

# Veg. Oil Weekly Research Report

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## **Executive Summary**

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

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

*On the currency front, Indian rupee is hovering near 71.15 against 70.79 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 rise on strong fundamentals.*

#### **Outlook:**

*Weekly Call -: In NCDEX, market participants are advised to go long above 750 levels for a target of 765 and 770 with a stop loss at 740 on closing basis. We expect refined soy oil at Indore (without GST) to stay in the range of Rs. 720-780 per 10 Kg. in the near term.*

*In MCX, Market participants are advised to go long in CPO above 545 for a target of 560 and 565 with a stop loss at 535 on closing basis. We expect CPO Kandla 5 percent (without GST) to stay in the range of Rs 520-580 per 10 Kg in the near term.*

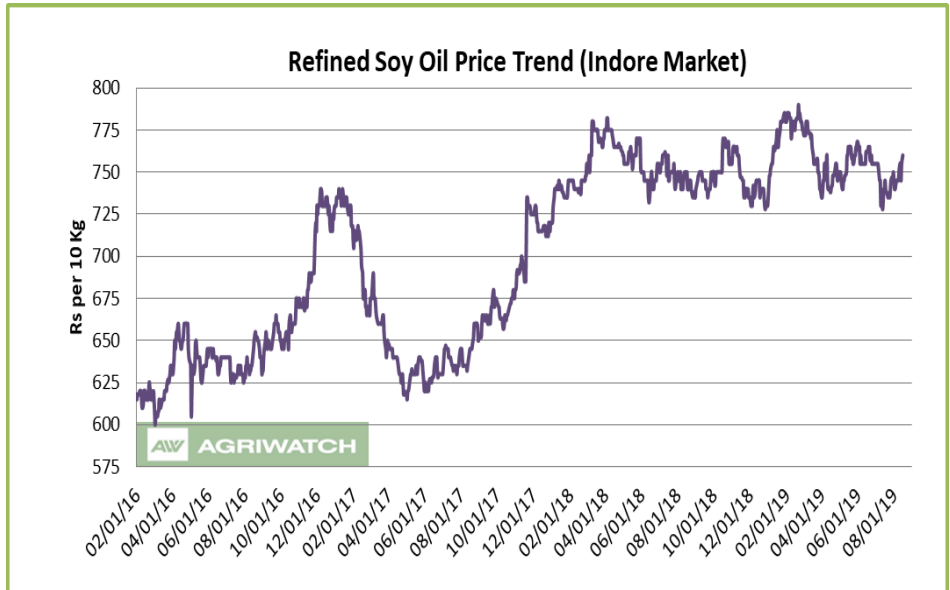
### **International Veg. Oil Market Summary**

*On the international front, lower stocks of soy oil in US, lower stocks of soybean in US, lower soybean crop in US, firm demand of soybean from China and rise in crude oil prices will support soy oil prices in coming days.*

*Fall in palm oil stocks in Malaysia, expectation of slow rise in production of palm oil in Malaysia and Indonesia, rise in exports of palm oil Malaysia and Indonesia, rise in competitive oils, weak ringgit and rise in crude oil prices, are expected to support 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.  
Bad crop condition of soybean in US, lower stocks of soy oil in US and higher imports of soybean by China led to strengthening of soy oil international soy oil prices.



Import disparity increased during the week on rise in prices of soy oil in international markets and depreciation of Rupee and is quoted at disparity of 1.5-2.0 per kg compared to parity of Rs 1.0-1.5 per kg. Import demand are likely to fall due to disparity in imports.

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

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

US imposed 10 percent import duty on imports of Chinese goods worth USD 300 billion over and above 25 percent import duty on USD 250 billion.

Soybean demand from China has risen in July due to positive crush margins despite outbreak of swine flu leading to mass slaughter of swine.

Soy oil stocks fell in US in June due to reduced crush of soybean and increased disappearance of soy oil in US has led to strengthening of soy oil international prices.

Basis of soy oil (Argentina) rose over soy oil CBOT on higher demand of soy oil from Argentina in 2019/20 leading to higher FOB soy oil (Argentina) prices. Its premium over CBOT has increased.

Imports of soy oil declined in July 2019 compared to July 2018 and higher than June 2019. Imports rose at 97,000 tons in July compared to June 2019 while port stocks rose 70,000 tons indicating firm demand in July.

CDSO is trading at high premium over RBD palmolein at high seas at Rs. 105 (Rs. 110 last week) per 10 kg will decrease CDSO import demand.

- Refined soy oil premium over RBD palmolein is higher at Rs 155 (Rs 160 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 201 (USD 212 last week) per ton for Aug 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 July edible oil imports rose 27.9 percent y-o-y to 13.48 lakh tons from 10.54 lakh tons in July 2018. Palm oil imports in July rose 47.8 percent y-o-y to 8.13 lakh tons from 5.5 lakh tons in July 2018. CPO imports rose 46.4 percent in July y-o-y to 5.33 lakh tons from 3.64 lakh tons in July 2018. RBD palmolein imports rose 47.2 percent in June y-o-y to 2.65 lakh tons from 1.80 lakh tons in July 2018. Soy oil imports fell 9.09 percent in July y-o-y to 3.20 lakh tons from 3.52 lakh tons in July 2018. Sunflower oil imports rose 44.6 percent y-o-y in July to 2.01 lakh tons from 1.39 lakh tons in July 2018. Rapeseed (canola) oil imports rose in July 20 percent in July at 0.15 lakh tons compared 0.12 imports in July 2018.
- According to Solvent Extractors Association (SEA), India's July edible oil stocks at ports and pipelines fell 7.21 percent m-o-m to 19.95 lakh tons from 21.50 lakh tons in June 2019. Stocks of edible oil at ports in June rose to 835,000 tons (CPO 320,000 tons, RBD Palmolein 210,000 tons, Degummed Soybean Oil 150,000 tons, Crude Sunflower Oil 150,000 ton and Rapessed Oil 5,000 tons and about 1,116,000 tons in pipelines. (Stocks at ports were 750,000 tons in June 2019). India is presently holding 32 days of edible oil requirement on 1st Aug, 2019 at 21.5 lakh tons compared to 34 days of requirements last month at 22.0 lakh tons. India's monthly edible oil requirement is 19.0 lakh tons.
- Soy oil import scenario – According to SEA, soy oil imports fell 9.09 percent y-o-y in July to 3.20 lakh tons from 3.52 lakh tons in July 2018. In the oil year 2018-19 (Nov 2018-July 2019), imports of soy oil were 20.12 lakh tons compared to 21.30 lakh tons in last oil year, lower by 5.54 percent in the corresponding period last oil year.
- All India sowing of soybean has reached 101.47 lakh hectares compared to 110.95 lakh hectares as on 16.08.2019. Sowing of soybean is higher in Madhya Pradesh.
- Imported crude soy oil CNF at West coast port is offered at USD 740 (USD 741) per ton for Aug delivery, Sep delivery is quoted at USD 735 (USD 741) per ton, Oct delivery is quoted at USD 731 (USD 745) per ton and Nov delivery is quoted at USD 737 per ton. Values in brackets are figures of last week. Last month, CNF CDSO July average price was USD 692.44 (USD 693.4 per ton in June 2019) per ton. Soy refined (Indore) is quoted at Rs 762 (Rs 752 last week) per 10 kg.
- On the parity front, margins decreased during the week on rise in prices of soy oil in international markets and depreciation of Rupee, and we expect margins to remain weak in coming days. Currently, refiners lose USD 30-35/ton v/s gain of USD 35-40/ton (July month) margin in processing the imported Soybean Oil (Argentina Origin).

