

# Veg. Oil Weekly Research Report

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## **Executive Summary**

### **Domestic Veg. Oil Market Summary**

*Edible oil prices featured mixed trend during this week in domestic market. CBOT soy oil and BMD palm oil fell during the week. Soy oil and groundnut oil prices rose while palm oil, rapeseed oil, sunflower oil and coconut oil prices closed in red.*

*On the currency front, Indian rupee is hovering near 69.79 against 69.47 paise 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 also rise in near-term.*

*We expect soy oil and palm oil to trade weak on weak fundamentals.*

#### **Outlook:**

*Weekly Call -: In NCDEX, market participants are advised to go long above 735 levels for a target of 750 and 755 with a stop loss at 725 on closing basis. We expect refined soy oil at Indore (without GST) to stay in the range of Rs. 730-790 per 10 Kg. in the near term.*

*In MCX, market participants are advised to go short in CPO below 515 for a target of 500 and 495 with a stop loss at 525 on closing basis. We expect CPO Kandla 5 percent (without GST) to stay in the range of Rs 480-520 per 10 Kg in the near term.*

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

*On the international front, rise in soy oil stocks in US, expected rise in soybean crop in US, rise in production of soybean in Argentina, rise in production of soybean in Brazil and weak demand of soybean from China will underpin soy oil prices in coming days.*

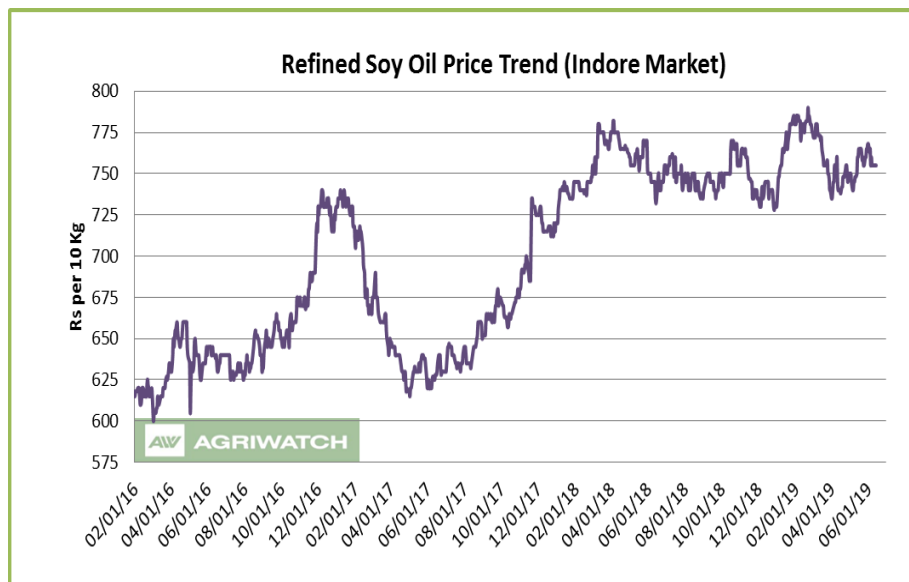
*Expectation of rise in palm oil stocks in Malaysia, rise in production of palm oil in Malaysia, fall in exports of palm oil from Malaysia and weak demand from India and China is expected to underpin CPO prices in near term.*

## Soy oil Fundamental Analysis and Outlook:-

### Domestic Front

- Soy oil featured firm sentiment in domestic markets in the week in review on firm demand.
- Soy oil prices closed higher during the week in Indore on firm demand.

Higher expected crop of soybean in US, higher than expected soybean crop in Argentina, higher than expected soybean crop in Brazil and weak demand of soybean from China has led to



weakening of soy oil international prices. However, slower sowing pace of Soybean in U.S. may support prices at some extent.

Import parity decreased during the week and is quoted at 3.0-3.5 per kg compared to Rs 3.5-4.0 per kg. Import demand are likely to rise due to parity in imports.

Soy oil demand is weak at high seas as its prices fell more at high seas compared to CNF markets compared to last week.

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

USDA reported higher soy oil end stocks in US in 2019/20 on higher opening stocks of soy oil. Biodiesel use was increased in 2019/20 compared to 2018/19, soy oil production in US was increased in 2019/20 compared to 2018/19 and exports of soy oil was increased in 2019/20 compared to 2018/19.

Basis rose due to higher crop of soybean in Argentina leading to lower FOB soy oil prices. Its discount over CBOT has increased.

Imports of soy oil declined in May 2019 compared to May 2018 and lower than Apr 2019. Imports declined at 16,000 tons in May compared to Apr 2019 while port stocks declined 40,000 tons indicating firm demand in May.

CDSO is trading at high premium over RBD palmolein at high seas at Rs. 151 (Rs. 155 last week) per 10 kg will decrease CDSO import demand.

Refined soy oil premium over RBD palmolein is higher at Rs 193 (Rs 180 last week) per 10 Kg, which is high and may cap soy oil prices in domestic markets. In USD terms, premium of CDSO CNF over CPO CNF was quoted at USD 218 (USD 210 last week) per ton for June delivery, which is higher and decrease demand of CDSO at CNF markets compared to CPO CNF. Values in brackets are figures of last week.

- According to Solvent Extractors Association (SEA), India's May edible oil imports fell 5.30 percent y-o-y to 11.81 lakh tons from 12.47 lakh tons in May 2018. Palm oil imports in May rose 64.8 percent y-o-y to 8.19 lakh tons

from 4.97 lakh tons in May 2018. CPO imports rose 32.53 percent in May y-o-y to 4.40 lakh tons from 3.32 lakh tons in May 2018. RBD palmolein imports rose 134.8 percent in May y-o-y to 3.71 lakh tons from 1.58 lakh tons in May 2018. Soy oil imports fell 41.56 percent in May y-o-y to 2.32 lakh tons from 3.97 lakh tons in May 2018. Sunflower oil imports fell 60.4 y-o-y in May to 1.31 lakh tons from 3.31 lakh tons in May 2018. Rapeseed (canola) oil imports were zero in May compared 0.22 imports in May 2018.

- According to Solvent Extractors Association (SEA), India's May edible oil stocks at ports and pipelines fell 6.58 percent m-o-m to 22.0 lakh tons from 23.55 lakh tons in Apr 2019. Stocks of edible oil at ports in May fell to 820,000 tons (CPO 380,000 tons, RBD Palmolein 240,000 tons, Degummed Soybean Oil 80,000 tons, Crude Sunflower Oil 120,000 ton and about 1,380,000 tons in pipelines. (Stocks at ports were 875,000 tons in Apr 2019). India is presently holding 35 days of edible oil requirement on 1st June, 2019 at 22.0 lakh tons compared to 37 days of requirements last month at 23.55 lakh tons. India's monthly edible oil requirement is 19.0 lakh tons.
- Soy oil import scenario – According to SEA, soy oil imports fell 41.56 percent y-o-y in May to 2.32 lakh tons from 3.97 lakh tons in May 2018. In the oil year 2018-19 (Nov 2018-May 2019), imports of soy oil were 14.69 lakh tons compared to 14.89 lakh tons in last oil year, lower by 1.34 percent in the corresponding period last oil year.
- Imported crude soy oil CNF at West coast port is offered at USD 706 (USD 703) per ton for June delivery, July delivery is quoted at USD 675 (USD 682) per ton. Values in brackets are figures of last week. Last month, CNF CDSO May average price was USD 695.03 (USD 686.88 per ton in April 2019) per ton. Soy refined (Indore) is quoted at Rs 765 (Rs 755 last week) per 10 kg.
- On the parity front, margins increased during the week on fall in prices of Soy oil in international markets, and we expect margins to remain firm in coming days. Currently, refiners fetch USD 35-40/ton v/s gain of USD 40-45/ton (May month) margin in processing the imported Soybean Oil (Argentina Origin).

