Veg. Oil Weekly Research Report

Contents

Executive Summary

Domestic Veg. Oil Market Summary

Edible oil prices featured weak trend during this week in domestic market. CBOT soy oil and BMD palm oil fell during the week. Soy oil, rapeseed oil, groundnut oil and coconut oil prices fell while sunflower oil prices closed sideways. Palm oil prices closed in green.

On the currency front, Indian rupee is hovering near 71.72 against 71.41 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 fall on weak fundamentals.

Outlook:

Weekly Call -: In NCDEX, market participants are advised to go short below 755 levels for a target of 740 and 735 with a stop loss at 765 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 short in CPO below 560 for a target of 545 and 540 with a stop loss at 570 on closing basis. We expect CPO Kandla 5 percent (without GST) to stay in the range of Rs 530-590 per 10 Kg in the near term.

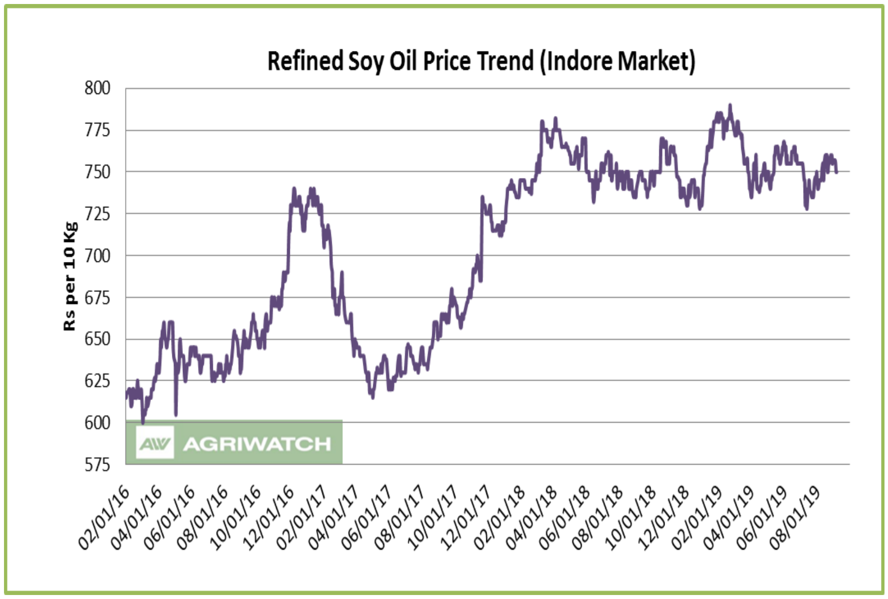
International Veg. Oil Market Summary

On the international front, improving crop condition of soybean in US, US-China trade dispute concerns, lower demand of soybean from China and higher soybean crop in South America will underpin soy oil prices in coming days.

Expectation of fall in palm oil stocks in Malaysia, expectation of slow rise in production of palm oil in Malaysia and Indonesia, drought conditions in 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 weak sentiment in domestic markets in the week in review on weak demand.
- Soy oil prices closed lower during the week in Indore on weak demand.

US-China trade dispute, lower demand of soybean by China led to weakening of soy oil international soy oil prices.

Import disparity increased during the week on fall in prices of soy oil in Indian markets and is quoted at disparity of 3.0-3.5 per kg compared to parity of Rs 1.5-2.0 per kg. Import demand are likely to fall due to disparity in imports.

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

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

US and China are expected to meet next week to iron out differences. With the current situation and US-China trade deal looks a distant possibility. China imposed retaliatory tariffs of US agricultural goods and has stopped all the agricultural imports from US after 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 July 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) fell over soy oil CBOT on depreciation of Argentina Peso leading to lower FOB soy oil (Argentina) prices. Its premium over CBOT has decreased.

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. 77 (Rs. 92 last week) per 10 kg will decrease CDSO import demand. CDSO premium over CPO at high seas is at Rs 141 per 10 kg. Refined soy oil discount over rapeseed oil Rs 60 per 10 kg while refined soy oil discount over refined sunflower is at Rs 112 per 10 kg. Sunflower oil CNF premium over soy oil CNF is at USD 70 per ton.

Refined soy oil premium over RBD palmolein is higher at Rs 123 (Rs 155 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 185 (USD 201 last week) per ton for Sep delivery, which is higher and decrease demand of CDSO at CNF markets compared to CPO CNF. Values in brackets are figures of last week.

- 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 112.71 lakh hectares compared to 111.79 lakh hectares as on 06.09.2019. Sowing of soybean is higher in Madhya Pradesh and Maharashtra.
- Imported crude soy oil CNF at West coast port is offered at USD 720 (USD 720) per ton for Sep delivery, Oct delivery is quoted at USD 722 (USD 719) per ton, Nov delivery is quoted at USD 726 (USD 723) per ton and December delivery is quoted at USD 728 (USD 725) per ton. Values in brackets are figures of last week. Last month, CNF CDSO Aug average price was USD 729.64 (USD 692.44 per ton in July 2019) per ton. Soy refined (Indore) is quoted at Rs 748 (Rs 760 last week) per 10 kg.
- On the parity front, margins decreased during the week on fall in prices of soy oil in Indian markets, and we expect margins to remain weak in coming days. Currently, refiners lose USD 35-40/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 fall due to expectation of better soybean weather in US, US-China trade dispute concerns, and lower demand of soybean from China.

