Veg. Oil Weekly Research Report

Contents

Executive Summary

Domestic Veg. Oil Market Summary

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

On the currency front, Indian rupee is hovering near 75.60 against 76.10 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 appreciate 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 810 levels for a target of 795 and 790 with a stop loss at 820 on closing basis. We expect refined soy oil at Indore (without GST) to stay in the range of Rs. 780-880 per 10 Kg. in the near term.

In MCX, market participants are advised to go short in CPO below 655 for a target of 640 and 635 with a stop loss at 665 on closing basis. We expect CPO Kandla 5 percent (without GST) to stay in the range of Rs 670-750 per 10 Kg in the near term.

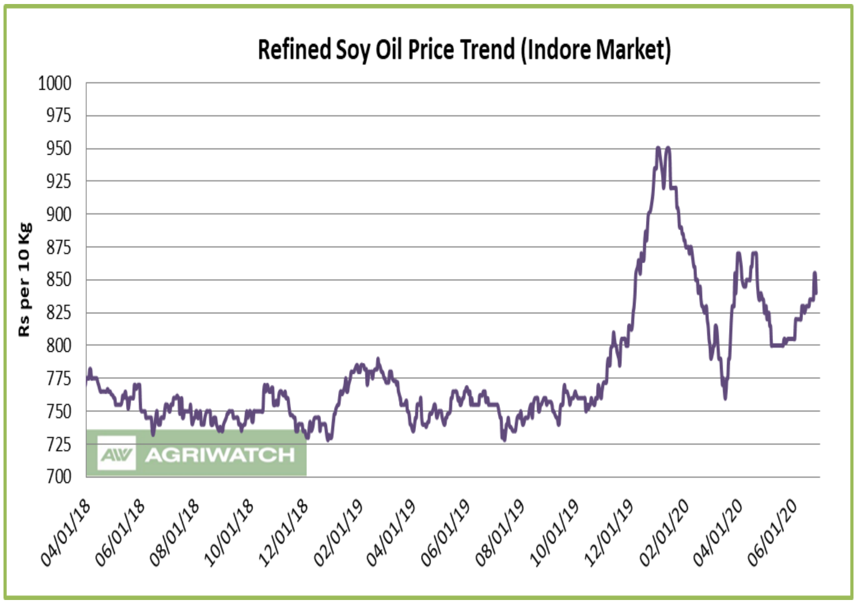
International Veg. Oil Market Summary

On the international front, rise second wave of coronavirus, better than expected crop condition in US, conducive weather of soybean in US and fall in crude oil prices will underpin soy oil prices in coming days.

Expectation of rise in palm oil stocks in Malaysia, rise in production of palm oil in Malaysia, expectation of weak exports of palm oil from Malaysia and fall in crude oil prices are expected to underpin CPO prices in near term.

Soy oil Fundamental Analysis and Outlook-:

Domestic Front



- Soy oil featured firm sentiment in domestic markets in the week in review on firm demand.
- Soy oil supply in India is constrained due to lower crush of soybean due to weak poultry demand on coronavirus leading to higher stocks of soy meal with crushers led to lower supply of soy oil.
- Renewed fears of second wave of coronavirus, better than expected crop and weather conditions in US, and expectation of higher stocks of soybean in US in its quarterly stocks report will underpin international prices of soy oil.
- Demand of soy oil will rise due to opening of markets as India prepares to open in phases.
- Fall in palm oil prices due to weak demand will underpin soy oil price.
- Domestic crushers are running at lower capacity despite supply of soybean has been restored due to opening of mandis. There is less demand of soy meal due to lower poultry use. There is no shortage of trucks to transport soybean and soy oil. Vessels are discharging at normal pace.
- There is no shortage of labor in refineries and no raw material shortage. Controls at state borders have been removed and trucks are not finding it difficult to cross-state borders.
- Import parity fell during the week on higher revision of base import price and low fixed exchange rate of Rupee and is quoted at parity of 25-30 per 10 kg compared to parity of Rs 25-30 per 10 kg last week. Import demand are likely to rise due to parity in imports and positive refining margins.
- Soy oil demand is firm at high seas as its prices fell less at high seas compared to CNF markets compared to last week.
- Soy oil demand is weak at CNF markets, as prices fell less at CNF markets compare to FOB markets compared to last week.
- Imports of soy oil fell in May 2020 compared to May 2019 while it was higher Apr 2020. Stocks at ports will be liquidated if supply from international markets come under pressure.
- However, imports of soy oil is expected to rise in June citing improved condition at Indian ports.
- CDSO premium over CPO at high seas is is high and underpin soy oil prices while refined soy oil discount over rapeseed oil is high may increase demand. Further, refined soy oil discount over refined sunflower and sunflower oil CNF premium over soy oil CNF is high may support soy oil prices. Values in brackets are figures of last month.
- Moreover, refined soy oil premium over RBD palmolein is low, which is low and may support soy oil prices in domestic markets. In USD terms, premium of CDSO CNF over CPO CNF is high and decrease demand of CDSO at CNF markets compared to CPO CNF. Values in brackets are figures of last week.