### International Front

Soy oil prices are expected to be fall in expectation higher than expected soybean crop in US, US China trade settlement concerns, rise in stocks of soy oil in US, higher than soybean crop in Argentina, higher than expected soybean crop in Brazil, weak demand of soybean from China. However, slow sowing pace in U.S. may support prices from any major fall.

Soybean crop in US is expected to rise due to wet weather conditions in US Midwest, which has led US farmers to shift from corn to soybean. Further, more rains are expected which will decrease planting of corn and will lead to major area shift to soybean. This will increase soybean crop in US than previously expected. This will lead to rise in stocks of soybean in US, which is struggling, with record stockpiles of soybean.

US and Chan trade talks are ongoing and no major breakthrough has been made yet. Further, China is backtracking to its commitments made during the start of talks. US President has said that US is set to raise tariffs of Chinese goods worth USD 300 billion if China does not give major trade concessions and carry out reforms in its economy to give equal status to US companies in China. US President has called for meeting with Chinese premier on the sidelines of G-20. However, China has not confirmed about the said meeting. US

President has said that US will advance with additional tariffs if Chinese Premier does not meet him in sidelines of G-20 and no major breakthrough is made in trade talks between both countries.

USDA raised end stocks of soy oil in US in 2019/20 despite rise in exports and higher biodiesel use because of higher opening stocks for 2019/20. Moreover, soy oil stocks rose in US in April as reported by NOPA due to lower domestic disappearance will underpin prices of soy oil. Stocks of soy oil rises seasonally, but the rise was larger than trade estimates. Surging stocks of soy oil in US will curb soy oil prices.

Soybean crop in Argentina is expected to be higher than expected due to higher yields in soybean belts. Further, with higher soybean crop soybean exports is expected higher due to higher Chinese demand. This has led to fall in basis of soy oil from Argentina and led to fall in FOB prices.

Bunions Aires Exchange has hiked soybean crop estimate of Argentina to 57 MMT from 56 MMT in its earlier estimate. USDA kept Argentina soybean crop estimate at 56 MMT in its April estimate.

However, soy oil exports from Argentina is facing major hurdle due to competition from US which is sitting on record soybean stocks. This has led to major stoppages in crushers in Argentina.

Due to weather led disturbances in US has led to lower exports of soybean due to weather disruption. This has led to piling of stocks of soybean at loading points in US Midwest.

As per IGC report, Soybean global production is likely to decline at 358 million tonnes in 2019/20 against 363 million tonnes in 2018/19. It expects global consumption at 359 million tonnes for 2019/20.

All the above factors are weakening soy oil CBOT prices.

Weak demand from China due to weak demand from feed sector due to outbreak of swine flu has led to more than 20 percent cut in swine stocks in China. This has led to sudden slowdown of soybean demand from China. This comes after trade dispute with US, which led China to shift to South America for soybean supplies and lowered protein requirements in feed sector in the country. This will lead to lower demand of soybean from China.

However, China will start to restock swine in coming months when swine flu is controlled. So, China has started to increase its strategic stocks of soybean will increase in imports of soybean in coming months.

Lower import of soybean by China has led to shift of buyers to other competing oils like palm oil leading to fall in global soy oil prices.

USDA reduced 2018/19 China's soybean import estimate to 85 MMT from 90 MMT in 2018/19 in an effort by Beijing to move away from US soybean imports. Further cut in imports by China is expected in coming months.

China imported 87 MMT of soybean in 2018, according to CNGOIC, much lower than 95 MMT in 2017.

Soybean crop in Brazil is higher than previously expected due to favorable weather during harvest leading to higher soybean crop in the country.

Competitive oils like BMD palm oil and DALIAN RBD palmolein is expected to trade lower due to rising supply position.

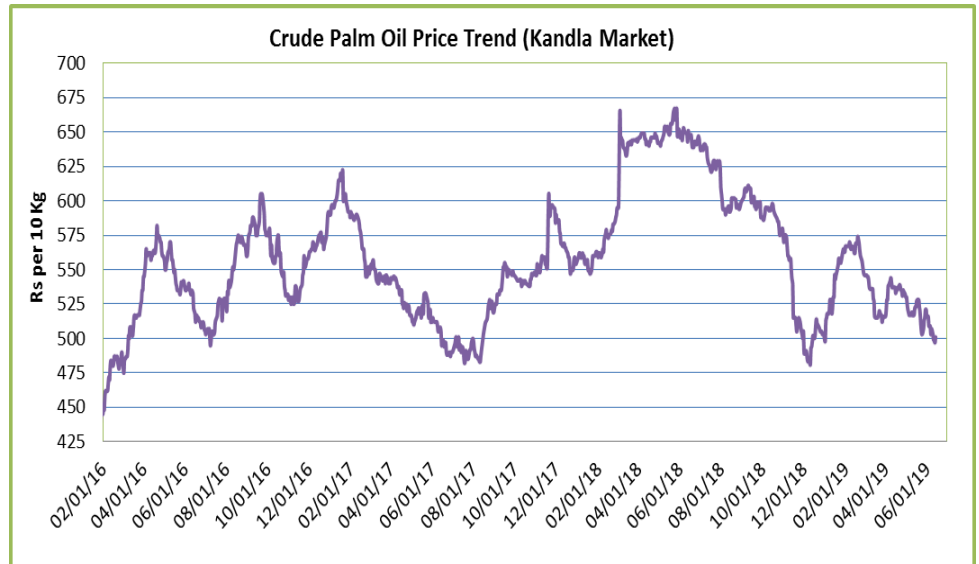
Global crude oil prices have is expected to rise due to OPEC cut in crude oil production and sanctions on Iran and Venezuela.

**Price Outlook:** We expect refined soy oil (without GST) at Indore to stay in the range of Rs 730-790 per 10 Kg in the near term.

## Palm oil Fundamental Analysis and Outlook -:

### Domestic Front

- Crude palm oil featured weak trend at its benchmark market at Kandla on weak demand and fall in international prices of palm oil  
RBD palmolein also fell at its benchmark market of Kandla on weak demand and fall in international prices in international markets



- Prices of CPO closed lower at Kandla on weak demand and fall in international price of palm oil.  
Prices of CPO fell more at high seas compared to CNF markets compared to last week indicating weak demand at high seas.
- Reduction in import duty on RBD palmolein will weaken CPO imports as duty differential between crude palm oil and RBD palmolein has fallen from 11 percent to 5 percent. Preferential treatment given to Malaysia in terms of lower RBD palmolein imports will lead to higher imports of RBD palmolein and lower imports of CPO from Indonesia.