### International Front

Soy oil prices are expected to rise due to expectation of lower crop of soybean in US, low stock of soy oil in US as reported by USDA and NOPA, low stock of soybean in US in 2019/20 and firm demand of soybean by China amid US-China trade dispute and improving weather of soybean in US.

US imposed 10 percent import duty on USD 300 billion worth of Chinese goods over and above 25 percent import duty on USD 250 billion worth Chinese goods imports. However, US eased import duties on some goods which are important for their national security and allowed Huawei one month extension to buy US goods. Fresh round of trade talks are expected in Sep. China has stated that it will retaliate with import duties on imports if US

goods like soybean. This comes at a time when US is sitting on record stocks of soybean. This will underpin soy oil prices in coming days.

USDA reported soy oil end stocks lower in US from 2019/20 in its Aug estimate against trade estimate of rise in end stocks in 2019/20. Lower than expected stocks was due to lower opening stocks.

USDA kept soybean yield estimate in US due to adequate crop condition on improving weather, which will improve yields. Soybean stocks estimate fell due to lowering of soybean crop in US partially set off by higher opening stocks and lower exports.

Soy oil stocks fell in US in July as reported by NOPA despite higher crush of soybean. Higher domestic disappearance of soy oil on higher use in biodiesel and higher food, feed and industrial use. Stocks of soy oil falls seasonally, but the fall was larger than trade estimates. Lower stocks of soy oil will support its prices.

Soybean weather has improved in US Midwest with adequate conditions supporting standing crops and more conducive weather is forecasted in coming weeks will improve US soybean yield. Soybean crop condition is weakest in last 10 years and lower area and weaker crop condition will lead to lower crop of soybean in US in 2019/20. USDA forecast soybean crop in US at 100 MMT in Aug review against previous estimate of 104 MMT. China reported higher soybean import demand of soybean in July due to firm crush margins in last few months and most of soybean came from Brazil. Premium of Brazil's soybean rise of US soybean due to US-China trade dispute stroking expectation of record demand of soybean by China. This led to rise in global soybean complex prices.

China reported multiple breakout of swine flu in various provinces. This has led to mass slaughter of swine leading to 32 percent fall in swine population in the country. This has led to lower demand of soybean feed in the country in longer term. Lower feed demand will let China choose options from various destinations. This comes after China decided to diversify protein feed requirement of the country. It lowered protein feed requirement, opened various destinations from import of oilseeds, exploring various options to procure feed from various destinations including Argentina, diversify for soybean as feed requirement with other oilseeds and import higher amount of edible vegetable oil to reduced dependence of soybean as oil medium. This has led to surge in imports of edible vegetable oil by China in 2019.

China has offered Argentina to dredge Parana canal which move 80 percent of soybean cargo in the country in exchange of more control over trade route. This step will increase soybean exports to China in longer term.

China started liquidating soybean state reserves to ease pressure of soybean in the country.

Lower import of soybean by China in 2019 has led to shift of buyers to other competing oils like palm oil leading to weakness in global soy oil prices.

Soybean crop area in US was much below expectation at 80.0 million acres compared to previous estimate of 84.6 million acres in March estimate, reported USDA in its quarterly planting report. Wet and cold spring in US slowed planting and stopped farmers from planting additional acres. Weather has been bad for most of June.

Soybean crop in Argentina was higher than expected due to higher yields in soybean belts. Further, soybean exports is expected higher due to be higher Chinese demand. China has sent team to visit soybean crushers Argentina, in a step to source soy meal from the country in a step to diversify from US soybean. However, market is skeptical about Chinese action as its record is weak. However, China is importing soybean from Argentina.

Soy oil exports from Argentina are expected to accelerate due to firm demand from importing destinations and lower soybean crop in US, which will cut soy oil supplies in US. This has led to rise in basis over CBOT soy oil due to firm demand from the country.

All the above factors will support soy oil CBOT prices.

Soybean crop area is expected to be higher in 2019/20 leading to higher soybean in Brazil in 2019/20. Soybean crop is hiked to 122 MMT in 2019/20 by Brazil's states agency CONAB. USDA has previously estimate Brazil's soybean crop for 2019/20 at 123 MMT and is expected to rise further making Brazil as top soybean producer in the world. USDA kept soybean crop in Brazil for 208/19 at 117 MMT.

Competitive oils like BMD palm oil and DALIAN RBD palmolein is expected to trade higher due to rising demand scenario.

Global crude oil prices are expected to rise due to OPEC cut in crude oil production, sanctions on Iran and rise in tensions between US will support soy oil prices.

- According to National Oilseed Processors Association (NOPA), U.S. July soybean crush rose by 12.93 percent to 168.093 million bushels from 148.843 million bushels in June 2019. Crush of soybean in July was lower by 0.2 percent compared to July 2018 figure of 167.733 million bushels. Soy oil stocks in U.S. at the end of July fell 4.43 percent to 1.467 billion lbs compared to 1.535 billion lbs in end June 2019. Stocks of soy oil in end July was lower by 16.84 percent compared to end July 2018, which was reported at 1.764 million lbs. Soybean oil stocks was below trade expectation.
- The newly planted US soybean is blooming at 82% which is down from 95% during the corresponding period last year and also down from 5-year average of 93%. About 54% soybean is setting pods which is down from 83% in corresponding period last year and 5-year average of 76%. Good to excellent condition at 54% compared to 66% in corresponding period last year reported in the US crop progress report dated 11 August 2019 by United States Department of Agriculture (USDA).
- According to China's General Administration of Customs (CNGOIC), China's July edible vegetable oils imports rose 7.33 percent m-o-m to 8.64 LT from 8.05 LT in June 2019. Year to date imports of edible vegetable oil rose 49.9 percent to 49.11 lakh tons.
- According to China's General Administration of Customs (CNGOIC), China's July soybean imports fell 32.72 percent to 8.64 MMT from 6.51 MMT in June 2019. Imports in July are 25.1 percent lower than July 2018 import of 8.70 MMT. Year to date soybean imports fell 11.2 percent to 46.91 MMT.
- According to United States Department of Agriculture (USDA) Aug estimate, U.S 2019/20 ending stocks of soy oil estimate has been lowered to 1,500 million lbs from 1,535 million lbs in its earlier estimate. Opening stocks are decreased to 1,740 million lbs from 1,875 million bushels in its earlier estimate. Production of soy oil in 2019/20 is kept unchanged at 24,535 million lbs. Imports in 2019/20 are kept unchanged at 450 million lbs. Biodiesel use in 2019/20 is reduced to 8,600 million lbs compared to 8,700 million lbs. Food, feed and other industrial use in 2019/20 is kept unchanged at 14,900 million lbs. Exports in 2019/20 are kept unchanged at 1,725 million lbs. Average price range estimate of 2019/20 is kept unchanged at 29.50 cents/lbs.
- The U.S. Department of Agriculture monthly supply and demand report for the month of Aug forecasts U.S. 2019/20 soybean stocks at 755 million bushels, down from 795 million bushels in its earlier estimate. Opening stocks in 2019/20 is increased to 1,070 million bushels from 1,050 million bushels in its earlier estimate.

Soybean production is estimate is lowered to 3,680 million bushels from 3,845 million bushels in its earlier estimate. U.S. soybean exports estimate are lowered to 1,775 million bushels from 1,875 million bushels in its earlier estimate. Imports estimate is unchanged 20 million bushels. Crush in 2019/20 is estimated at 2,115 million bushels, unchanged from its earlier estimate. Seed use in 2019/20 has been kept unchanged at 96 million bushels. Residual use is lowered to 30 million bushels from 34 million bushels in its earlier estimate. Average price range in 2019/20 is kept unchanged at 8.40 cents/bushel.