Low stocks of soy oil with US will is expected to limit losses.

Soybean weather has improved in US Midwest with improved conditions supporting standing crops. Cooled temperatures and rains are expected in soybean growing belts while frost damage is expected to be lower in coming days. Good to excellent condition of crop has exceed estimates. However, crop condition is weakest in entire decade. USDA forecast soybean crop in US at 100 MMT in Aug review against previous estimate of 104 MMT.

USDA kept soybean yield estimate unchanged in US due to adequate crop condition on improving weather. However, due to regular bad weather yield of soybean is expected to be reduced in coming months. Soybean stocks estimate fell due to lowering of soybean crop in US partially set off by higher opening stocks and lower exports.

China and US trade representatives will again meet next week to iron out differences. However, US has said that hike in import duties will remain before the talks.

China imposed countervailing duty on imports of agricultural goods from US and China stopped agricultural goods imports from US after 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 and put China into currency manipulator list. However, US eased import duties on some goods, which are important for their national security. Trade dispute between both countries will roil international markets in coming days.

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.

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.

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 will rise above US soybean due to US-China trade dispute stroking expectation of record demand of soybean by China. This lea 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 has led to surge in imports of edible vegetable oil by China in 2019.

China is offering incentives like higher insurance claims of hogs and higher credit incentives from machinery and other incentives to increase swine crop in the country. One third fall in swine count has led the government of China to give incentives and will lead to surge in imports of soybean when the swine count will rise in coming months.

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 and meat reserves to ease pressure of soybean and meat 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.

Argentina's 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 underpin soy oil CBOT prices.

Soybean crop area is expected to be higher Brazil 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.

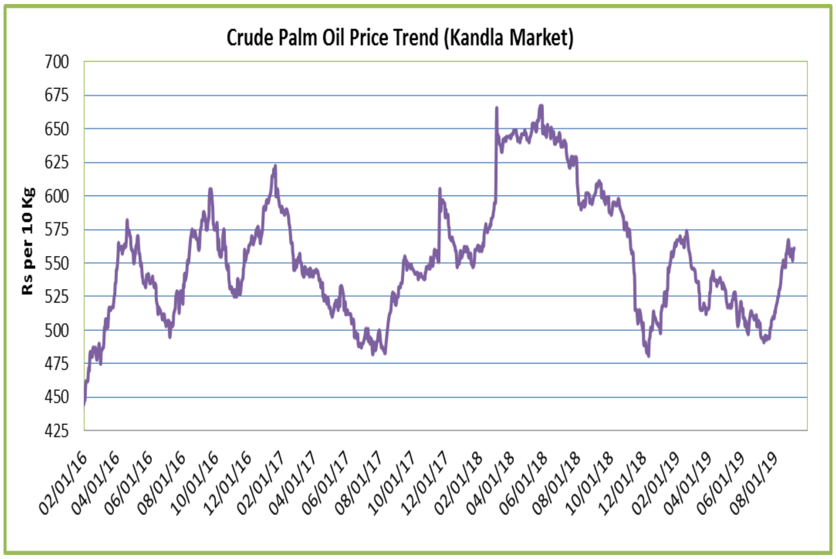
Global crude oil prices are expected to rise due to OPEC cut in crude oil production, sanctions on Iran and rise in tensions between US will support soy oil prices.

- The newly planted US soybean is blooming at 96% which is down from 100% during the corresponding period last year and also down from 5-year average of 100%. About 86% soybean is setting pods which is down from 98% in corresponding period last year and 5-year average of 96%. Good to excellent condition at 55% compared to 66% in corresponding period last year reported in the US crop progress report dated 1 September 2019 by United States Department of Agriculture (USDA).
- 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.
- 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.

  RBD palmolein rose at its benchmark market of Kandla on firm demand .

- Prices of CPO closed higher at Kandla on firm demand.

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

  Hike in import duty on RBD palmolein by 5 percent sourced from Malaysia will weaken RBD palmolein imports as duty differential between crude palm oil and RBD palmolein has doubled from 5.5 percent to 11 percent. With this hike in import total effective import duty on RBD palmolein imports from Malaysia and Indonesia stands at 50 percent plus 10 percent cess making effective duty at 55 percent. With end of preferential treatment given to Malaysia in terms of lower RBD palmolein imports will lead to lower imports of RBD palmolein from Malaysia. This will encourage Indian refiners to import more CPO to refine and import party of this oil will be above import parity of ready to use imported palmolein. This will slow RBD palmolin imports and CPO imports will rise from September.

  Traders are expected to expected to buy at current international prices of CPO due to expectation of higher prices in coming months especially due to drought conditions in Indonesia.

  Data from cargo surveyors show rise 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 rise in palm oil prices in coming months.

  Imports of CPO will weaken due to negative parity in imported refining margins. CPO imports will be strengthen compared to RBD palmolein due to higher import parity compared to imported ready to use palmolein. Import parity of RBD palmolein again fell below CPO last week.

  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 2.0-2.5 per kg compared to Rs 2.0-2.5 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 fell less at CNF markets compared to FOB markets compared to last week.

  RBD palmolein showed higher prices in its benchmark market on firm demand.

RBD palmolein prices rose at high seas while it fell at 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.