Traders are expected to take advantage any fall in international prices of CPO by increasing buying.

Data from cargo surveyors show fall in imports of palm oil by India in June so far from Malaysia.

Imports of palm oil by India increased in May compared to May 2018 and April 2019. Rise in CPO imports came on high base y-o-y. RBD palmolein imports rose in May compared to May 2018.

Imports of CPO rose in May due to firm demand of CPO in Indian markets, low import disparity, parity in refining and bargain buying at lower levels.

Imports of CPO will remain firm due to parity in imports. However, CPO imports will be weak compared to RBD palmolein due to lower import parity compared to imported ready to use palmolein.

Rising premium of RBD palmolein over CPO at CNF markets will increase CPO imports.

CPO import disparity increased during the week and is quoted at Rs 2.0-2.5 per kg compared to Rs 2.0-2.5 per kg last week.

Port stocks rose in May despite fall in imports m-o-m indicating weak demand.

Demand of CPO is firm at CNF markets as prices fell less at CNF markets and FOB markets compared to last week.

RBD palmolein showed lower prices in its benchmark market on weak demand.

RBD palmolein prices fell more at high seas compared to CNF markets indicating weak demand at high seas.

Import demand of RBD palmolein rose in May due to lower prices of RBD palmolein in international markets, higher import parity compared to CPO and lowering of import duty on RBD palmolein which led to lowering of duty differential between CPO and RBD palmolein leading to higher RBD palmolein imports.

Import demand of RBD palmolein is expected to firm in oil year 2018-19 (Nov 2018-Oct 2019) due to reduction import duty on RBD palmolein, lower differential of RBD palmolein import duty over CPO.

Imports of RBD palmolein rose due to fall in prices of palm products in international markets.

Stocks of RBD palmolein at Indian ports have increased due to higher imports and restocking at ports.

Demand of RBD palmolein was weak compared to CPO at high seas as premium of RBD palmolein over CPO was at Rs 68 (Rs 77) per 10 kg compared to last week.

RBD palmolein import disparity increased during the week and is quoted at Rs 1.5-2.0 per kg compared to 1.0-1.5 per kg 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 increase imports of CPO.

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

Import of RBD palmolein in May was higher than May 2018 and Apr 2019. Imports of RBD palmolein rose in May compared to Apr 2019 and port stocks rose less indicating firm demand and restocking of RBD palmolein in Mar.

CDSO CNF premium over CPO CNF is at USD 218 (USD 210 last week) per 10 kg which is higher and may increase imports quantity of CPO. Premium of CDSO soy oil high seas over CPO high seas is at Rs. 209 (Rs 227 last week) per 10 Kg will increased CPO demand at high seas. Premium of refined soy oil over RBD palmolein at Rs 193 (Rs 180 last week) per 10 kg. will increase RBD palmolein demand. RBD palmolein discount over sunflower at CNF markets is remain at USD 235 (USD 235 last week) per ton. High premium of refined sunflower oil over RBD palmolein remain at Rs 198 (Rs 200) per 10 kg will increase RBD palmolein imports. Values in brackets are figures of last week.

- Palm oil import scenario – According to Solvent Extractors Association (SEA), palm oil imports in May rose 64.8 percent y-o-y to 8.19 lakh tons from 4.97 lakh tons in May 2019. Imports in the oil year 2018-19 (November 2018-May 2019) are reported higher by 6.49 percent y-o-y at 53.99 lakh tons compared to 50.70 in corresponding period last oil year.

Crude Palm oil import scenario- According to Solvent Extractors Association (SEA), CPO Imports rose 32.53 percent y-o-y in May to 4.40 lakh tons from 3.32 lakh tons in May 2019. Imports in oil year 2018-19 (November 2018-May 2019) were reported lower by 3.10 percent y-o-y at 37.45 lakh tons compared to 38.67 lakh tons in corresponding period last oil year.

RBD palmolein import scenario- RBD palmolein imports rose y-o-y in Apr 13.4.8 percent to 3.71 lakh tons from 1.58 lakh tons in May 2018. Imports in oil year 2018-19 (November 2019-May 2019) were reported higher by 37.96 perecent y-o-y at 15.70 lakh tons compared to 11.38 lakh tons in corresponding period last oil year.



- On the trade front, CNF CPO (Indonesian origin) at Indian port is quoted at USD 487.5 (USD 490) per ton for June delivery and July delivery is quoted at USD 490 per ton. Last month, CNF CPO May average price was at 498.28 per ton (USD 529.64 per ton in April 2019). Values in brackets are figures of last week. Moreover, RBD palmolein (Malaysian origin) CNF at Indian port, offered at USD 532.5 (USD 540) per ton for June delivery and July delivery is quoted at USD 535 per ton. Last month, CIF RBD palmolein May average price was USD 514.96 (USD 539.76 in April 2019) per ton. Values in bracket depict last month quotes. Ready lift CPO duty paid prices quoted at Rs 504 (Rs 507) per 10 Kg and June delivery duty paid is offered at Rs 507 (Rs 510) per 10 kg. Ready lift RBD palmolein is quoted at Rs 572 (Rs 580) per 10 kg as on June 14, 2019. Values in brackets are figures of last week.
- On the parity front, margins decreased during this week due to fall in prices of palm products in Indian markets. Currently refiners fetch USD 5-10/ton v/s loss of USD 10-15/ton (last month) margin in processing the imported CPO and imports of ready to use palmolein lose USD 10-15/ton v/s loss of USD 0-5/ton (last month) parity.

### International Front

Palm oil prices are likely to fall due to expectation of rise in end stocks of palm oil in Malaysia and Indonesia, fall in exports of palm oil from Malaysia, rise in production of palm oil in Malaysia.

Palm oil stocks are expected to rise in Malaysia in June due to fall in exports of palm oil from Malaysia in June and rise in palm oil production in June in Malaysia.

Palm oil end stocks fell more than expected in Malaysia in May due to rise in exports and higher domestic consumption of palm oil in Malaysia. End stocks of palm oil fell more than 10 percent while exports rose 3.5 percent. However, production of palm oil unexpectedly rose in May.

Production of palm oil will rise due to seasonal uptrend of production. Production is expected to rise as production increase in May indication start of new production cycle.

Exports of palm oil has fallen by more than 20 percent until mid June due to low demand from India and China.

Exports rose 6.5 percent in May as reports by cargo surveyor SGS.

Imports from India declined in June due to weak demand in the country and record stocks of palm oil at Indian ports. Ramadan demand is over and severe summer has led to fall in demand of palm oil in the country. Import parity has also worsened in June and ready to use palmolein demand is less than domestic refined RBD palmolein. High stocks of palm oil at Indian ports and higher oilseed crop in the country, especially rapeseed and soybean will slow imports of palm oil in coming months.

Demand of palm oil fell from China due to regular fall in prices of palm oil and higher imports of edible vegetable oil in 2019 till date. Palm oil demand seasonally slows from China until July.

This comes amid lower imports of soybean by China which has led to lower crush of soybean in the country leading to lower supply of soy oil leading to higher imports of palm oil. Lower imports of soybean are due to US-China trade dispute and outbreak of swine flu in the country. However, imports of palm oil are expected to slow as demand of palm oil remains seasonally low after Chinese New Year.