- According to Solvent Extractors Association (SEA), India's May edible oil imports fell 4.014 percent y-o-y to 7.07 lakh tons from 11.81 lakh tons in May 2019. Palm oil imports in May fell 52.74 percent y-o-y to 3.87 lakh tons from 8.19 lakh tons in May 2019. CPO imports fell 15.9 percent in May y-o-y to 3.70 lakh tons from 4.40 lakh tons in May 2019. RBD palmolein imports fell by 95.68 percent in May y-o-y to 0.16 lakh tons from 3.71 lakh tons in May 2019. Soy oil imports fell 19.39 percent in May y-o-y to 1.87 lakh tons from 2.32 lakh tons in May 2019. Sunflower oil imports rose 1.5 percent y-o-y in May to 1.33 lakh tons from 1.33 lakh tons in May 2019. Rapeseed (canola) oil imports in May was zero compared to zero imports in May 2019. Sharp fall in imports in May was majorly led by palm oil especially RBD palmolein followed by soy oil. Fall in RBD palmolein imports were due to India restricting refined palm oil imports by cancelling all licenses.
- Soy oil import scenario – According to SEA, soy oil imports fell 19.39 percent y-o-y in May to 1.87 lakh tons from 2.32 lakh tons in May 2019. In the oil year 2019-20 (Nov 2019 -May 2020), imports of soy oil were 15.79 lakh tons compared to 14.69 lakh tons in corresponding period last oil year, higher by 7.49 percent compared to corresponding period last oil year.
- Imported crude soy oil CNF at West coast port is offered at USD 725 (USD 744) per ton for June delivery, July delivery is quoted at USD 722 (USD 735) per ton, Aug delivery is quoted at USD 709 (USD 738) per ton and Sep delivery is quoted at USD 714 per ton. Values in brackets are figures of last week. Last month, CNF CDSO May average price was USD 661.11 (USD 658.12 per ton in Apr 2020) per ton. Soy refined (Indore) is quoted at Rs 840 (Rs 835 last week) per 10 kg.
- On the parity front, margins fell during the week due to higher base imported price and lower fixed exchange rate of Rupee. We eexpect margins to remain firm in coming days. Currently, refiners fetch USD 30-35/ton v/s gain of USD 40-45/ton (last week) margin in processing the imported Soybean Oil (Argentina Origin).

International Front

Soy oil prices are expected to be underpinned by threat of second wave of coronavirus, better than expected condition of US soybean crop and conducive weather in US Midwest and fall in crude oil prices will underpin soy oil prices.

However, demand at lower levels, opening of various economies of world, lower stock of soy oil in US and supply disruption in Argentina due to less water in Parana river will support prices.

Second wave of coronavirus eruption especially in US has led to worries in global markets. Coronavirus cases have risen above 10 million and led to death of more than half a million cases have led to worries that coronavirus upward cycle has not been contained.