However, with hike in import duty on imports of RBD palmolein from Malaysia will double the duty differential between CPO and RBD palmolein and will lead to lower RBD palmolein imports.

Import demand of RBD palmolein is expected to slow in rest of oil year 2018-19 (Nov 2018-Oct 2019) due to hike in import duty on RBD palmolein and higher 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 firm compared to CPO at high seas as premium of RBD palmolein over CPO was at Rs 64 (Rs 61) 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 disparity of 1.0-1.5 per kg last week.

Import parity of RBD palmolein is lower than CPO will decrease imports 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 weak at CNF markets as prices fell more at CNF markets compared to FOB markets compared to last week.

CDSO CNF premium over CPO CNF is at USD 185 (USD 180 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. 141 (Rs 153 last week) per 10 Kg increased CPO demand at high seas. Premium of refined soy oil over RBD palmolein at Rs 123 (Rs 137 last week) per 10 kg. will increase RBD palmolein demand. RBD palmolein discount over sunflower at CNF markets is remain at USD 225 (USD 217.5 last week) per ton. High premium of refined sunflower oil over RBD palmolein remain at Rs 235 (Rs 244) per 10 kg will increase RBD palmolein imports. Values in brackets are figures of last week.

- According to Ministry of Finance (MOF), Government of India Notification number 29/2019-Customs dated 4th September 2019, India increased import duty on RBD palmolein imports by 5% sourced from Malaysia for a period of 180 days imported under India-Malaysia Comprehensive Economic Cooperation Agreement. After the hike import duty on imports of RBD palmolein from Malaysia stands at 50 percent plus 10 percent cess which makes effective duty at 55 percent. This brings import duty on Malaysian RBD Palmolein at par with other destinations and import duty differential between CPO and RBD palmolein imports stands at 11 percent.

  This hike in import duty has been done as imports of RBD palmolein surged from Malaysia in 2019 hurting Indian refining industry. Lower price imports led to idling of plants add domestic refining industry was not able to increase production despite significant capacities. Further, the market share of Indian refined RBD palmolein decreased significantly compared to imported RBD palmolein from Malaysia. The ministry quoted that any delay in imposing import duty will cause irreparable damage to the industry.

- Director General of Foreign Trade (DGFT), India has recommended increase of 5 percent in import duty on imports of RBD palmolein originating from Malaysia for a period of 180 days. DGFT has recommended hike to impose Provisional bilateral Safeguard measure in terms of Rule no 9 of India-Malaysia Comprehensive Economic Cooperation Agreement (Bilateral Safeguard Measures) Rules, 2017. This step has been taken after it was found that lowering of import duty on imports if RBD palmolein from Malaysia on 31st Dec, 2018 has hurt Indian industry under India-Malaysia Comprehensive Economic Cooperation Agreement. At present import duty of 45 percent is imposed on imports of RBD palmolein from Malaysia. Further, DGFT has asked for comments of preliminary findings to be examined. It will conduct oral hearing and give opportunity to all interested parties relevant to the investigation. Moreover, DGFT will conduct investigation wherever necessary.
- 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 and Oct delivery is quoted at USD 540 per ton. Last month, CNF CPO Aug average price was at 533.96 per ton (USD 492.33 per ton in July 2019). Values in brackets are figures of last week.

  Moreover, RBD palmolein (Malaysian origin) CNF at Indian port, offered at USD 565 (USD 577.5) per ton for Sep delivery and Oct delivery is quoted at USD 570 per ton. Last month, CIF RBD palmolein Aug average price was USD 572.72 (USD 531.88 in July 2019) per ton. Values in bracket depict last month quotes.

  Ready lift CPO duty paid prices quoted at Rs 561 (Rs 554) per 10 Kg and Sep delivery duty paid is offered at Rs 563 (Rs 554) per 10 kg. Ready lift RBD palmolein is quoted at Rs 625 (Rs 615) per 10 kg as on Sep 6, 2019. Values in brackets are figures of last week.
- On the parity front, margins rose during this week due to rise in prices of palm products in Indian markets. Currently refiners lose USD 10-15/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 35-40/ton v/s loss of USD 10-15/ton (last month) parity.

International Front

Palm oil prices are likely to rise due to expectation of fall in end stocks of palm oil in Malaysia in Aug and fall of stocks of palm oil in Indonesia, slowdown in production of palm oil in Malaysia, drought conditions in Indonesia, rise in exports of palm oil, rise in competitive oils prices and rise in crude oil prices.

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

Production of palm oil will rise due to seasonal uptrend of production but at a slower pace. Data from Malaysia Palm Oil Association show slowdown of palm oil production of palm oil in first 20 days indication that production will end Aug with sow growth.

Further, production of palm oil will fall in Indonesia due to drought conditions in the country. Production of palm oil will rise in 2019 and will only fall in 2020 when standing fruits mature and yield will be lower. 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 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 16-19 percent in August due to firm demand from top importing destinations especially China.

Imports from India is expected to weaken due to lower in import parity of RBD palmolein compared to CPO, hike in import duty on imports of RBD palmolein from Malaysia compared to other destinations and higher stocks at ports will cap gains. However, firm demand ahead of festivals will support demand.

Imported ready to use palmolein demand is less than domestic refined RBD palmolein due to lower higher refining margins. High stocks of palm oil at Indian ports will slow 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 until 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.