Global demand of palm oil is expected to fall in 2019 for the first time since trade data is collected indicating that buildup of palm oil stocks is expected to continue in coming months as demand is expected remain low.

Palm oil stocks in Indonesia fell below 3 MMT in March due to surge in exports of palm oil, fall in production of palm oil and removal of levy of exports of palm oil leading to rise in discount of CPO over RBD palmolein.



Higher use of palm oil in biodiesel in the country contributed to fall in stocks of palm oil in last six months.

Indonesia has asked India to cut import duty on palm oil to bring it in line with import duty on palm oil on Malaysia by India in exchange of higher sugar imports from India by Indonesia.

Production of palm oil is expected to rise 10 percent in Indonesia in 2019 on higher produce from maturing plantations, according to GAPKI.

Depreciation of Ringgit is expected to support palm oil prices. Ringgit has depreciated below 4.15/USD. This will make exports of palm oil competitive compared to other oil and same oils with different destinations.

Indonesia removed export levy on exports of palm products from the country due to fall in prices of palm oil and record stocks of palm oil in the country.

Increasing use of biodiesel in Indonesia will reduce palm oil stocks in the country. The country has mandated 20 percent bio content in all type of gasoline use in the country and is working to increase usage to 30 percent in 2019-20.

Malaysia has unveiled plans to double biodiesel production in the country in an effort to clear stocks of palm oil in the country.

RBD Palmolein Malaysia premium has increased over Indonesia CPO due to firm demand. Export demand will fall from Malaysia due to rising premium of Malaysian palmolein.

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

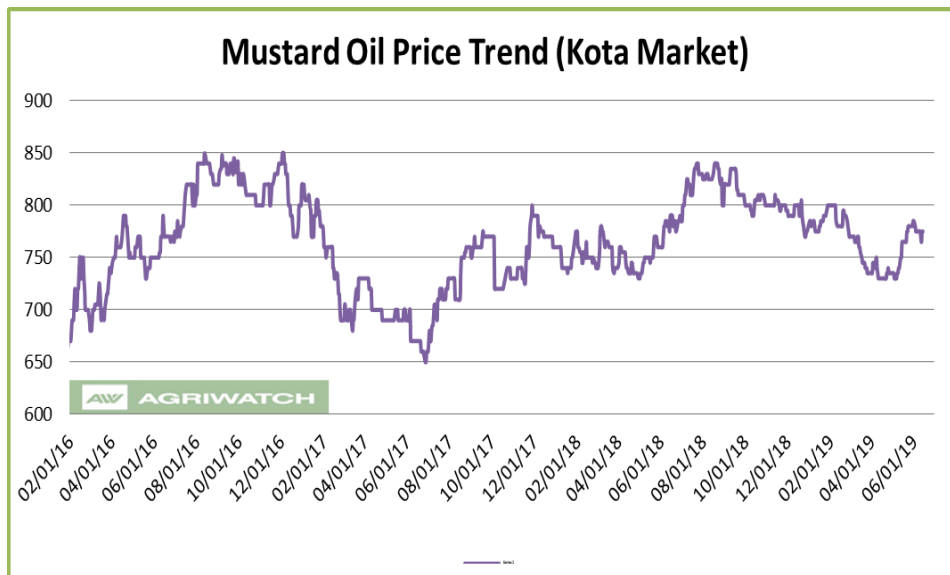
Global crude oil prices are expected to rise on expected cut on crude oil production by OPEC and sanction on Iran and Venezuela will support palm oil prices.

**Price Outlook:** We expect CPO Kandla 5 percent (without GST) to stay in the range of Rs 480-530 per 10 Kg in the near term.

## Rapeseed oil Fundamental Review and Analysis-

### Domestic Front

- Mustard oil prices showed weak trend in benchmark market weak demand. Arrivals of rapeseed decreased last week.
- Prices of rapeseed oil expeller featured weak trend in its benchmark market on weak demand. High premium of rapeseed oil over palm oil led to weakening in rapeseed oil demand and prices.



Prices closed lower on fall in rapeseed prices. Fall in raw material prices led to lower product prices.

NAFED procurement of mustard has reached final stage for the MY 2019-20.

NAFED has procured 10.09 lakh tons of rapeseed in the current Rabi season. Stock with NCDEX is 0.67 lakh tons.

Arrivals of rapeseed are in mixed pace at various key markets.

Rapeseed end stocks in MY 2018-19 was higher on account of higher crop of rapeseed last year. Agriwatch estimated rapeseed crop at 7.1 MMT in MY 2018-19.

However, new rapeseed crop is estimated to be 7.9 MMT, which is above last year due to higher rapeseed sown area and higher yields. This will lead to lower rapeseed prices thereby adversely affecting rapeseed oil prices. New rapeseed arrivals have peaked and arrivals are expected to fall in coming weeks.

In third advanced estimates, government estimates Mustard seed output at 87.82 lakh tonnes for 2018/19 higher by 4.2% from 84.3 lakh tonnes in 2017/18.

Falling discount of soy oil prices to rapeseed kacchi ghani prices is likely support rapeseed oil prices.

Higher premium of Jaipur kacchi ghani rapeseed oil over refined soy oil in domestic market is at Rs 35 (Rs 51) per 10 Kg will support rapeseed oil prices.

Jaipur kacchi ghani rapeseed oil premium over RBD palmolein is remain at Rs 228 (Rs 226) per 10 kg will decrease rapeseed oil prices.

There was no import of canola oil in May. Imports of canola oil is weak in oil year 2018-19 (Nov 2018-May 2019) after weak oil year 2017-18 (Nov-Oct) indicating weak demand of canola oil. Hike in import duty on canola has slowed import demand. There are negligible stocks of canola oil at ports.

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

Canola oil prices are unquoted at Indian ports as there is no import demand. There were no imports in May. Hike in import duty on imports of canola oil has led to zero imports.

Markets are expected to trade sideways to weak tone in coming days on weak demand.

- Rapeseed oil import scenario- India imported 0.0 lakh tons of rapeseed (Canola) oil in May 2019 v/s 0.22 lakh tons in May 2018. In the oil year 2018-19 (Nov 2018-May 2019) imports were 0.44 lakh tons compared to 1.81 lakh tons in last oil year, lower by 75.69 percent y-o-y.
- CNF canola oil premium over CDSO is at USD 34 (USD 35 last week) per ton for ready delivery as on June 14, 2019.
- Currently, RM oil at Jaipur market, (expeller) is offered at Rs 775 (Rs 785) per 10 Kg, and at Kota market, it is offered at Rs 775 (Rs 775) per 10 kg as on June 14 2019. Values in brackets are figures of last week.
- We expect RM seed oil prices to trade sideways to weak tone in the coming days.

**Price Outlook:** Rapeseed oil (without GST) prices in Kota may stay in the range of Rs 740-800 per 10 Kg.

Sunflower oil Fundamental Review and Analysis:-Domestic Front

- Sunflower oil price traded lower during the week in Chennai on weak demand.

- Prices of sunflower oil traded lower in Chennai on weak demand

Sunflower oil price fell more at high seas compared to CNF markets indicating weak demand at high seas.

Prices fell on fall in palm oil prices.