However, coronavirus lockdown is being lifted in various countries in the world including India. Many economies are opening their countries partially to save themselves from economic disaster after health disaster. However, agricultural services like harvesting, processing and transit are normal. India opened from June 8 gradually after the lockdown after more than 70 days of lockdown will increase demand of soy oil imports as domestic crushed soy oil is in short supply.

Rise in prices of commodities in the world have been due to extreme monetary and fiscal stimulus across the world. Total stimulus both monetary and fiscal has exceed USD 20 trillion. However, demand condition in market is still benign and prices will get back to normal according to demand.

There has been fall in water levels of Parana river in Argentina leading to delay of shipments of soybean and downstream shifting of loading due to less water levels. Ships are loading at lower capacity due to lower water levels. This has lead to shortage of soy products in global markets supporting prices and led soy oil basis of Argentina to surge from CBOT soy oil.

Soy oil stocks fell in US in May as reported by NOPA on lower crush of soybean and higher domestic disappearance leading to lower supply of soy oil. Fall was more than trade estimate. This will support global soy oil prices.

Soybean planting is progressing swiftly in US and is more than last year and 5-year average, indicating US farmers will plant higher soybean crop and area will be higher than estimated. Crop condition is reported to be good will increase yields. Weather in US Midwest is conducive to increase yields. USDA has estimated US soybean crop at 112 MMT in 2020/21 compared to 96.6 MMT in 2019/20. Soybean crop of US in 2020/21 rose on higher area and higher yields. Crop size is higher than 2019/20 crop by 16 percent. However, stocks of soybean is lower due to higher exports especially to China and improving US global share of soybean exports.

Soybean harvest in Argentina harvest is over. Dry weather led to reduction in yields and will lead to lower soybean crop. USDA cut soybean production forecast of Argentina to 50 MMT from 51 MMT for 2019/20. Buenos Aires Grains exchange has cut soybean crop to 49.5 MMT from 54 MMT citing dry conditions. USDA has quoted soybean crop of Argentina for 2020/21 higher at 53.5 MMT.

China lockup was lifted last month. However, second wave of coronavirus has been seen in the country and China may impose lockdown in some areas if conditions escalate.

With lifting of lockdown and fiscal stimulus measures, Chinese economy is expected to pickup pace when most of the world is still in partial lockdown. This has led to increase in meat consumption increasing demand of soybean in the country. However, lower swine count in China due to swine flu in 2019, which led to 50 percent drop in swine count led to lower demand of soybean by China.

US-China trade settlement has been applicable from Feb 15 and major purchase of US soybean has started in May. China is expected to buy 30 MMT of US soybean to refurbish stocks. China has purchased record meat from US at a time many plants are shutting down in US due to coronavirus.

There has been surge in exports of soybean from Brazil especially import demand from China. Brazil exported record soybeans in April and May is also expected to be strong in June.

USDA increased soybean import estimate of China at 96 MMT in 2020/21 and 92 MMT in 2019/20 from 85 MMT in 2019/20.

Due to new crop harvest in Brazil and sharp depreciation of Real, Brazilian soybean is quoted lower compared to US origin has led to surge in demand from Brazil. This has led to record shipment of soybean to China in April and May is strong. If US-China tensions escalate then more imports of soybean will take place from Brazil.

Dry conditions during last phases of crop in Brazil and harvest has led to lowering of yields thereby reducing soybean crop of the country. USDA reduced soybean crop of the country to 124 MMT from 126 MMT making this year crop in Brazil to record in history. Soybean crop of Brazil on 2020/21 is expected at 131 MMT as per USDA.

USDA has hiked exports of soybean from Brazil to 85 MMT from 78.5 MMT on in 2019/20 higher global demand especially demand from China. However, 2020/21 exports of Brazil is quoted lower by USDA at 83 MMT due to competition from US as higher crop of soybean in US will prompt higher exports to global market.