Production of palm oil is expected to rise 3.5 percent in Indonesia in 2019 on higher produce from maturing plantations, according to GAPKI. Any bad effect of drought will only be visible in 2020.

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 decreased over Indonesia CPO will increase demand. Export demand will rise from Malaysia due to decreasing premium of Malaysian palmolein over Indonesia CPO.

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, sanction on Iran and rise in tension between US and Iran will support palm oil prices.

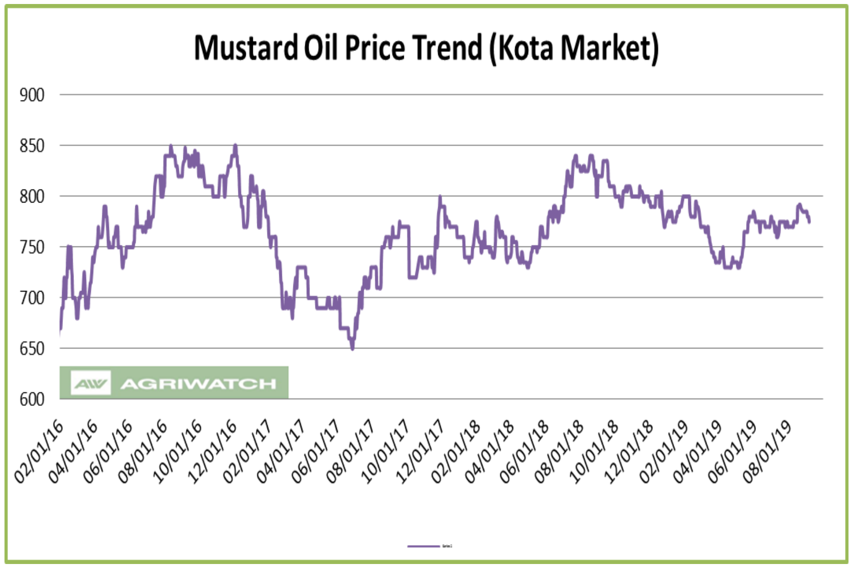
- According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's Aug palm oil exports rose 15.6 percent to 1,661,984 tons compared from 1,437,790 tons last month. Top buyers were India at 498,080 tons (424,525 tons), China at 347,253 tons (135,690 tons), European Union 274,919 tons (304,615 tons), United States at 56,788 tons (75,078 tons) and Pakistan at 41,000 tons (39,000 tons). Values in brackets are figures of last month.
- According to cargo surveyor Intertek Testing Services (ITS), Malaysia's August palm oil exports rose 16.0 percent to 1,637,752 tons compared to 1,411,535 tons last month. Top buyers were India & subcontinent 580,430 tons (489,795 tons), China at 338,025 tons (116,990 tons)and European Union 322,485 tons (306,335 tons). Values in brackets are figures of last month.
- 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. Prodcution was higher than trade expectation.
- According to Indonesia Palm Oil Association (GAPKI), exports of palm oil (CPO and PKO) from Indonesia fell 5.24 percent in June y-oy 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 Sep crude palm oil export duty unchanged at zero. The reference price is set at USD 555.6 per ton, lower than lower threshold for export duty below USD 570 to calculate export levy. Indonesia taxes palm oil above trigger price of USD 750 per ton. 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 530-590 per 10 Kg in the near term.

Rapeseed oil Fundamental Review and Analysis-

Domestic Front



- Mustard oil prices showed weak trend in benchmark market on weak demand and rise in rapeseed prices. Arrivals of rapeseed fell last week.
- Prices of rapeseed oil expeller featured weak trend in its benchmark market on weak demand and fall in rapeseed prices.

Prices fell on fall in palm oil and soy oil prices.

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

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

There is parity 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. However, no sale is reported as of date due to higher prices quoted at auctions.

NAFED has said that it will not sell rapeseed below MSP. However, this step of NAFED will backfire as during peak season demand in Sep when market will witness shortage of rapeseed on lower auction of rapeseed will lead to higher rapeseed oil prices and will lead to high palm oil prices thereby denting demand of rapeseed oil in medium term. This step will be counterproductive for NAFED.

NAFED has procured 10.79 lakh tons of rapeseed in the current Rabi season. Stock with NCDEX is 0.33 lakh tons. Further, there is good stock of mustard with trade and farmers.

Arrivals of rapeseed has decreased at various key markets.

Agriwatch estimated in MY 2019-20 rapeseed crop is to be 7.9 MMT, which is above last year crop of 7.1 MMT 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 fourth advanced estimates, government estimates Mustard seed output at 93.4 lakh tons for 2018/19 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 60 (Rs 63) per 10 Kg will support rapeseed oil prices.

Jaipur kacchi ghani rapeseed oil premium over RBD palmolein is remain at Rs 183 (Rs 200) 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.