- USDA WASDE highlights: The U.S. season-average soybean price for 2019/20 is forecast at \$8.40 per bushel, unchanged from last month. The soybean meal and oil price forecasts are also unchanged at \$300 per short ton and 29.5 cents per pound, respectively.

**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.

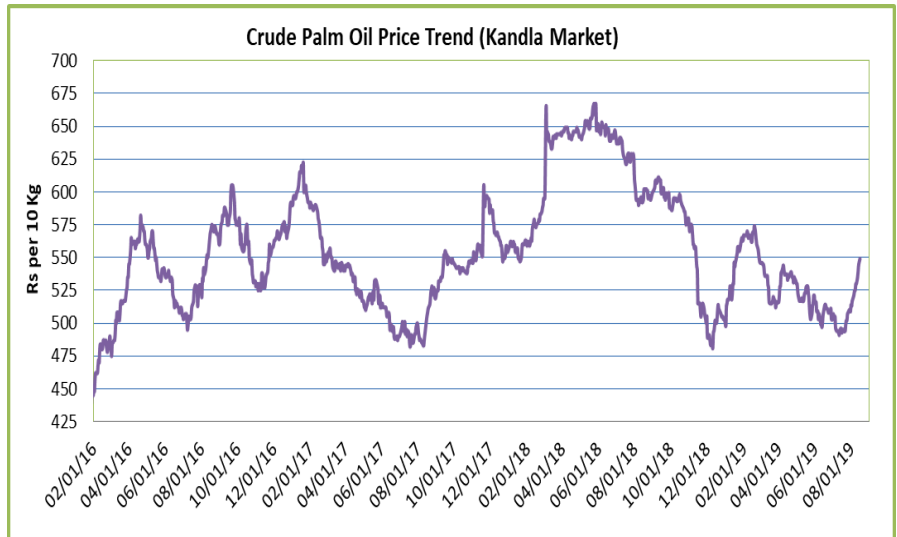


**Palm oil Fundamental Analysis and Outlook -:****Domestic Front**

- Crude palm oil (CPO) featured firm trend at its benchmark market at Kandla on firm demand and rise in prices of CPO in international markets.

RBD palmolein also rose at its benchmark market of Kandla on firm demand and rise in prices of RBD palmolein in international markets.

- Prices of CPO closed higher at Kandla on firm demand and rise in prices of CPO in international markets.



Prices of CPO rose more at high seas compared to CNF markets compared to last week indicating firm demand at high seas.

Reduction in import duty on RBD palmolein has strengthened RBD palmolein 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 has led to higher imports of RBD palmolein from Malaysia. Traders are expected to take advantage of lower international prices of CPO by increasing buying and are expected to continue bargain buying.

Data from cargo surveyors show fall in imports of palm oil by India, in August from Malaysia.

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

Imports of CPO rose in July m-o-m due to firm demand of CPO in Indian markets, falling import disparity positive refining margins and expectation or rose in palm oil prices in coming months.

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

Falling premium of RBD palmolein over CPO at CNF markets will decrease CPO imports.

CPO import disparity increased during the week due to rise in prices of palm oil in international markets and depreciation of Rupee and is quoted at Rs 1.5-2.0 per kg compared to Rs 1.5-2.0 per kg last week.

Port stocks rose in July on rise in imports m-o-m and rise in port stocks was lower than rise in imports indicating firm demand in July and restocking at ports.

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

RBD palmolein showed higher prices in its benchmark market on firm demand and rise in prices of RBD palmolein in international.

RBD palmolein prices rose more at high seas compared to CNF markets indicating firm demand at high seas.



Import demand of RBD palmolein rose in July y-o-y 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.

Stocks of RBD palmolein at Indian ports have decreased m-o-m despite higher imports and destocking at ports indicating firm demand in July. Imports rose more in July m-o-m while port stocks fell indicating firm demand in July.

Demand of RBD palmolein was higher compared to CPO at high seas as premium of RBD palmolein over CPO was at Rs 66 (Rs 60) per 10 kg compared to last week.

RBD palmolein import disparity decreased during the week and is quoted at Rs 0.0-0.5 per kg compared to parity of 0.0-0.5 per kg last week.

Import parity of RBD palmolein is higher than CPO will increase import of RBD palmolein compared to CPO.

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 firm at CNF markets as prices rose more at CNF markets compared to FOB markets compared to last week.

CDSO CNF premium over CPO CNF is at USD 200 (USD 221 last week) per 10 kg which is high and may increase imports quantity of CPO. Premium of CDSO soy oil high seas over CPO high seas is at Rs. 171 (Rs 175 last week) per 10 Kg increased CPO demand at high seas. Premium of refined soy oil over RBD palmolein at Rs 152 (Rs 155 last week) per 10 kg. will increase RBD palmolein demand. RBD palmolein discount over sunflower at CNF markets is remain at USD 230 (USD 242.5 last week) per ton. High premium of refined sunflower oil over RBD palmolein remain at Rs 245 (Rs 245) 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 July rose 47.8 percent y-o-y to 8.13 lakh tons from 5.5 lakh tons in July 2019. Imports in the oil year 2018-19 (November 2018-July 2019) are reported higher by 12.90 percent y-o-y at 68.97 lakh tons compared to 61.09 in corresponding period last oil year.

rude Palm oil import scenario- According to Solvent Extractors Association (SEA), CPO Imports rose 46.4 percent y-o-y in July to 5.33 lakh tons from 3.64 lakh tons in July 2019. Imports in oil year 2018-19 (November 2018-July 2019) were reported higher by 3.60 percent y-o-y at 46.99 lakh tons compared to 45.36 lakh tons in corresponding period last oil year.

RBD palmolein import scenario- RBD palmolein imports rose y-o-y in July by 47.2 percent to 2.65 lakh tons from 1.80 lakh tons in July 2018. Imports in oil year 2018-19 (November 2019-July 2019) were reported higher by 39.70 percent y-o-y at 20.90 lakh tons compared to 14.96 lakh tons in corresponding period last oil year.

- On the trade front, CNF CPO (Indonesian origin) at Indian port is quoted at USD 535 (USD 540) per ton for Sep delivery. Last month, CNF CPO July average price was at 492.33 per ton (USD 492.96 per ton in June 2019). Values in brackets are figures of last week.

Moreover, RBD palmolein (Malaysian origin) CNF at Indian port, offered at USD 570 (USD 577.5) per ton for Sep delivery. Last month, CIF RBD palmolein July average price was USD 531.88 (USD 536.28 in June 2019) per ton. Values in bracket depict last month quotes.

Ready lift CPO duty paid prices quoted at Rs 544 (Rs 530) per 10 Kg and Aug delivery duty paid is offered at Rs 544 (Rs 530) per 10 kg. Ready lift RBD palmolein is quoted at Rs 610 (Rs 595) per 10 kg as on Aug 16, 2019. Values in brackets are figures of last week.

- On the parity front, margins fell during this week due to rise in prices of palm products in international markets and depreciation of Rupee. Currently refiners lose USD 0-5/ton v/s gain of USD 15-20/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 10-15/ton (last month) parity.

### International Front

Palm oil prices are likely to rise due to fall in end stocks of palm oil in Malaysia in July and fall of stocks of palm oil in Indonesia, slow rise in production of palm oil, rise in exports of palm oil, rise in competitive oils prices, weak Ringgit and rise in crude oil prices.

Palm oil stocks unexpectedly fell in Malaysia in July due to rise in exports of soy oil from Malaysia despite rise in production of palm oil.

Production of palm oil will rise due to seasonal uptrend of production and return of labor to plantations after Ramadan break.