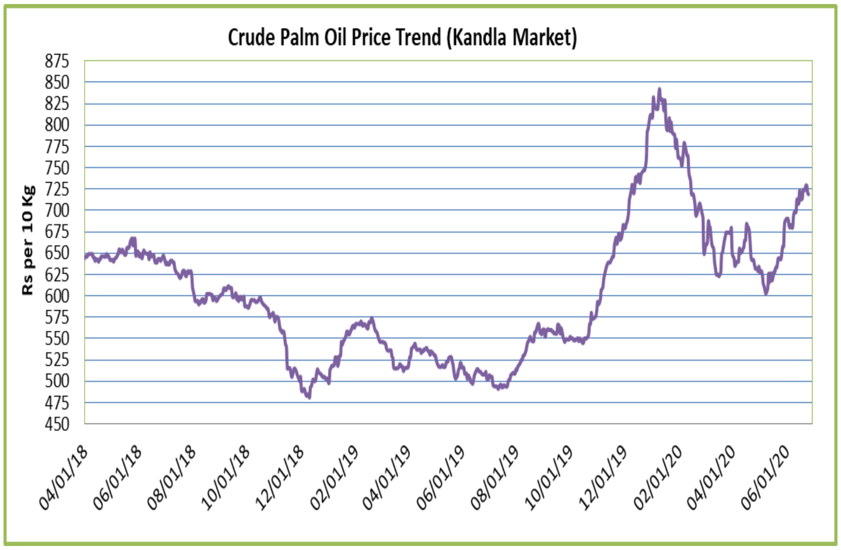
Soy oil prices are supported by rise in crude oil prices on OPEC and Russia vowing for deeper cuts in production.

- According to National Oilseed Processors Association (NOPA), U.S. May soybean crush fell by 1.26 percent m-o-m to 169.584 million bushels from 171.754 million bushels in April 2020, below market expectation. Crush of soybean in May was higher by 9.56 percent y-o-y compared to Apr 2019 figure of 154.795 million bushels. Soy oil stocks in U.S. at the end of May fell 10.94 percent m-o-m to 1.880 billion lbs compared to 2.111 billion lbs in end Apr 2020. Stocks of soy oil in end May was higher by 18.91 percent y-o-y compared to end May 2019, which was reported at 1.581 million lbs. Soy oil stocks was below trade expectation.
- According to China's General Administration of Customs (CNGOIC), China's May edible vegetable oils imports was unchanged m-o-m at 6.64 LT compared to April 2020. Imports fell 6.21 percent y-o-y in May from 7.08 LT in May 2019. Year to date imports of edible vegetable oil fell 5.4 percent to 30.16 lakh tons.
- According to China's General Administration of Customs (CNGOIC), China's May soybean imports rose 39.66 percent m-o-m to 9.38 MMT from 6.61 MMT in Apr 2020. Imports rose 27.40 percent y-o-y from May 2019 imports at 7.36 MMT. Year to date soybean imports rose 6.80 percent to 33.88 MMT.
- According to United States Department of Agriculture (USDA) June estimate, U.S 2020/21 ending stocks of soy oil estimate has been increased to 2,00 million lbs compared to 1,865 million lbs in May estimate. Opening stocks are increased to 1,940 million lbs in 2020/21 from 1,880 million lbs in its earlier estimate. Production of soy oil in 2020/21 is increased to 24,860 million lbs from 24,685 million lbs in its earlier estimate. Imports in 2020/21 are kept unchanged at 400 million lbs compared to earlier estimate. Biodiesel use in 2020/21 is kept unchanged at 8,000 million lbs. Food, feed and other industrial use in 2020/21 is kept unchanged at 15,000 million lbs. Exports in 2020/21 are increased to 2,200 million lbs compared to 2,100 million lbs in its earlier estimate. Average price range estimate of 2020/21 is kept unchanged at 29.0 cents/lbs.
- The U.S. Department of Agriculture monthly supply and demand report for the month of June forecasts U.S. 2020/21 soybean stocks at 395 million bushels compared to 405 million bushels in its May estimate. Opening stocks in 2020/21 is raised to 585 million bushels compared to 580 million bushels in its earlier estimate. Soybean production in 2020/21 is kept unchanged at 4,125 million bushels. U.S. soybean exports estimate in 2020/21 are kept unchanged at 2,050 million bushels. Imports estimate in 2020/21 is unchanged 15 million bushels. Crush in 2020/21 is increased to 2,145 million bushels compared to 2,130 million bushels in its earlier estimate. Seed use in 2020/21 has been kept unchanged at 100 million bushels. Residual use in 2020/21 is kept unchanged ta 35 million bushels. Average price range in 2020/21 is kept unchanged at 8.20 cents/bushel.
- USDA WASDE highlights:- The 2020/21 U.S. season-average soybean price is projected at $8.20 per bushel, down 30 cents from 2019/20. Soybean meal prices are forecast at $290 per short ton, down $10.00 from 2019/20. Soybean oil prices are forecast at 29.0 cents per pound, up 0.5 cents from 2019/20.