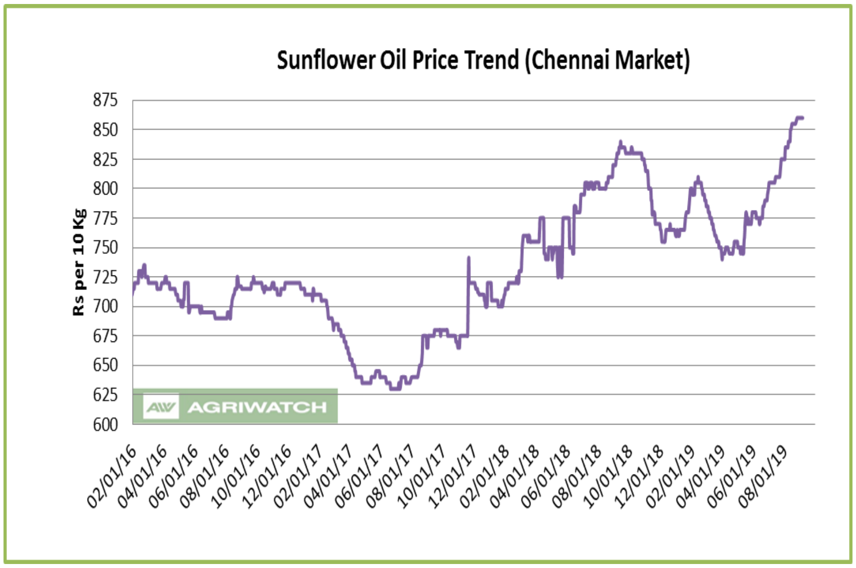
Kacchi Ghani and refined soy oil trading range is low, which will improve demand of rapeseed oil. Markets are expected to trade sideways to firm tone in coming days on firm demand ahead of festivals.

- 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 2019-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 788 (Rs 795) per 10 Kg, and at Kota market, it is offered at Rs 775 (Rs 785) per 10 kg as on Sep 6, 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 750-850 per 10 Kg.

Sunflower oil Fundamental Review and Analysis-:

Domestic Front



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

  Sunflower oil price closed sideways at high seas while it fell at CNF markets indicating firm demand at high seas.

  Prices closed sideways despite fall in palm oil prices. There can be buying at these levels. Demand will 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 prices premium over soy oil is at Rs 112 (Rs 108 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 70 (USD 75 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 225 (USD 217.5 last week) which will decrease imports.

  In domestic market refined sunflower oil (Chennai) premium over RBD palmolein (Chennai) is remain at Rs 235 (Rs 230) 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 180 (Rs 170 last week) per 10 kg will support sunflower oil prices.

  There is parity in imports of sunflower oil and refining margins are positive, which will increase import demand.

  Prices of sunflower oil will be capped by rising 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.

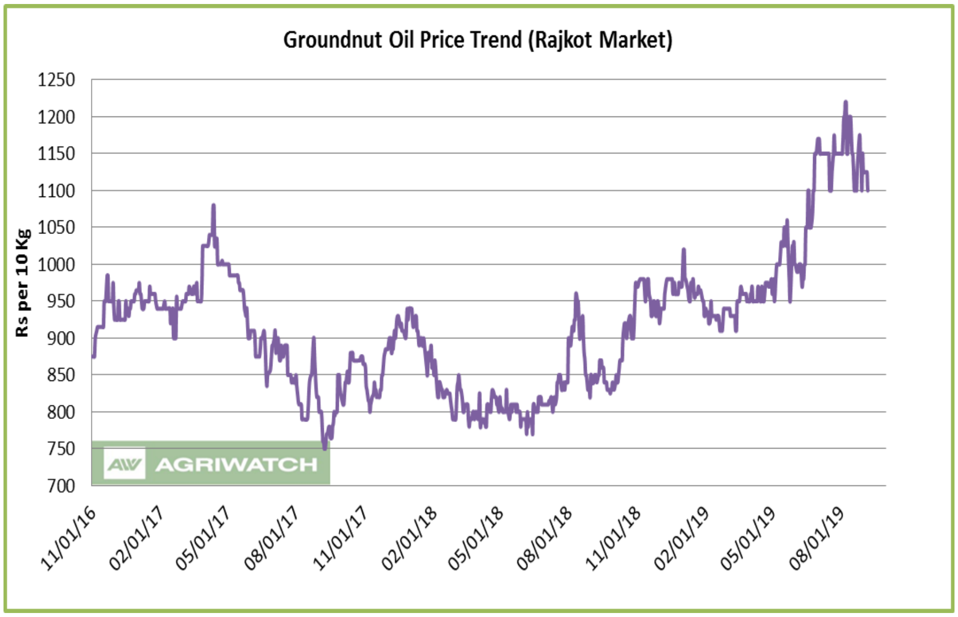
  Refiners have decreased purchase of crude sunflower oil from international markets as CNF sunflower oil premium over CNF soybean oil and palm oil has risen.

  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 0.99 lakh hectares as on 06.09.2019 compared to 1.08 lakh hectares in corresponding period last year. Sowing is slow in state of Karnataka on account of late 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 790 (USD 795) per ton form Sep delivery, Oct delivery is quoted at USD 772.5 (USD 777.5) per ton , Nov delivery is quoted at USD 757.5 (USD 765) per ton and Dec delivery is quoted at USD 757.5 per ton. CNF sun oil (Ukraine origin) Aug monthly average was at USD 805.24 per ton compared to USD 802.48 per ton in July. Values in brackets are figures of last week.
- Prices are likely to stay in the range of USD 780-840 per ton in the near term. CNF Sunflower oil premium over CDSO is hovering remain at USD 70 (USD 75 last week) per ton for Sep delivery. CNF sunflower oil premium over RBD palmolein is hovering around USD 225 (USD 217.5) per ton.
- Currently, refined sunflower oil at Chennai market is offered at Rs 860 (Rs 860) per 10 Kg, and at Kandla/Mudra market, it is offered higher at Rs 835 (Rs 845) per 10 kg as on Sep 6, 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 weak trend in Rajkot on account weak demand.
- Prices of groundnut oil traded lower during the week on weak demand.