There can be bargain buying at

these levels. Demand may strengthen due to stability in prices of sunflower oil.

Import demand of sunflower oil is expected to fall due to high sunflower oil premium over palm oil. Stocks of sunflower oil fell at ports on fall in imports indicating destocking at ports.

In domestic market, sunflower oil prices premium over soy oil is at Rs 5 (Rs 20 last week) per 10 kg, which indicates that chance of correction of sunflower oil prices is less as prices have converged at domestic and at CNF markets. At present premium of sunflower oil over soy oil at CNF markets is at USD 41.5 (USD 46 last week) per ton.

Demand of sunflower is likely to weaken due to high premium over RBD palmolein.

Sunflower oil premium over RBD palmolein at CNF India is at USD 215 (US 235 last week) which will decrease imports.

In domestic market refined sunflower oil (Chennai) premium over RBD palmolein (Chennai) is remain at Rs 198 (Rs 195) per 10 kg which is high will underpin sunflower oil in domestic market.

In domestic market rising groundnut oil premium over sunflower oil at Chennai market is at Rs 230 (Rs 235 last week) per 10 kg will support sunflower oil prices.

There is import disparity in sunflower oil, and refining margins are in disparity, which will decrease import demand and underpin prices.

Cut in import duty on palm oil has increased sunflower oil premium over palm oil in domestic markets.

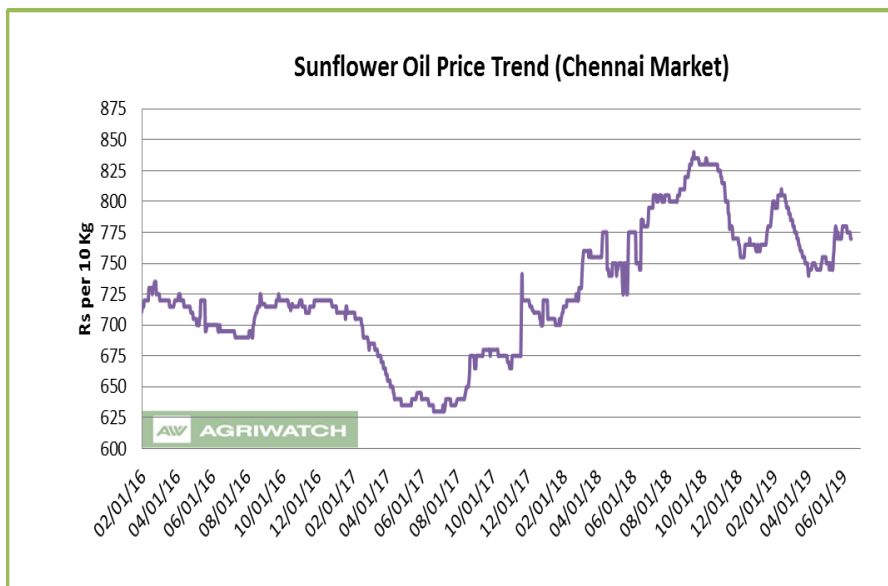
Prices of sunflower oil will be underpinned by high stocks of sunflower oil at ports.

Imports of sunflower oil fell after rise for four month in May and port stocks has decreased indicating destocking is taking place at ports.

Weak domestic demand may weaken prices.

Refiners have decreased purchase of crude sunflower oil from international markets as CNF sunflower oil premium over CNF soybean oil and palm oil has risen.

Prices of sunflower oil are expected to decline on weak demand.

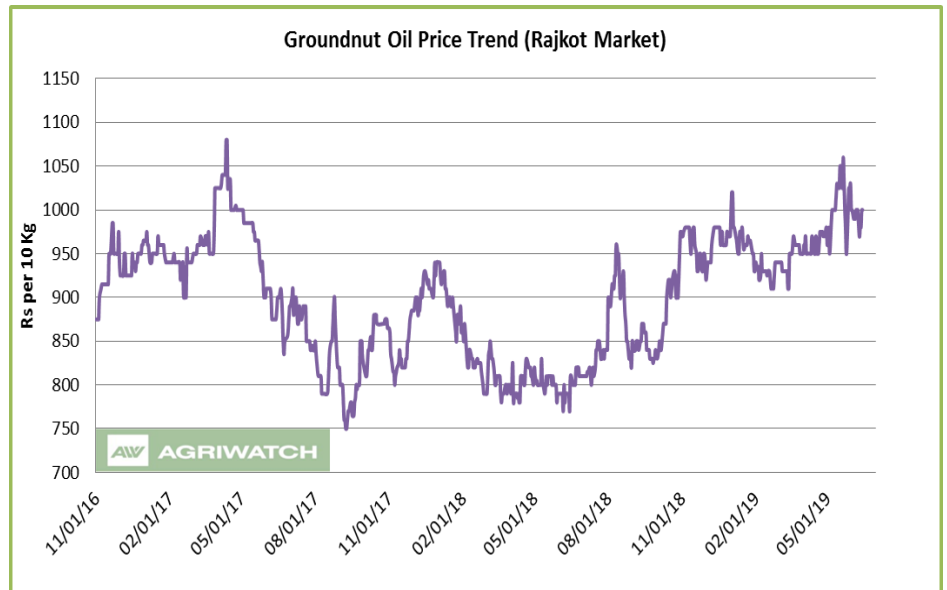


- Sunflower oil imports scenario- According to Solvent Extractors Association (SEA), Sunflower oil imports fell 60.4 percent y-o-y in May to 1.31 lakh tons from 3.31 lakh tons in May 2018. Imports in oil year 2018-19 (November 2018-May 2019) were reported lower by 10.73 percent y-o-y at 14.73 lakh tons compared to 16.50 lakh tons in corresponding period last oil year.
- On the trade front, CIF sunflower oil prices (Ukraine origin) at West coast of India quoted higher at USD 745.5 (USD 745) per ton for June delivery, July delivery was quoted at USD 747.5 (USD 745) per ton and OND delivery is quoted at 732.5 per ton. CNF sun oil (Ukraine origin) May monthly average was at USD 739 per ton compared to USD 718 per ton in Apr. Values in brackets are figures of last week.
- Prices are likely to stay in the range of USD 700-800 per ton in the near term. CNF Sunflower oil premium over CDSO is hovering remain at USD 41.5 (USD 42 last week) per ton for June delivery. CNF sunflower oil premium over RBD palmolein is hovering around USD 215 (USD 235) per ton.
- Currently, refined sunflower oil at Chennai market is offered at Rs 770 (Rs 775) per 10 Kg, and at Kandla/Mudra market, it is offered higher at Rs 775 (Rs 775) per 10 kg as on June 14, 2019. Values in brackets are figures of last week.
- We expect sunflower oil prices to trade sideways to weak tone in the coming days.

**Price Outlook:** Sunflower oil (without GST) prices in Chennai may stay in the range of Rs 700-800 per 10 Kg.

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

- Groundnut oil prices featured sideways trend in Rajkot on account of moderate demand.
- Prices of groundnut oil traded sideways on firm demand. Groundnut oil prices are steady due to higher prices of groundnut in physical market. Demand of groundnut oil increased due to strong retail demand. Retail demand increased in fear of less availability.



Prices may trade higher side in next week on good demand.