Price Outlook: We expect refined soy oil (without GST) at Indore to stay in the range of Rs 780-880 per 10 Kg in the near term.

Palm oil Fundamental Analysis and Outlook -:

Domestic Front



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

  Prices of RBD palmolein closed sideways due to fall in prices of RBD palmolein in international markets. Demand of palmolein will stay moderated as it is mainly used in street food, joints and restaurant chains and its demand is weak. However, due to progressive opening of India demand will increase in coming days.

  Progressive opening of countries locked globally will bring back lost demand of Malaysia and Indonesia's palm oil.

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

  Indian restricted refined palm oil imports and cancelled all the 29 licenses issued. This has been a good news for Indian refiners, which were suffering with unutilized capacity and in debt.

  India purchased 2-3 lakh tons of CPO from Malaysia for June and July delivery due to Malaysia reducing CPO export duty to zero and tempering of India-Malaysia trade relations. This comes after Malaysia made major purchases of Indian sugar and rice. Further, Malaysia's CPO was trading at discount over Indonesia's CPO. Both countries vowed to improve ties as Mahatir Mohammad government has been removed in Malaysia.

  India has made it clear by its actions that it is not interested in any way to import refined palm oil from international markets and any country offering CPO at lower prices will be given preference.

  Malaysia has removed export duty on exports of CPO will lead to higher exports of CPO from Malaysia as they are seeking to reduce palm oil stocks in the country.

  Data from cargo surveyors show rise in imports of palm oil by India in June from Malaysia.

  Imports of palm oil by India fell in May compared to May 2019 and Apr 2020. Imports of CPO fell compared to May 2019 and Apr 2020. Fall in CPO imports came on high base y-o-y. However, imports of palm oil fell mainly due to fall in RBD palmolein imports that fell by more than 90 percent.

  Imports of palm oil will rise from June m-o-m due to rise in demand, removal of lockdown progressively in India, resolution of supply bottlenecks faced in importing, processing and transit of palm oil. Further, import demand will improve as normalcy will be restored in India.

  Import parity of CPO and refining margins are positive. CPO imports will rise after restricting RBD palmolein imports.

  CPO import parity rose during the week due fall in prices of CPO in international markets at Rs 30-35 per 10 kg this week compared to last week disparity at Rs 25-30 per 10 kg.

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

RBD palmolein closed sideways at its benchmark market of Kandla on rise in prices of palmolein in international markets.

Palmolein demand may rise as it is mostly used in street food, joints and restaurant chains, which are opening gradually due to opening from lockdown.

RBD palmolein prices remained unchanged at high seas while it fell CNF markets indicating firm demand at high seas.

RBD palmolein imports fell 90 percent in May compared to last year. RBD palmolein imports fell in May compared to May 2019 and Apr 2020. Fall in imports of RBD palmolein in May came on high base y-o-y. Fall y-o-y was due to restricting RBD palmolein imports by India and weak demand due to lockdown.

Putting imports of RBD palmolein in restricted list will lead to lower RBD palmolein imports.