Groundnut oil prices are expected to remain firm on demand ahead of festivals.

Groundnut oil prices fell despite fall in groundnut prices indicating weak demand.

Rains in groundnut growing areas, will 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.

Retail demand is has improved ahead of festive demand.

Demand will rise from in near term because of festive demand.

Supply of groundnut oil is decreasing due to lower supply of groundnut due to lower auction by NAFED on higher prices quoted at auctions. Only NAFED is having stock of groundnut in the markets with fewer stocks with trade and farmers.

Demand of groundnut oil may fall due to sharp rise in prices of groundnut oil.

Retail demand may decrease due to higher volatility in prices.

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 980-1000 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 is lower and yield loss will improve on standing crop as rains had arrived.

NAFED disposal of groundnut K-18. NAFED is also selling K-17 groundnut seed in Gujarat. Total progressive sale in 2018-19 is 4.62 lakh and balance quantity after sale is 2.54 lakh tons. Total stocks of groundnut of 2017-18 season with NAFED is 0.19 lakh tons and sold total 10.26 lakh tons so far. Therefore, total stock in NAFED is 2.73 lakh tons, while there are little stocks with trade and farmers. Lower domestic disappearance of groundnut has led to weakening of groundnut oil prices.

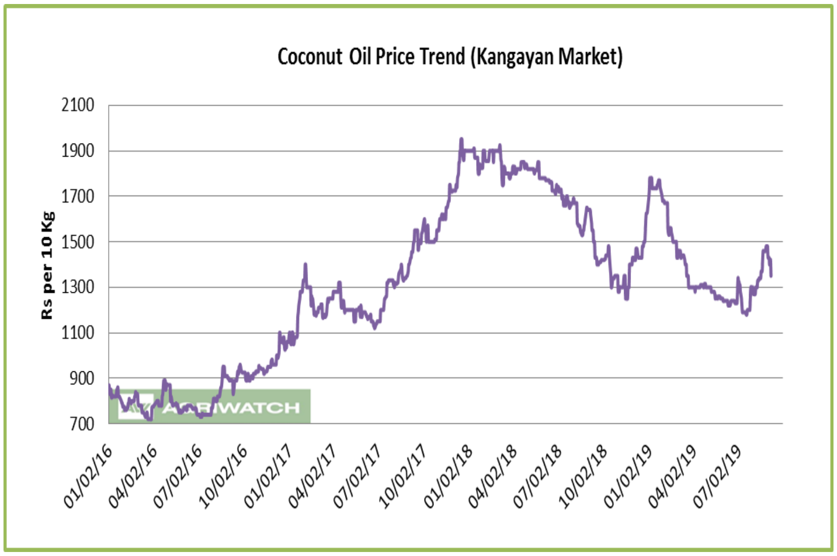
Exports of groundnut and groundnut oil had decreased due to rise in prices of groundnut leading to diversion of groundnut towards crushing weakening prices.

Groundnut oil prices are expected to fall on weak demand.

- All India progressive sowing of groundnut as on 06.09.2019 has reached 37.51 lakh hectares compared to 39.68 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 11,000 (Rs 11,500) per quintal and it was quoted at Rs 10,400 (Rs 10,300) per quintal in Chennai market on Sep 6, 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 1050-1200 per 10 Kg.

Coconut Oil Fundamental Review and Analysis-:
Domestic Front



- Firm 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 of coconut oil fell on fall in prices of copra. Fall in raw material prices lead to lower product prices.

Prices fell on fall in palm oil prices.

Palm oil is cheap alternative in South India.

Retail demand has decreased due to rise in prices of coconut oil.

In addition, demand will weaken as Onam demand is over in Kerala. Government is procuring coconut to support falling prices, which may 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 not stocking, as the prices have not stabilized.

Corporate demand, which is one of the major contributors, has improved.

Traders and upcountry buyers are not stocking as they are not confident about prices.

Crushers have low stocks of coconut oil despite weak demand.

Due to rise in prices of coconut oil, demand may shift to other oils from coconut oil. Fresh demand is expected in lower levels.

Price trend is biased towards downside.

Demand will weaken due to volatility in prices of coconut oil.

Consumers tend to decrease demand when the prices are falling and there is high volatility in prices.

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

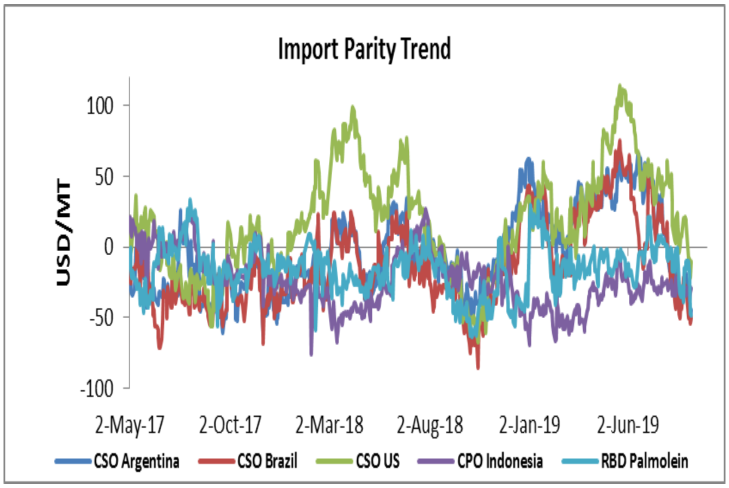
Coconut oil prices are expected to be weak in days ahead.