Further, production of palm oil will rise in Indonesia due to favorable weather conditions in the country and seasonal uptrend of production. Production of palm oil will rise in 2019 due to high production cycle.

However, rise in global demand will outpace rise in production in Malaysia and Indonesia in rest of 2019.

Exports of palm oil from Indonesia will remain increase in medium term. Record use of palm oil in biodiesel in Indonesia due to higher fuel standards will lead to lower stocks of palm oil in the country. This will decrease end stocks of palm oil in the country and supporting prices.

Exports of palm oil has risen 11-15 percent in August due to firm demand from top importing destinations especially China.

Imports from India remained firm due to firm demand in the country and lower import duty on RBD palmolein imports from Malaysia.

Import parity has decreased in August and imported ready to use palmolein demand is more than domestic refined RBD palmolein. High stocks of palm oil at Indian ports will slow imports of palm oil in coming months. However, lower planting of oilseed crop in India due to delayed monsoon will lead to rise in imports of palm oil in coming months.

Demand of palm oil from China rose due outbreak of swine flu in the country which has led to higher imports of edible vegetable oil in 2019 till date.

China has reduced quote restrictions on imports of palm oil from Malaysia and Indonesia will increase exports from both countries.

This comes amid lower imports of soybean by China in 2019, 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.

Palm oil stocks in Indonesia are expected to fall below 3 MMT in July-Oct due to rise in biodiesel demand in the country and slow rise in production of palm oil compared to rise in palm oil demand in the country.

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

Indonesia has imposed import duty on sugar imports of sugar from India as has asked India to bring RBD palmolein import duty in lines with Malaysia, in exchange of higher sugar imports from India by Indonesia.

Production of palm oil is expected to rise 3.5 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 due to strong US dollar. 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 30-100 percent in 2019-20.

Malaysia has unveiled plans to double biodiesel production in the country and increase to 20 percent bio content in gasoline, 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 higher premium of Malaysian palmolein over Indonesia CPO.

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

Global crude oil prices are expected to rise on expected cut on crude oil production by OPEC, sanction on Iran and rise in tension between US and Iran will support palm oil prices.

- According to Malaysia Palm Oil Board (MPOB), Malaysia's July palm oil stocks fell 0.79 percent to 23.92 lakh tons compared to 24.11 lakh tons in June 2019. Production of palm oil in July rose 15.06 percent to 17.38 lakh tons compared to 15.11 lakh tons in June 2019. Exports of palm oil in July rose 7.37 percent to 14.85 lakh tons compared to 13.83 lakh tons in June 2019. Imports of palm oil in July fell 63.79 percent to 0.37 lakh tons compared to 1.01 lakh tons in June 2019. End stocks of palm oil fell compared trade expectation of rise in end stocks. Production was higher than trade expectation.
- According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's Aug 1-15 palm oil exports rose 15.3 percent to 752,470 tons compared from 658,182 tons in corresponding period last month. Top buyers were China at 173,405 tons (65,290 tons), India at 158,210 tons (165,075 tons), European Union 112,320 tons (133,910 tons), Pakistan at 41,000 tons (39,000 tons) and United States at 21,890 tons (26,200 tons) and Values in brackets are figures of corresponding period last month.
- According to cargo surveyor Intertek Testing Services (ITS), Malaysia's Aug 1-15 palm oil exports rose 11.2 percent to 755,820 tons compared to 679,920 tons in corresponding period last month. Top buyers were India & subcontinent 233,060 tons (225,495 tons), China at 138,995 tons (64,890 tons) and European Union 118,895 tons (136,340 tons). Values in brackets are figures of corresponding period last month.
- According to Indonesia Palm Oil Association (GAPKI), exports of palm oil (CPO and PKO) from Indonesia fell 5.24 percent in June y-o-y to 2.17 MMT from 2.29 MMT in June 2018. Exports of palm oil (CPO and PKO) fell

9.58 percent m-o-m in June at 2.17 MMT compared to May 2019 at 2.40 MMT. Stocks of palm oil in June 2019 rose to 3.55 MMT from 3.53 MMT in May.

- Policy review: According to Malaysia Palm Oil Board (MPOB), Malaysia kept Sep crude palm oil export tax unchanged at 0.0 percent. Export duty of palm oil is calculated at reference price of 1907.62 ringgit (\$455.82) per ton. Tax is calculated above 2,250 ringgit starting from 4.5 percent to a maximum of 8.5 percent.

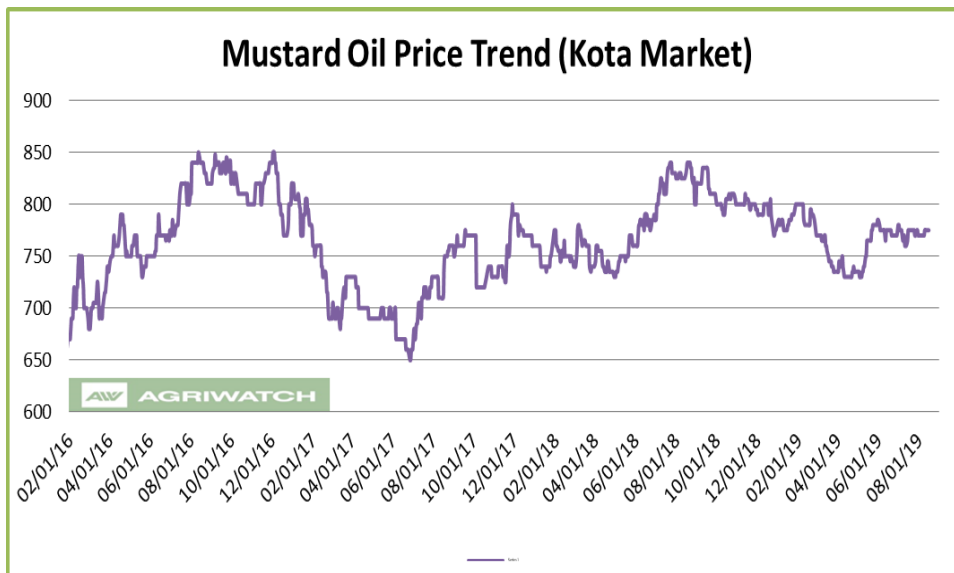
According to Indonesia trade ministry, Indonesia kept August crude palm oil export duty unchanged at zero. The reference price is set at USD 532.30 per ton, a fall of 1.9 percent from last months, much lower than lower threshold for export duty and below threshold of USD 570 to calculate export levy. Indonesia has kept crude palm oil export duty at zero since May 2017.

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

## Rapeseed oil Fundamental Review and Analysis-

### Domestic Front

- Mustard oil prices showed firm trend in benchmark market on firm demand and rise in rapeseed prices. Arrivals of rapeseed fell last week.
- Prices of rapeseed oil expeller featured firm trend in its benchmark market on firm demand and rise in rapeseed prices. Demand has firmed due to rise in palm oil and soy oil.



Demand is expected to firm from mid Sep due to festive demand.

Prices rose on rise rapeseed prices.

Rapeseed oil is moving out of Rajasthan at Rs 800 per 10 kg.

There is disparity in crush of rapeseed.

NAFED has started sale of mustard procured in MY 2019-20 from 26.07.2019 and it is expected that it will try to dispose all the stocks of mustard by Feb 2020.

NAFED has procured 10.79 lakh tons of rapeseed in the current Rabi season. Stock with NCDEX is 0.42 lakh tons. Further, there is good stock of mustard with trade and farmers.

Arrivals of rapeseed has decreased 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, MY 2019-20 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. Rapeseed arrivals have fallen.

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 to support rapeseed oil prices.