Import demand of palm oil is expected to slow in oil year 2019-20 (Nov 2019-Oct 2020) due to coronavirus closures after strong imports in oil year 2018-19.

Port stocks of palm oil is expected to fall as imports are slow.

Demand of CPO was weak compared to RBD palmolein at high seas as premium of RBD palmolein over CPO was at Rs 86 (Rs 76) per 10 kg compared to last week.

CDSO CNF premium over CPO CNF and CDSO soy oil high seas over CPO high seas is high may increase CPO demand and imports. Premium of refined soy oil over RBD palmolein is low will decrease RBD palmolein demand. RBD palmolein discount over sunflower oil at CNF and domestic markets is high and my in crease CPO demand and imports. Values in brackets are figures of last week.

Prices of palm oil will fall going ahead on firm demand.

- India has contracted to purchase 2-3 lakh tons of crude palm oil (CPO) from Malaysia for June and July delivery. This comes after Malaysia reduced its CPO palm oil export duty to zero and India restricting refined palm oil imports by cancelling all the 29 licenses. India and Malaysia relations were strained for last some months when Malaysia raised Kashmir issue at UN. This led Indian government to restrict refined palm oil imports and advising importers not to purchase from Malaysia. In recent times Malaysia has purchased sugar, rice and buffalo meat in bulk from India to decrease tensions between both countries. Malaysian Prime Minister Mahatir Mohammad was ousted from power in March and since then new regime has vowed to reverse the policy of Mahatir Mohammad to reduced tensions.
- Palm oil import scenario – According to Solvent Extractors Association (SEA), palm oil imports in May fell 52.74 percent y-o-y to 3.87 lakh tons from 8.19 lakh tons in May 2019. Imports in the oil year 2019-20 (November 2019-May 2020) are reported lower by 32.34 percent y-o-y at 36.53 lakh tons compared to 53.99 in last oil year.

  Crude Palm oil import scenario- According to Solvent Extractors Association (SEA), CPO Imports in fell 15.9 percent y-o-y in May to 3.7 lakh tons from 4.4 lakh tons in May 2019. Imports in oil year 2019-20 (November 2019-May 2019) were reported lower by 14.4 percent y-o-y at 32.75 lakh tons compared to 38.26 lakh tons in last oil year.

RBD palmolein import scenario- RBD palmolein imports fell 95.68 percent y-o-y in May to 0.16 lakh tons from 3.71 lakh tons in May 2019. Imports in oil year 2019-20 (November 2019-May 2020) were reported lower by 75.99 percent y-o-y at 3.77 lakh tons compared to 15.7 lakh tons in last oil year.

- On the trade front, CNF CPO (Indonesian origin) at Indian port is quoted at USD 627.5 (USD 650) per ton for June delivery and July delivery is quoted at USD 620 (USD 645) per ton. Last month, CNF CPO May average price was at 558.57 per ton (USD 591.48 per ton in Apr 2020). Values in brackets are figures of last week.

  Moreover, RBD palmolein (Malaysian origin) CNF at Indian port, offered at USD 637.5 (USD 660) per ton for June delivery and July delivery is quoted at USD 630 (USD 655) per ton. Last month, CIF RBD palmolein May average price was USD 567.80 (USD 606.84 in Apr 2019) per ton. Values in bracket depict last month quotes.

  Ready lift CPO duty paid prices quoted at Rs 714 (Rs 724) per 10 Kg and June delivery duty paid is offered at Rs 689 (Rs 714) per 10 kg. Ready lift RBD palmolein is quoted at Rs 800 (Rs 800) per 10 kg as on June 26, 2020. Values in brackets are figures of last week.
- On the parity front, margins rose during this week due to fall in prices of palm products in international markets. Currently refiners fetch USD 100-105/ton v/s gain of USD 80-85/ton (last week) margin in processing the imported CPO and imports of ready to use palmolein fetch USD 85-90/ton v/s gain of USD 75-80/ton (last week) parity.

International Front

Palm oil prices are likely to fall due to expectation of higher production of palm oil in Malaysia in coming months, weak global demand of palm oil in 2020, rise in end stocks of palm oil in Malaysia in coming months.