Prices are steady and not following the lower trend of palm oil and sunflower oil.

Prices of groundnut oil rose due to low volatility in its prices. Low volatility leads to rise in demand.

NAFED is disposing groundnut K-18 aggressively in Gujarat, Rajasthan, MP. It is also selling K-17 groundnut seed in Gujarat states. Total progressive sale in 2018-19 is 2.53 lakh and balance quantity after sale is 4.50 lakh tons. Total stocks of groundnut of 2017-18 season with NAFED is 0.97 lakh tons and sold total 9.47 lakh tonnes so far. Therefore, total stock in NAFED is 5.47 lakh tons apart from additional stocks with trade and farmers. Higher domestic disappearance of groundnut has led to strengthening of groundnut oil priced.

Nafed has started to procure groundnut seed of Rabi season 2019 in Orisha. It procured total 130 tons at MSP price Rs. 4890 per quintal from 55 farmers.

Exports of groundnut has increased due to firm demand from China and political unrest in Sudan, thereby there is no diversion of groundnut towards crushing thereby decreasing supply of groundnut oil and supporting prices. Disparity in crush of groundnut is due to higher prices of groundnut will weaken groundnut oil demand. However, there is parity in crush of old groundnut crop.

Groundnut oil prices are expected to rise on good demand.

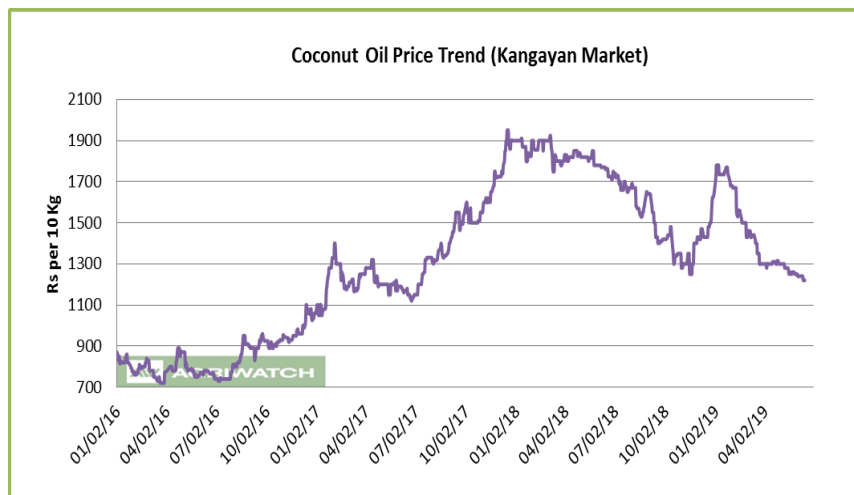
- On the price front, currently the groundnut oil prices in Rajkot is quoted remain at Rs 10,000 (Rs 10,000) per quintal and it was quoted higher at Rs 10,200 (Rs 10,500) per quintal in Chennai market on June 14, 2019. Values in brackets are figures of last week.
- Groundnut oil prices are likely to trade higher side in the coming days.

**Price Outlook:**

Groundnut oil (without GST) in Rajkot market is likely to trade in the price band of Rs 950-1100 per 10 Kg.

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

- Weak price trend was seen in its benchmark market of Kangayam on weak demand.
- Overall coconut oil prices showed weak trend during the week on weak demand. Prices fell despite rise prices of copra indicating weak demand. Prices fell on fall in palm oil prices. Retail demand has fallen due to regular fall in prices of coconut oil.



Stuckists and retailers are waiting to stocking as the prices are falling.

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

Traders and upcountry buyers are waiting to stock as they are not confident about prices.

Crushers has low stocks of coconut oil despite weak demand.

Due fall in prices of coconut oil demand will shift from other oils. Fresh demand is expected in lower levels due to fall in prices of coconut oil.

Supply position has improved in the market, which has underpinned prices. Price trend is biased towards downside.

Demand decreased due to regular fall in prices of coconut oil and high volatility in prices.

Consumers tend to postpone demand when the prices are falling and high volatility in prices.

Coconut oil consumers are loyal consumers and do not shift to other oils on higher prices but demand destruction takes place at higher levels. Palm oil is cheap alternative in South India.

Demand of coconut oil has fallen due to higher prices in 2019. Household consumption will rise due to lower prices of coconut oil.

FSSAI has banned 14 brands of coconut oil as it was found to be adulterated. The department is taking strict action against various brands who are found to be adulterating.

Coconut oil prices are expected to fall on weak demand and fall in copra prices.

Coconut oil prices are expected to be weak in days ahead.

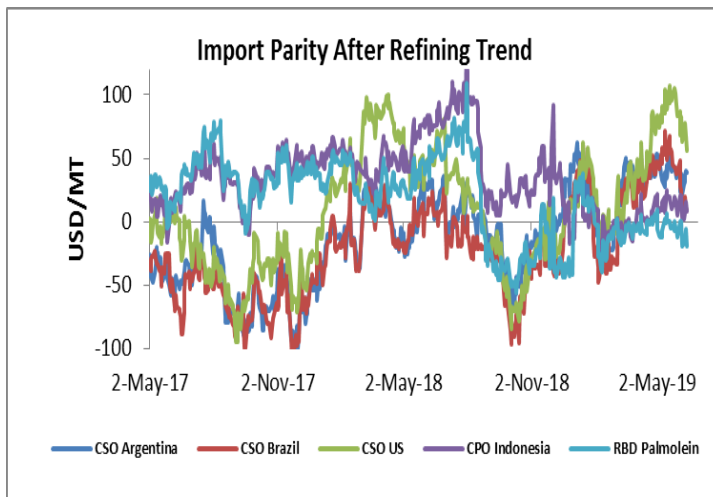
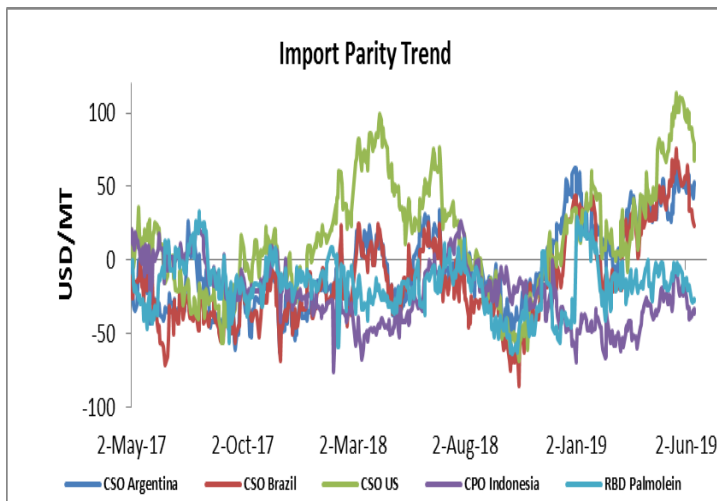
- On the price front, currently the coconut oil prices in Kochi is hovering remain at Rs 14,200 (Rs 14,200) per quintal, and was quoting Rs 12,200 (Rs 12,400) per quintal in Erode market on June 14, 2019.