Falling premium of Jaipur kacchi ghani rapeseed oil over refined soy oil in domestic market is at Rs 49 (Rs 44) per 10 Kg will support rapeseed oil prices.

Jaipur kacchi ghani rapeseed oil premium over RBD palmolein is remain at Rs 201 (Rs 201) per 10 kg will decrease rapeseed oil prices.

There was low import of canola oil in July. Imports of canola oil is weak in oil year 2018-19 (Nov 2018-July 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 low, which will improve demand of rapeseed oil.

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

- Rapeseed oil import scenario- India imported 0.15 lakh tons of rapeseed (Canola) oil in July 2019 v/s 0.12 lakh tons in July 2018, lower by 20 percent y-o-y. In the oil year 2018-19 (Nov 2018-July 2019) imports were 0.59 lakh tons compared to 2.04 lakh tons in last oil year, lower by 77.07 percent y-o-y.
- Currently, RM oil at Jaipur market, (expeller) is offered at Rs 790 (Rs 775) per 10 Kg, and at Kota market, it is offered at Rs 775 (Rs 770) per 10 kg as on Aug 16, 2019. Values in brackets are figures of last week.
- We expect RM seed oil prices to trade sideways to firm tone in the coming days.

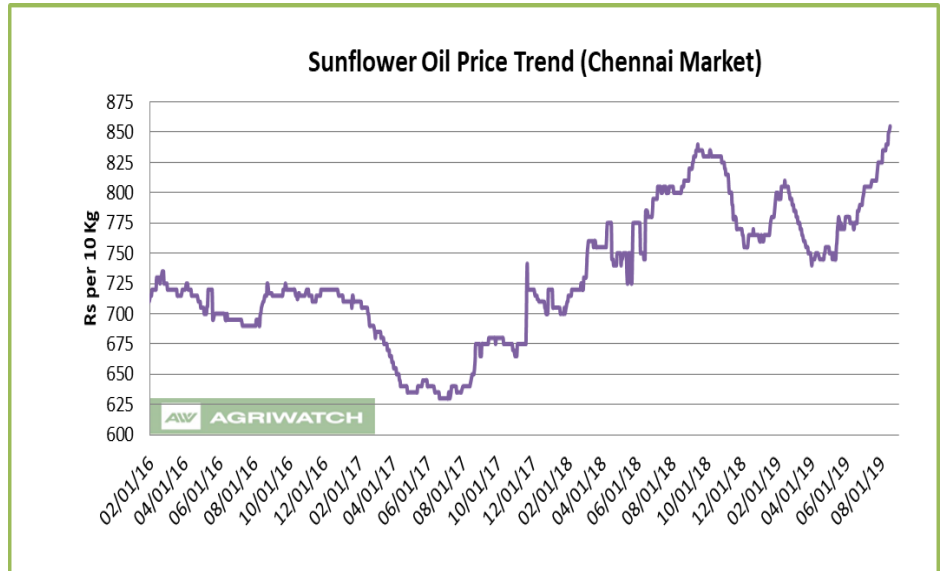
**Price Outlook:** Rapeseed oil (without GST) prices in Kota may stay in the range of Rs 740-800 per 10 Kg.

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

- Sunflower oil price traded higher during the week in Chennai on firm demand
- Prices of sunflower oil traded higher in Chennai on firm demand

Sunflower oil price rose more at high seas compared to CNF markets indicating firm demand at high seas.

Prices rose on rise in palm oil prices. There can be more buying at these levels.



Demand will be weakened due to rise in prices of sunflower oil.

Import demand of sunflower oil is expected to fall due to high sunflower oil premium over palm oil and soy oil.

Stocks of sunflower oil rose less at ports on rise in imports indicating firm demand in July.

In domestic market, sunflower oil premium over soy oil is at Rs 93 (Rs 90 last week) per 10 kg, which indicates chance of correction of sunflower oil prices, as prices have diverged at domestic and at CNF markets.

At present premium of sunflower oil over soy oil at CNF markets is at USD 65 (USD 56.5 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 230 (USD 242.5 last week) which will decrease imports.

In domestic market refined sunflower oil (Chennai) premium over RBD palmolein (Chennai) is remain at Rs 240 (Rs 245) 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 165 (Rs 180 last week) per 10 kg will support sunflower oil prices.

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

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

Prices of sunflower oil will be supported by lower stocks of sunflower oil at ports.

Prices rose on seasonal uptrend of prices.

Imports of sunflower oil rose in July after fall for two month in row and port stocks has increased indicating stocking is taking place at ports. Restocking at ports can be seen due to parity in imports.

Firm domestic demand may support 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 rise on firm demand and seasonal uptrend of prices.



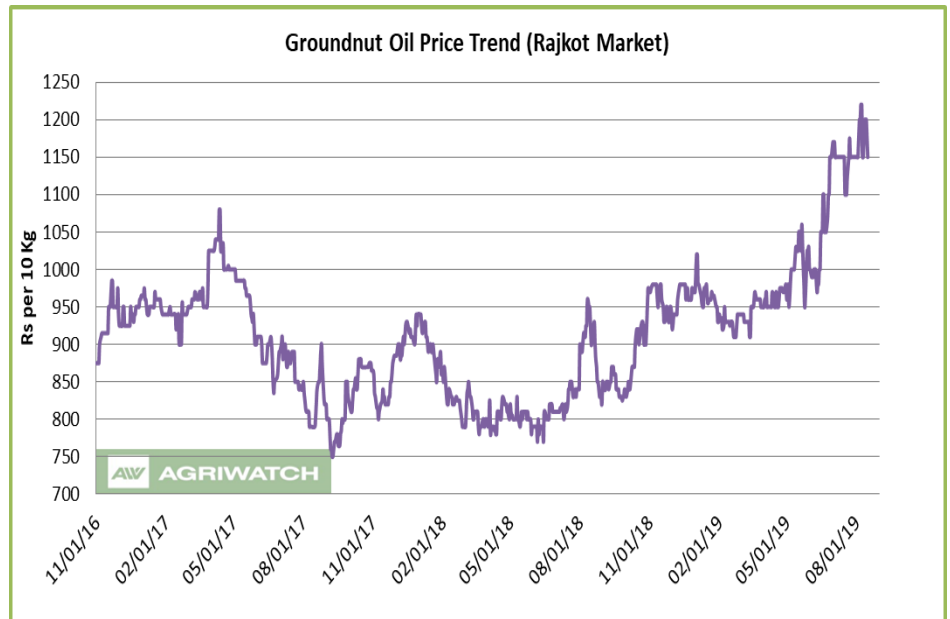
- All India progressive sowing of sunflower oil has reached 0.82 lakh hectares as on 16.08.2019 compared to 0.98 lakh hectares in corresponding period last year. Sowing is slow in state of Karnataka on account of lower rains.
- Sunflower oil imports scenario- According to Solvent Extractors Association (SEA), Sunflower oil imports fell 44.60 percent y-o-y in July to 2.01 lakh tons from 1.39 lakh tons in July 2018. Imports in oil year 2018-19 (November 2018-July 2019) were reported lower by 8.70 percent y-o-y at 18.35 lakh tons compared to 20.10 lakh tons in corresponding period last oil year.
- On the trade front, CIF sunflower oil prices (Ukraine origin) at West coast of India quoted at USD 800 (USD 797.5) per ton for Sep delivery, Oct delivery is quoted at USD 780 (USD 782.5) per ton, Nov delivery is quoted at USD 770 (USD 770) per ton and Dec delivery is quoted at USD 767.5 (USD 770) per ton. CNF sun oil (Ukraine origin) July monthly average was at USD 802.48 per ton compared to USD 758.28 per ton in June. Values in brackets are figures of last week.
- Prices are likely to stay in the range of USD 780-850 per ton in the near term. CNF Sunflower oil premium over CDSO is hovering remain at USD 65 (USD 56.5 last week) per ton for Sep delivery. CNF sunflower oil premium over RBD palmolein is hovering around USD 230 (USD 242.5) per ton.
- Currently, refined sunflower oil at Chennai market is offered at Rs 855 (Rs 840) per 10 Kg, and at Kandla/Mudra market, it is offered higher at Rs 840 (Rs 835) per 10 kg as on Aug 16, 2019. 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 820-880 per 10 Kg.