However, higher demand of palm oil from India and China and gradual opening of many countries after lockdown will limit losses.

Palm oil stocks is expected to rise in Malaysia in coming months due to weak global palm oil demand and rise in production of palm oil in Malaysia in coming months.

Palm oil production is expected to rise in Malaysia in coming months due to higher seasonal production as peak palm oil production season arrives.

Southern Peninsular Palm Oil Millers Association of Malaysia has estimated that production of palm oil in Malaysia in June 1-20 is rose sharply indicating that production of Malaysia will end the month of June in green.

Palm oil global demand is expected to rise in coming weeks on firm demand on opening of various countries after lockdown.

However, palm oil demand will remain benign in 2020 due to weak HoReCa demand globally due to coronavirus. Demand in this sector in India is weak and is down by 1.5-2 MMT. This will keep palm oil prices moderated in coming months.

Palm oil market have been supported by unprecedented global monetary and fiscal stimulus exceeding USD 20 billion. However, palm oil market will reverse towards equilibrium in coming months will keep its prices moderated in coming months.

Exports of palm oil rose 37 percent in Malaysia in June due to firm demand from EU, China, Pakistan and India.

Opening of China for trade has benefited palm oil exports from Malaysia, as it has started to stock palm oil after closure of Chinese provinces to tackle coronavirus. China is taking advantage of lower prices of palm oil to stock. Further, US-China tension over coronavirus will lead to higher demand of palm oil in coming months.

However, second wave of coronavirus in China and US may limit import demand from Malaysia in coming days.

Palm oil demand by India from Malaysia will increased in June and July due to Malaysia bringing down CPO export duty to zero, tempering of Malaysia-India relations and lower supply of palm oil in India due to months of low imports of palm oil. Further, if Malaysian CPO shipments trade at discount to Indonesian shipments exports will flow to India.

However, palm oil imports by India will rise from June after lockdown is gradually lifted. Normalization at Indian ports has led to timely discharge of vessels. Supply constrains like labor shortage and truck shortage have been resolved.

Palm oil demand in India is mainly driven by street food, joints and restaurant chains will rise due to gradual opening of lockdown will lead to rise in palm oil import demand.

Prices of palm oil will be expected to be supported by high palm oil discount over various oils may support palm oil prices.

Further, production of palm oil will fall in Indonesia in coming months due to dry conditions in the country. Production of palm oil will fall in 2020 when standing fruits mature and yield will be lower. Production of palm oil will fall in 2020 due to dry conditions in 2019.

India's palm oil imports will come down below last year level of 9-10 MMT on coronavirus reasons despite lower soybean crop in the country on lower demand of palm oil by the country.

Global demand will fall short of production in Malaysia and Indonesia in 2020, which will add stock of palm by 1-2 MMT globally from present level of stocks at 17 MMT on weaker global demand. However, rise in global stocks are lower compared to earlier estimate in May.

Exports of palm oil from Indonesia will increase in medium term due to India restricting refined palm oil imports.

Malaysia decreased export duty on crude palm oil exports to zero and keep it at zero until Dec 2020 as international prices and stocks rose will support exports by tune of 1 MMT.

Indonesia removed export taxes on exports of CPO from the country due to fall in prices of palm oil and falling stocks of palm oil in the country. However, Indonesia increased palm oil levy by USD 5 to fund its biodiesel program after 2020. This makes prices of CPO uncompetitive compared to Indonesian origin. This may stifle Indonesia's exports especially to India.

Palm oil consumption in 2020 will fall short of production due to lower global consumption demand due to COVID-19 on lower import demand from India. Stocks of palm oil is expected to rise globally in 2020 from present global stock of 17-18 MMT. This will keep palm oil prices in pressure in 2020.

Use of biodiesel in Malaysia will stay elevated in 2020. Malaysia has said that it will continue with its biodiesel policy from Sep and Indonesia will continue is B30 biodiesel program despite lower crude oil prices. This will increase use of palm oil in biodiesel. Palm oil based biodiesel production will stay rise in Malaysia to 1.6 MMT from 1.3 MMT in 2021. This will cut palm oil end stocks in Malaysia.

