800	795	5

	New Delhi	750	750	Unch
Coconut Oil	Kangayan (Crude)	1420	1400	20
	Cochin	1670	1670	Unch
	Trissur	Unq	Unq	-
Sesame Oil	New Delhi	1300	1300	Unch
	Mumbai	Unq	Unq	-
Kardi	Mumbai	840	850	-10
Rice Bran Oil (40%)	New Delhi	670	670	Unch
Rice Bran Oil (4%)	Punjab	660	660	Unch
Rice Bran Oil (4%)	Uttar Pradesh	Unq	Unq	-
Malaysia Palmolein USD/MT	FOB	545	538	7
	CNF India	560	562	-2
Indonesia CPO USD/MT	FOB	500	505	-5
	CNF India	530	530	Unch
RBD Palm oil (Malaysia Origin USD/MT)	FOB	543	535	8
RBD Palm Stearin (Malaysia Origin USD/MT)	FOB	525	528	-3
RBD Palm Kernel Oil (Malaysia Origin USD/MT)	FOB	930	970	-40
Palm Fatty Acid Distillate (Malaysia Origin USD/MT)	FOB	465	468	-3
Crude palm Kernel Oil India (USD/MT)	CNF India	Unq	Unq	-
Ukraine Origin CSFO USD/MT Kandla	CIF	715	730	-15
Rapeseed Oil Rotterdam Euro/MT	FOB	738	706	32

Argentina FOB ($/MT)	27-Sep-18	20-Sep-18	Change
Crude Soybean Oil Ship	666	627	39
Refined Soy Oil (Bulk) Ship	689	649	40
Sunflower Oil Ship	690	695	-5
Cottonseed Oil Ship	646	607	39
Refined Linseed Oil (Bulk) Ship	Unq	Unq	-

** indicates including GST*

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