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

- Groundnut oil prices featured sideways trend in Rajkot on account weak demand and fall in prices of groundnut.
- Prices of groundnut oil traded sideways during the week on weak demand.

Groundnut oil prices fell during the week on rains in groundnut growing areas which lead to postponement of demand due to expectation of lower prices of groundnut oil due to better crop



expectations. Groundnut crop position improved due to rains in Gujarat, which will improve yields, which was reeling due to lower rains.

Groundnut oil prices fell on fall in groundnut prices.

Retail demand is less as seasonally weak demand season.

Demand will rise from end August because of festive demand.

Supply of groundnut oil is improving due to improving supply of groundnut due to auction by NAFED. Only NAFED is having stock of groundnut in the markets with fewer stocks with trade and farmers.

Demand of groundnut oil fell due to sharp rise in prices of groundnut oil.

Retail demand decreased due to higher volatility in prices. Prices may weaken next week on weak demand.

Prices of groundnut oil may fall due to high volatility in its prices. High volatility leads to fall in demand.

There is disparity in all quality of groundnut oil while most of the trade is in medium quality. Groundnut oil is going out of Gujarat at Rs 1000 per 10 kg.

In South India, demand season of groundnut oil is over. Demand in South India remains firm in May-July on demand for pickle, chutney demand and other value added products. Since the demand season is over, prices will remain under pressure.

In South India groundnut, sowing has been very less due to lack of rains. The planting window is almost over and yield loss decrease on standing crop as some rains had arrived in near term.

NAFED disposal of groundnut K-18. NAFED is also selling K-17 groundnut seed in Gujarat. Total progressive sale in 2018-19 is 4.26 lakh and balance quantity after sale is 2.92 lakh tons. Total stocks of groundnut of 2017-18 season with NAFED is 0.24 lakh tons and sold total 10.20 lakh tons so far. Therefore, total stock in NAFED is 3.16 lakh tons, while there are little stocks with trade and farmers. Lower domestic disappearance of groundnut has led to weakening of groundnut oil prices.

Exports of groundnut and groundnut oil had decreased due to rise in prices of groundnut leading to diversion of groundnut towards crushing weakening prices.

Groundnut oil prices are expected to fall on weak demand.

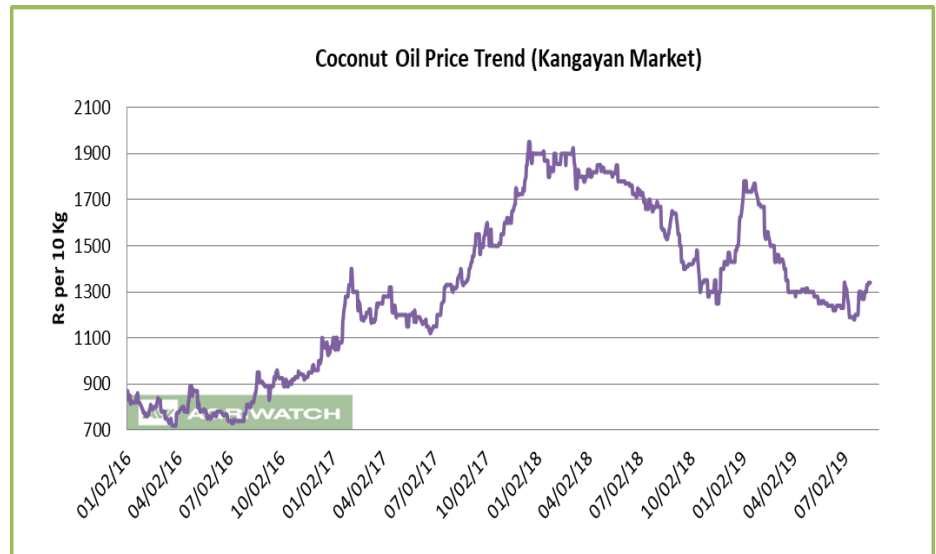
- All India progressive sowing of groundnut as on 16.08.2019 has reached 35 lakh hectares compared to 36.16 lakh hectares in corresponding period last year. Sowing is higher than corresponding period last year in Gujarat. However, sowing is lagging in Andhra Pradesh, Karnataka and Rajasthan.
- On the price front, currently the groundnut oil prices in Rajkot is quoted at Rs 11,500 (Rs 11,500) per quintal and it was quoted at Rs 10,200 (Rs 10,200) per quintal in Chennai market on Aug 16, 2019. Values in brackets are figures of last week.
- Groundnut oil prices are likely to trade lower in the coming days.

**Price Outlook:**

Groundnut oil (without GST) in Rajkot market is likely to trade in the price band of Rs 1050-1250 per 10 Kg.

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

- Firm price trend was seen in its benchmark market of Kangayam on firm demand.
- Overall coconut oil prices showed firm trend during the week on firm demand and rise in prices of copra.  
Prices of coconut oil rose on rise in prices of copra.  
Rise in raw material prices led to firm product prices.  
Prices rose on rise in palm oil prices.



Palm oil is cheap alternative in South India.

Retail demand will improve due to fall in prices of coconut oil.

In addition, demand will firm up in August ahead of Onam in Kerala in September. Government is procuring coconut to support falling prices, which will support prices in coming days. Tamil Nadu government has planned 30 thousand tons of copra procurement in coming days.

Further, supply of copra is expected to decline due to low harvesting of coconut on monsoons and difficulty in drying of copra due to wet monsoon.

Demand from North India is weak.

Demand of domestic coconut oil is less due to higher imports of copra under advance authorization license where imports of copra are made from Indonesia and Philippines and coconut oil is exported. So, domestic coconut oil exports are negligible.

In addition, coconut oil cake is imported from Indonesia, which is having 10-12 percent oil content compared to 6 percent oil content in India coconut oil cake. The oil from imported oilcake is refined, bleached, deodorized, and mixed into edible coconut oil despite it being non-edible, which makes prices of local coconut oil uncompetitive.

There has been surge in imports of desiccated coconut (DC) from Sri Lanka, which has adversely affected demand of coconut as it is used in various industrial applications and feed industry, prompting higher supply of coconut towards crushing, thereby increasing supply of coconut oil.

Stockists and retailers are stocking, as the prices have stabilized.

Corporate demand, which is one of the major contributors, is expected to improve.

Traders and upcountry buyers are stocking as they are confident about prices.

Crushers have low stocks of coconut oil despite firm demand.

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

Price trend is biased towards upside.

Demand has improved due to stability in prices of coconut oil.

Consumers tend to increase demand when the prices are rising and there is low volatility in prices.