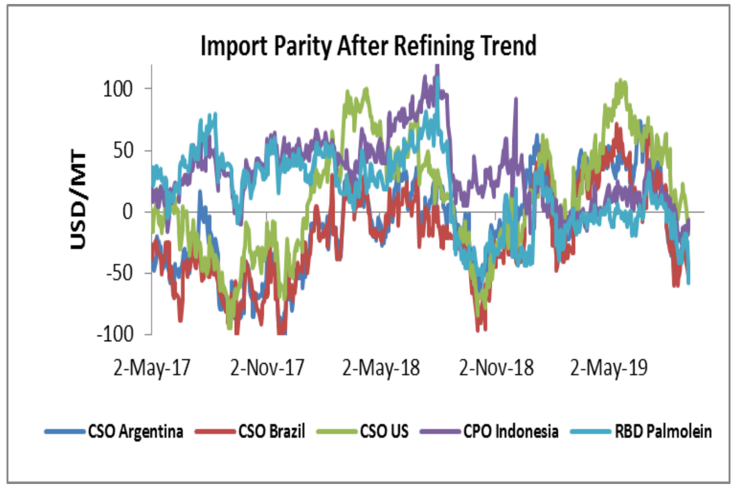
- On the price front, currently the coconut oil prices in Kochi is hovering remain at Rs 14,000 (Rs 13,900) per quintal, and was quoting Rs 13,500 (Rs 14,800) per quintal in Erode market on Sep 6, 2019.

Price Outlook: Coconut oil (without GST) prices in Erode may stay in the range of Rs 1250-1550 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
Aug 19-Aug 23, 2019	-40.76	-51.20	0.31	-18.34	-35.25
Aug 26-Aug 30, 2019	-26.96	-33.10	15.65	-18.06	-26.95
Sep 2-Sep 6, 2019	-38.18	-46.73	-6.45	-14.37	-35.47

Outlook-:

Import parity for crude soy oil from Argentina fell due to fall in prices of soy oil in Indian 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 of CPO is higher than parity on import of RBD palmolein.

Technical Analysis (Refined soy oil)

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

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

- Daily chart of refined soy oil at NCDEX depicts downtrend during the week in review. We expect prices to trade sideways to weak tone in the near term.
- Any close below 740 in weekly might take the prices below 730 levels.
- Expected price band for next week is 730-780 level in near to medium term. RSI and MACD is suggesting downtrend in the market.

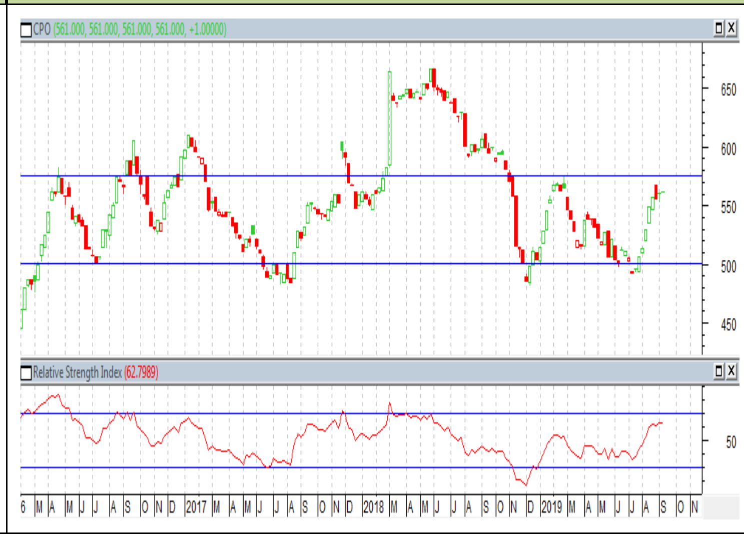
Strategy: Market participants are advised to go short below 755 levels for a target of 740 and 735 with a stop loss at 765 on closing basis.

RSO NCDEX (September)

Support and Resistance				
S2	**S1**	**PCP**	**R1**	**R2**
725.00	741.00	748.40	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)

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

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

- Candlestick in weekly chart of crude palm oil at MCX depicts weak trend in the prices. We expect prices to trade with a sideways to weak note in the near term.
- Any close below 550 in weekly chart may bring the prices to 540 levels.
- Expected price band for next week is 520-580 level. RSI and MACD are suggesting downtrend in prices in the coming week.

Strategy: Market participants are advised to go short in CPO below 560 for a target of 545 and 540 with a stop loss at 570 on closing basis.

CPO MCX (September)

Support and Resistance				
S2	**S1**	**PCP**	**R1**	**R2**
538.00	550.00	554.60	580.00	590.00

Spot Market outlook: Crude palm oil (without GST) is likely to stay in the range of Rs 530-590 per 10 Kg.