**Price Outlook:** Coconut oil (without GST) prices in Erode may stay in the range of Rs 1150-1350 per 10 Kg.



### Import Parity Trend

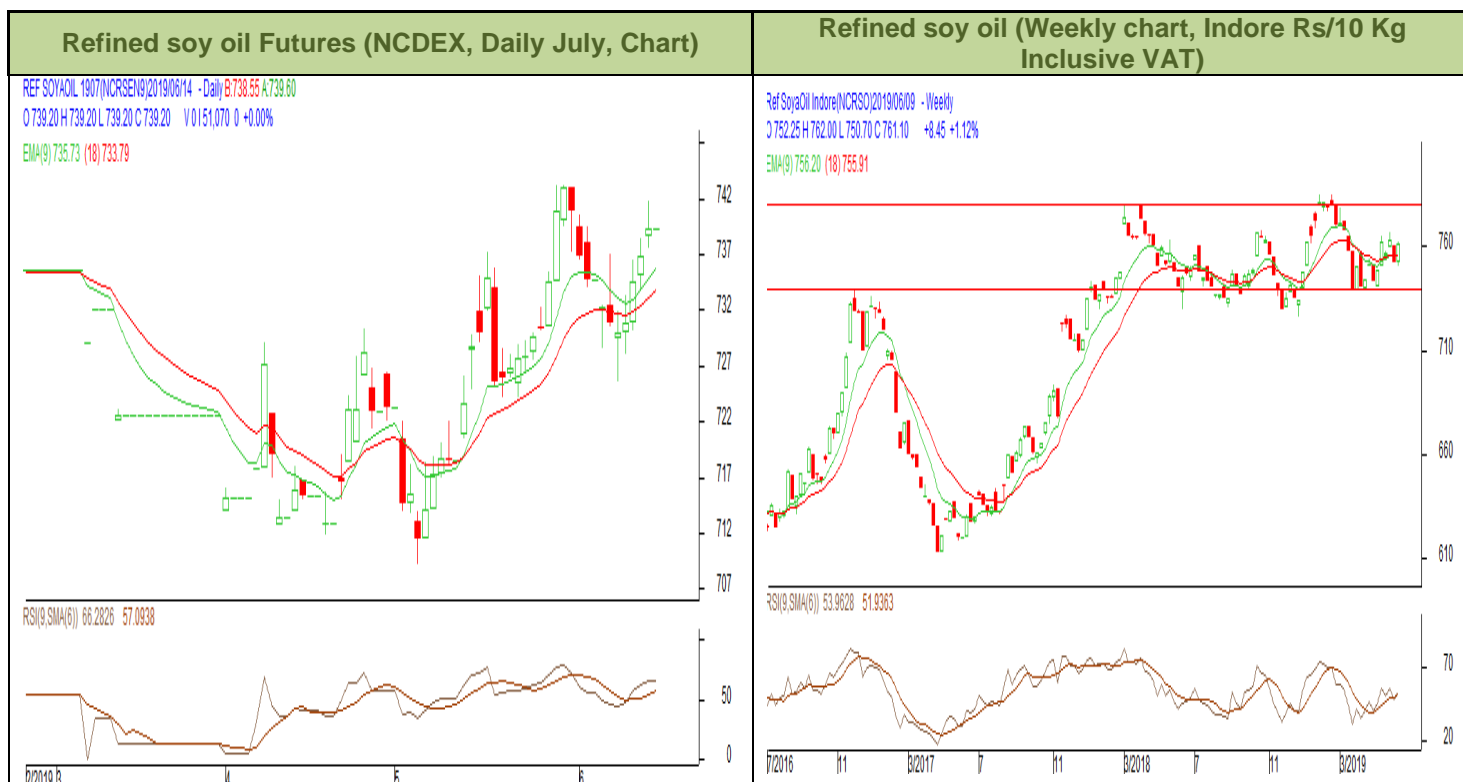
#### Import Parity After Refining in US dollar per ton (Monthly Average)



	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
<b>Apr, 2019</b>	37.28	33.93	52.18	5.50	-2.75
<b>May, 2019</b>	41.91	50.60	91.57	14.58	-3.53

### Outlook:-

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

**Technical Analysis (Refined soy oil)**


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

- Daily chart of refined soy oil at NCDEX depicts uptrend during the week in review. We expect prices to trade sideways to firm tone in the near term.
- Any close below 730 in weekly might take the prices below 720 levels.
- Expected price band for next week is 720-760 level in near to medium term. RSI and MACD is suggesting uptrend in the market.

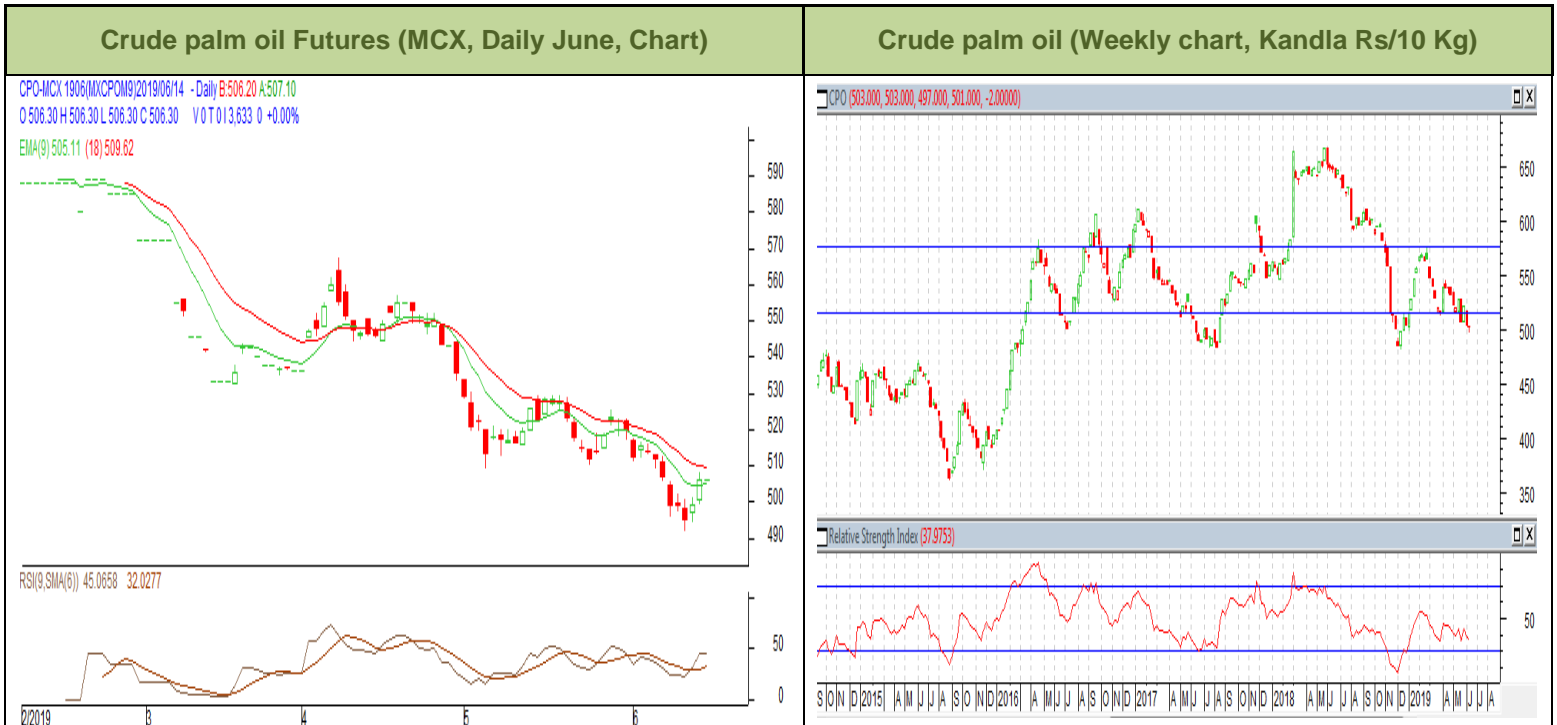
**Strategy:** Market participants are advised to go long above 735 levels for a target of 750 and 755 with a stop loss at 725 on closing basis.