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

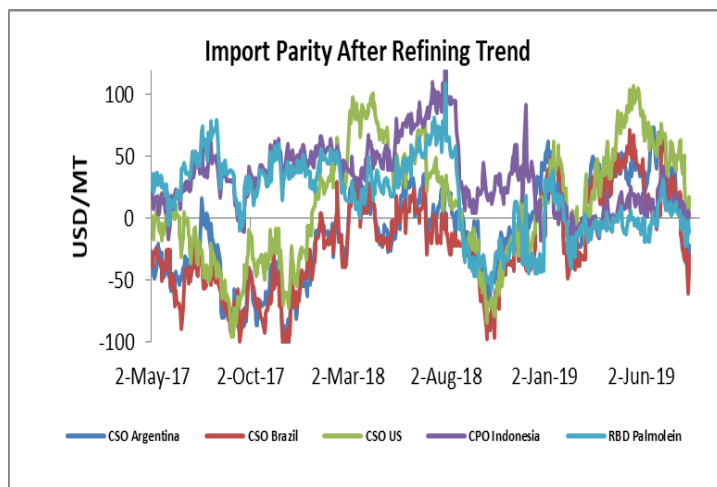
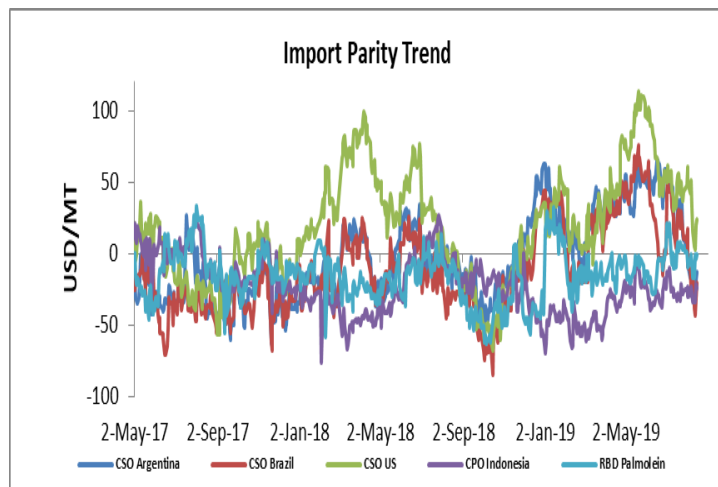
Coconut oil prices are expected to be firm in days ahead.

- On the price front, currently the coconut oil prices in Kochi is hovering remain at Rs 13,900 (Rs 13,400) per quintal, and was quoting Rs 13,400 (Rs 13,000) per quintal in Erode market on Aug 16, 2019.

**Price Outlook:** Coconut oil (without GST) prices in Erode may stay in the range of Rs 1250-1450 per 10 Kg.

### Import Parity Trend

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

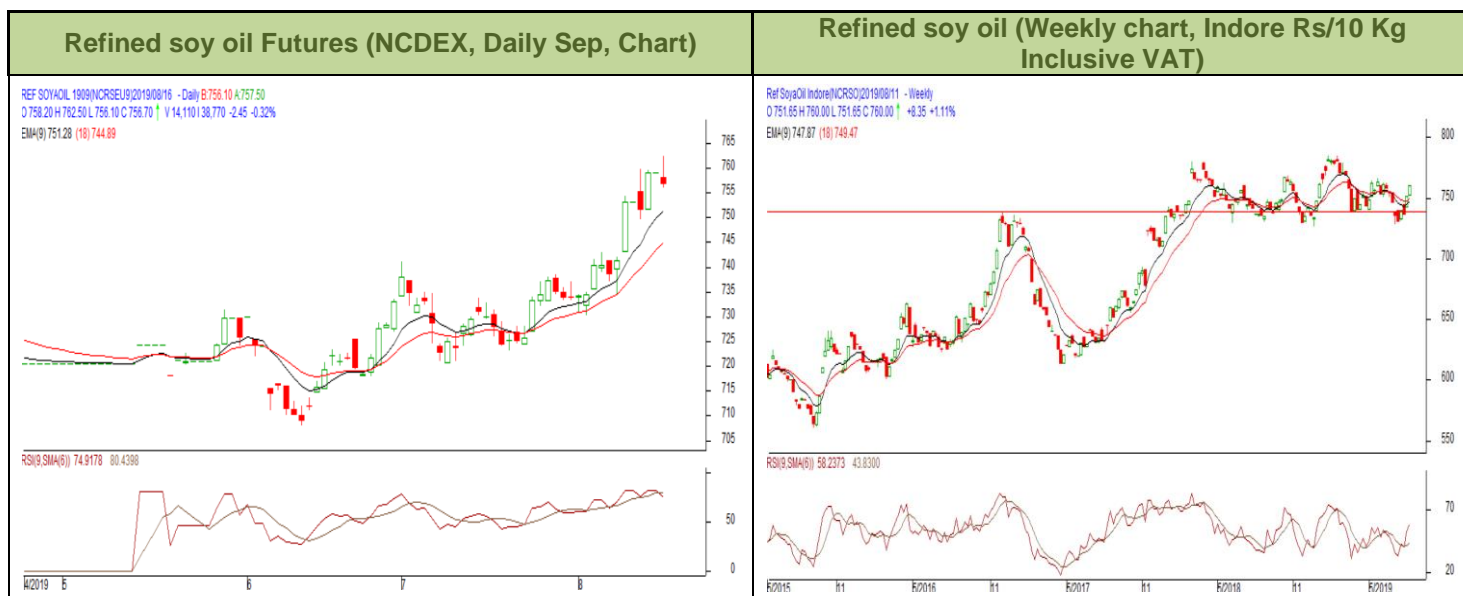


	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
<b>Jul 29-Aug 2, 2019</b>	6.30	11.82	56.33	9.92	5.83
<b>Aug 5-Aug 9, 2019</b>	-23.68	-24.74	34.61	5.51	-5.18
<b>Aug 13-Aug 17, 2019</b>	-34.37	-37.97	6.97	-2.50	-12.70

### Outlook:-

Import parity for crude soy oil from Argentina fell due to rise in prices of soy oil in international markets. We expect CDSO import parity to remain weak in medium term. Disparity in import of CPO and RBD palmolein will lead to lower imports. Margins on imports if CPO from is higher than parity on import of RBD palmolein.

### 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 750 in weekly might take the prices below 740 levels.
- Expected price band for next week is 730-780 level in near to medium term. RSI and MACD is suggesting uptrend in the market.

**Strategy:** Market participants are advised to go long above 750 levels for a target of 765 and 770 with a stop loss at 740 on closing basis.

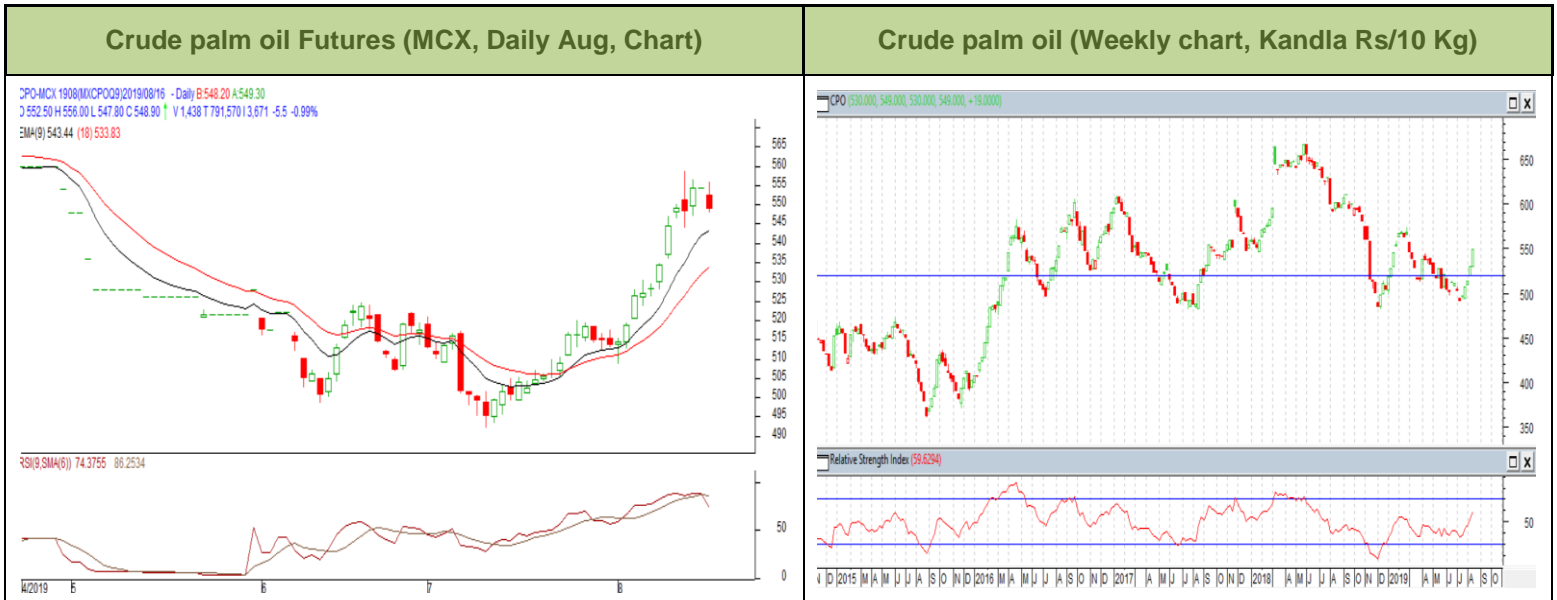
#### RSO NCDEX (September)