Veg. Oil Prices at Key Spot Markets

Commodity	Centre	Prices(Per 10 Kg)		Change
		6-Sep-19	30-Aug-19	
Refined Soybean Oil	Indore	750	757	-7
	Indore (Soy Solvent Crude)	715	720	-5
	Mumbai	755	760	-5
	Mumbai (Soy Degum)	705	720	-15
	Kandla/Mundra	735	740	-5
	Kandla/Mundra (Soy Degum)	702	715	-13
	Kolkata	755	752	3
	Delhi	765	780	-15
	Nagpur	Closed	770	-
	Rajkot	735	740	-5
	Kota	745	755	-10
	Hyderabad	Unq	0	-
	Akola	Closed	771	-
	Amrawati	Closed	771	-
	Bundi	750	760	-10
	Jalna	Closed	774	-
	Solapur	Closed	764	-
	Dhule	Closed	773	-
Palm Oil*	Kandla (Crude Palm Oil)	589	583	6
	Kandla (RBD Palm oil)	609	620	-11
	Kandla RBD Pamolein	656	651	5
	Kakinada (Crude Palm Oil)	562	580	-18
	Kakinada RBD Pamolein	651	662	-11
	Haldia Pamolein	662	656	5
	Chennai RBD Pamolein	662	667	-5
	KPT (krishna patnam) Pamolein	646	659	-14
	Mumbai RBD Pamolein	662	656	5
	Mangalore RBD Pamolein	672	677	-5
	Tuticorin (RBD Palmolein)	670	674	-4
	Delhi	680	675	5
	Rajkot	649	641	8
	Hyderabad	632	639	-7
	PFAD (Kandla)	373	399	-26
	Refined Palm Stearin (Kandla)	562	580	-18
	Superolien (Kandla)	693	693	Unch
	Superolien (Mumbai)	704	704	Unch
* inclusive of GST				
Refined Sunflower Oil	Chennai	860	860	Unch

	Mumbai	855	855	Unch
	Mumbai(Expeller Oil)	815	815	Unch
	Kandla (Ref.)	835	845	-10
	Hyderabad (Ref)	855	855	Unch
	Latur (Expeller Oil)	815	820	-5
	Chellakere (Expeller Oil)	815	820	-5
	Erode (Expeller Oil)	880	895	-15
Groundnut Oil	Rajkot	1100	1150	-50
	Chennai	1040	1030	10
	Delhi	1100	1100	Unch
	Hyderabad *	1040	1030	10
	Mumbai	1070	1090	-20
	Gondal	1100	1150	-50
	Jamnagar	1100	1150	-50
Rapeseed Oil/Mustard Oil	Jaipur (Expeller Oil)	788	795	-7
	Jaipur (Kacchi Ghani Oil)	808	815	-7
	Kota (Expeller Oil)	775	785	-10
	Kota (Kacchi Ghani Oil)	792	798	-6
	Neewai (Expeller Oil)	780	780	Unch
	Neewai (Kacchi Ghani Oil)	795	792	3
	Bharatpur (Kacchi Ghani Oil)	800	805	-5
	Sri-Ganga Nagar(Exp Oil)	775	780	-5
	Sri-Ganga Nagar (Kacchi Ghani Oil)	800	800	Unch
	Mumbai (Expeller Oil)	805	815	-10
	Kolkata(Expeller Oil)	930	930	Unch
	New Delhi (Expeller Oil)	796	800	-4
	Hapur (Expeller Oil)	885	885	Unch
	Hapur (Kacchi Ghani Oil)	920	920	Unch
	Agra (Kacchi Ghani Oil)	805	810	-5
Refined Cottonseed Oil	Rajkot	780	780	Unch
	Hyderabad	Unq	0	-
	Mumbai	806	806	Unch
	New Delhi	742	751	-9
Coconut Oil	Kangayan (Crude)	1350	1480	-130
	Cochin	1400	1390	10
Sesame Oil	New Delhi	1650	1600	50
	Mumbai	Unq	0	-

Kardi	Mumbai	880	880	Unch
Rice Bran Oil (40%)	New Delhi	625	623	2
Rice Bran Oil (4%)	Punjab	620	620	Unch
Malaysia Palmolein USD/MT	FOB	538	540	-2
	CNF India	563	578	-15
Indonesia CPO USD/MT	FOB	505	513	-8
	CNF India	533	540	-7
RBD Palm oil (Malaysia Origin USD/MT)	FOB	533	535	-2
RBD Palm Stearin (Malaysia Origin USD/MT)	FOB	548	558	-10
RBD Palm Kernel Oil (Malaysia Origin USD/MT)	FOB	680	715	-35
Palm Fatty Acid Distillate (Malaysia Origin USD/MT)	FOB	448	450	-2
Crude palm Kernel Oil India (USD/MT)	CNF India	Unq	660	-
Ukraine Origin CSFO USD/MT Kandla	CIF	795	795	Unch
Rapeseed Oil Rotterdam Euro/MT	FOB	815	815	Unch
Argentina FOB ($/MT)		**5-Sep-19**	**29-Aug-19**	**Change**
Crude Soybean Oil Ship		664	664	Unch
Refined Soy Oil (Bulk) Ship		687	687	Unch
Sunflower Oil Ship		713	720	-7
Cottonseed Oil Ship		644	644	Unch
Refined Linseed Oil (Bulk) Ship		Unq	0	-
				**** indicates including GST***

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