**RSO NCDEX (July)**

Support and Resistance				
S2	S1	PCP	R1	R2
710.00	726.00	739.20	750.00	770.00

**Spot Market outlook:** Refined soy oil Indore (without GST) is likely to stay in the range of Rs 730-790 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.**

- Candlestick in weekly chart of crude palm oil at MCX depicts lower trend in the prices. We expect prices to trade with a sideways to weak note in the near term.
- Any close below 500 in weekly chart may bring the prices to 490 levels.
- Expected price band for next week is 490-530 level. RSI and MACD are suggesting downtrend in prices in the coming week.

**Strategy:** Market participants are advised to go short in CPO below 515 for a target of 500 and 495 with a stop loss at 525 on closing basis.

#### CPO MCX (June)

Support and Resistance				
S2	S1	PCP	R1	R2
480.00	490.00	509.5	520.00	530.00

**Spot Market outlook:** Crude palm oil (without GST) is likely to stay in the range of Rs 480-530 per 10 Kg.

Veg. Oil Prices at Key Spot Markets

Commodity	Centre	Prices(Per 10 Kg)		Change
		14-Jun-19	7-Jun-19	
Refined Soybean Oil	Indore	755	755	Unch
	Indore (Soy Solvent Crude)	725	720	5
	Mumbai	745	750	-5
	Mumbai (Soy Degum)	705	710	-5
	Kandla/Mundra	740	750	-10
	Kandla/Mundra (Soy Degum)	720	730	-10
	Kolkata	740	750	-10
	Delhi	795	785	10
	Nagpur	758	751	7
	Rajkot	740	740	Unch
	Kota	755	765	-10
	Hyderabad	755	760	-5
	Akola	758	752	6
	Amrawati	757	751	6
	Bundi	760	770	-10
	Jalna	754	751	3
	Solapur	755	752	3
	Dhule	763	753	10
Palm Oil*	Kandla (Crude Palm Oil)	526	528	-2
	Kandla (RBD Palm oil)	567	572	-5
	Kandla RBD Pamolein	599	609	-11
	Kakinada (Crude Palm Oil)	509	515	-5
	Kakinada RBD Pamolein	604	604	Unch
	Haldia Pamolein	609	614	-5
	Chennai RBD Pamolein	606	609	-3
	KPT (krishna patnam) Pamolein	593	599	-5
	Mumbai RBD Pamolein	614	625	-11
	Mangalore RBD Pamolein	609	611	-2
	Tuticorin (RBD Palmolein)	604	607	-3
	Delhi	635	638	-3
	Rajkot	593	604	-11
	Hyderabad	578	592	-14
	PFAD (Kandla)	326	336	-11
	Refined Palm Stearin (Kandla)	509	515	-5
	Superolien (Kandla)	630	656	-26
	Superolien (Mumbai)	630	662	-32
* inclusive of GST				
Refined Sunflower Oil	Chennai	770	775	-5

	Mumbai	785	785	Unch
	Mumbai(Expeller Oil)	740	750	-10
	Kandla (Ref.)	775	775	Unch
	Hyderabad (Ref)	780	795	-15
	Latur (Expeller Oil)	770	775	-5
	Chellakere (Expeller Oil)	725	732	-7
	Erode (Expeller Oil)	810	820	-10
Groundnut Oil	Rajkot	1000	1000	Unch
	Chennai	1020	1050	-30
	Delhi	950	950	Unch
	Hyderabad *	1050	1040	10
	Mumbai	1030	1010	20
	Gondal	Closed	970	-
	Jamnagar	Closed	1000	-
Rapeseed Oil/Mustard Oil	Jaipur (Expeller Oil)	775	785	-10
	Jaipur (Kacchi Ghani Oil)	802	806	-4
	Kota (Expeller Oil)	775	775	Unch
	Kota (Kacchi Ghani Oil)	785	800	-15
	Neewai (Expeller Oil)	775	780	-5
	Neewai (Kacchi Ghani Oil)	790	797	-7
	Bharatpur (Kacchi Ghani Oil)	795	810	-15
	Sri-Ganga Nagar(Exp Oil)	765	780	-15
	Sri-Ganga Nagar (Kacchi Ghani Oil)	790	800	-10
	Mumbai (Expeller Oil)	770	780	-10
	Kolkata(Expeller Oil)	900	890	10
	New Delhi (Expeller Oil)	795	800	-5
	Hapur (Expeller Oil)	865	850	15
	Hapur (Kacchi Ghani Oil)	900	885	15
	Agra (Kacchi Ghani Oil)	800	815	-15
Refined Cottonseed Oil	Rajkot	740	750	-10
	Hyderabad	712	715	-3
	Mumbai	750	760	-10
	New Delhi	710	712	-2
Coconut Oil	Kangayan (Crude)	1220	1240	-20
	Cochin	1420	1420	Unch
Sesame Oil	New Delhi	1150	1300	-150
	Mumbai	Unq	0	-

Kardi	Mumbai	880	880	Unch
Rice Bran Oil (40%)	New Delhi	575	585	-10
Rice Bran Oil (4%)	Punjab	610	610	Unch
Malaysia Palmolein USD/MT	FOB	515	520	-5
	CNF India	533	543	-10
Indonesia CPO USD/MT	FOB	465	475	-10
	CNF India	493	495	-2
RBD Palm oil (Malaysia Origin USD/MT)	FOB	510	515	-5
RBD Palm Stearin (Malaysia Origin USD/MT)	FOB	475	478	-3
RBD Palm Kernel Oil (Malaysia Origin USD/MT)	FOB	630	650	-20
Palm Fatty Acid Distillate (Malaysia Origin USD/MT)	FOB	398	405	-7
Crude palm Kernel Oil India (USD/MT)	CNF India	Unq	615	-
Ukraine Origin CSFO USD/MT Kandla	CIF	748	750	-2
Rapeseed Oil Rotterdam Euro/MT	FOB	750	738	12
Argentina FOB (\$/MT)		13-Jun-19	6-Jun-19	Change
Crude Soybean Oil Ship		645	654	-9
Refined Soy Oil (Bulk) Ship		668	677	-9
Sunflower Oil Ship		685	685	Unch
Cottonseed Oil Ship		625	634	-9
Refined Linseed Oil (Bulk) Ship		Unq	0	-
* indicates including GST				

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