Support and Resistance				
S2	S1	PCP	R1	R2
725.00	741.00	756.70	765.00	780.00

**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 uptrend in prices during the week. We expect that CPO Aug contract may trade sideways to firm note.

- Candlestick in weekly chart of crude palm oil at MCX depicts firm trend in the prices. We expect prices to trade with a sideways to firm note in the near term.
- Any close below 540 in weekly chart may bring the prices to 530 levels.
- Expected price band for next week is 520-580 level. RSI and MACD are suggesting uptrend in prices in the coming week.

**Strategy:** Market participants are advised to go long in CPO above 545 for a target of 560 and 565 with a stop loss at 535 on closing basis.

#### CPO MCX (August)

Support and Resistance				
S2	S1	PCP	R1	R2
520.00	532.00	548.90	550.00	565.00

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

**Veg. Oil Prices at Key Spot Markets**

Commodity	Centre	Prices(Per 10 Kg)		Change
		16-Aug-19	09-Aug-19	
Refined Soybean Oil	Indore	760	747	13
	Indore (Soy Solvent Crude)	725	708	17
	Mumbai	760	745	15
	Mumbai (Soy Degum)	720	705	15
	Kandla/Mundra	740	730	10
	Kandla/Mundra (Soy Degum)	720	705	15
	Kolkata	755	740	15
	Delhi	790	775	15
	Nagpur	756	752	4
	Rajkot	730	730	Unch
	Kota	750	740	10
	Hyderabad	Unq	0	-
	Akola	765	753	12
	Amrawati	767	753	14
	Bundi	755	745	10
	Jalna	754	749	5
	Solapur	748	744	4
	Dhule	760	751	9
Palm Oil*	Kandla (Crude Palm Oil)	576	557	20
	Kandla (RBD Palm oil)	620	602	18
	Kandla RBD Pamolein	651	625	26
	Kakinada (Crude Palm Oil)	575	557	19
	Kakinada RBD Pamolein	641	620	21
	Haldia Pamolein	643	625	18
	Chennai RBD Pamolein	643	625	18
	Chennai RBD Pamolein (Vitamin A&D Fortified)	696	686	11
	KPT (krishna patnam) Pamolein	641	620	21
	Mumbai RBD Pamolein	651	630	21
	Mangalore RBD Pamolein	656	635	21
	Tuticorin (RBD Palmolein)	655	634	21
	Delhi	675	652	23
	Rajkot	635	625	11
	Hyderabad	635	616	19
	PFAD (Kandla)	399	365	34
	Refined Palm Stearin (Kandla)	575	557	19
	Superolien (Kandla)	651	656	-5
	Superolien (Mumbai)	667	667	Unch

\* inclusive of GST

<b>Refined Sunflower Oil</b>	Chennai	855	840	15
	Mumbai	845	845	Unch
	Mumbai(Expeller Oil)	810	790	20
	Kandla (Ref.)	840	835	5
	Hyderabad (Ref)	875	855	20
	Latur (Expeller Oil)	810	800	10
	Chellakere (Expeller Oil)	810	790	20
	Erode (Expeller Oil)	885	870	15
<b>Groundnut Oil</b>	Rajkot	1150	1150	Unch
	Chennai	1020	1020	Unch
	Delhi	1100	1100	Unch
	Hyderabad *	1040	1030	10
	Mumbai	1075	1075	Unch
	Gondal	1125	1100	25
	Jamnagar	1100	1100	Unch
<b>Rapeseed Oil/Mustard Oil</b>	Jaipur (Expeller Oil)	790	775	15
	Jaipur (Kacchi Ghani Oil)	812	802	10
	Kota (Expeller Oil)	775	770	5
	Kota (Kacchi Ghani Oil)	795	788	7
	Neewai (Expeller Oil)	780	770	10
	Neewai (Kacchi Ghani Oil)	792	780	12
	Bharatpur (Kacchi Ghani Oil)	815	800	15
	Sri-Ganga Nagar(Exp Oil)	780	770	10
	Sri-Ganga Nagar (Kacchi Ghani Oil)	810	800	10
	Mumbai (Expeller Oil)	800	800	Unch
	Kolkata(Expeller Oil)	930	930	Unch
	New Delhi (Expeller Oil)	810	797	13
	Hapur (Expeller Oil)	875	875	Unch
	Hapur (Kacchi Ghani Oil)	910	910	Unch
	Agra (Kacchi Ghani Oil)	820	805	15
<b>Refined Cottonseed Oil</b>	Rajkot	800	810	-10
	Hyderabad	Unq	0	-
	Mumbai	810	810	Unch
	New Delhi	767	758	9
<b>Coconut Oil</b>	Kangayan (Crude)	1340	1300	40
	Cochin	1390	1340	50
<b>Sesame Oil</b>	New Delhi	1500	1500	Unch
	Mumbai	Unq	0	-

Kardi	Mumbai	880	875	5
Rice Bran Oil (40%)	New Delhi	625	605	20
Rice Bran Oil (4%)	Punjab	620	610	10
Malaysia Palmolein USD/MT	FOB	548	540	8
	CNF India	575	575	Unch
Indonesia CPO USD/MT	FOB	513	505	8
	CNF India	535	535	Unch
RBD Palm oil (Malaysia Origin USD/MT)	FOB	540	535	5
RBD Palm Stearin (Malaysia Origin USD/MT)	FOB	545	525	20
RBD Palm Kernel Oil (Malaysia Origin USD/MT)	FOB	700	690	10
Palm Fatty Acid Distillate (Malaysia Origin USD/MT)	FOB	435	400	35
Crude palm Kernel Oil India (USD/MT)	CNF India	640	655	-15
Ukraine Origin CSFO USD/MT Kandla	CIF	805	798	7
Rapeseed Oil Rotterdam Euro/MT	FOB	785	775	10
Argentina FOB (\$/MT)		16-Aug-19	9-Aug-19	Change
Crude Soybean Oil Ship		678	690	-12
Refined Soy Oil (Bulk) Ship		702	714	-12
Sunflower Oil Ship		730	726	4
Cottonseed Oil Ship		658	670	-12
Refined Linseed Oil (Bulk) Ship		Unq	0	-
* indicates including GST				

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