Indonesia has stuck with its biodiesel program despite fall in crude oil prices. The country has mandated 30 percent bio content in all type of gasoline and has planned 40 percent bio content by 2021.

CPO Malaysia is trading at discount over Indonesia CPO will increase its demand from Malaysia.
Competitive oils like RBD palmolein DALIAN and CBOT soy oil is expected to support palm oil prices.
Palm oil prices are supported by rise in crude oil prices due to OPEC and Russia committing for deeper cuts on production in 2020 to shore up prices and rebalance global crude oil market.

- According to cargo surveyor Intertek Testing Services (ITS), Malaysia's June1-25 palm oil exports rose 37.2 percent to 1,390,860 tons compared to 1,014,000 tons in corresponding period last month. Top buyers were European Union 385,915 tons (233,220 tons), China at 337,200 tons (193,715 tons) and India & subcontinent 281,425 tons (149,100 tons). Values in brackets are figures of corresponding period last month.
- According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's June 1-20 palm oil exports rose 49.9 percent to 1,217,356 tons compared to 812,312 tons in corresponding period last month. Top buyers were China at 295,649 tons (165,815 tons), European Union 277,545 tons (251,197 tons), India at 115,250 tons (28,900 tons), Pakistan at 78,500 tons (31,500 tons) and United States at 52,700 tons (30,800 tons) and. Values in brackets are figures of corresponding period last month.
- According to Malaysia Palm Oil Board (MPOB), Malaysia's May palm oil stocks fell 0.49 percent to 20.35 lakh tons compared to 20.45 lakh tons in Apr 2020. Production of palm oil in May fell 0.09 percent to 16.51 lakh tons compared to 16.53 lakh tons in Apr 2020. Exports of palm oil in May rose 10.69 percent to 13.69 lakh tons compared to 12.36 lakh tons in Apr 2020. Imports of palm oil in May fell 34.45 percent to 0.37 lakh tons compared to 0.57 lakh tons in Apr 2020. End stocks of palm oil fell compared to trade expectation of rise in stocks. Fall in stocks was mainly due to higher Malaysian domestic consumption and higher exports.
- According to Indonesia Palm Oil Association (GAPKI), exports of palm oil (CPO and PKO), biodiesel and oleochemical exports from Indonesia fell by 2.57 percent in Apr m-o-m to 2.65 MMT from 2.72 MMT in Mar 2020. Stocks of palm oil at the end of Apr was 3.4 MMT compared to Mar 2020 figure of 3.42 MMT, down 0.58 percent m-o-m.
- Indonesia increased palm oil export levy by USD 5 per ton to finance it B30 biodiesel mandate. Indonesia is going to distribute USD 187 million for its B30 program. Indonesia Estate Fund has not got enough funds to fund program after 2020. This fund subsidizes producers of biodiesel with subsidies to fund gap between diesel fuel and biodiesel. Indonesia ambitious biodiesel mandate intends to reduce crude oil imports by increasing consumption of surplus palm oil production. Indonesia currently collects USD 50 per ton export levy on exports of crude palm oil if prices rise above USD 619 per ton.
- According to Malaysian Palm Oil Council (MPOC), production of crude palm oil production will fall by 1.0 percent in 2020 to 19.7 MMT. Dry weather in 2019 and lockdown of the country lead to fall in production. Less fertilizer use in 2019 due to low palm oil prices and dry weather in mid-2019 lead to fall in yields. Also, temporary halt to production on coronavirus in six districts in Sabah province is expected to lower production. Lockdown led to lower harvest, milling and labor shortage lading to supply chain problems and limited palm oil production. Palm oil stocks at the end of 2020 is expected to fall to 1.9 MMT compared to 2.0 MMT at the end of 2019. Palm oil global demand has fallen due to coronavirus leading to lockdown of 50 percent of global population.

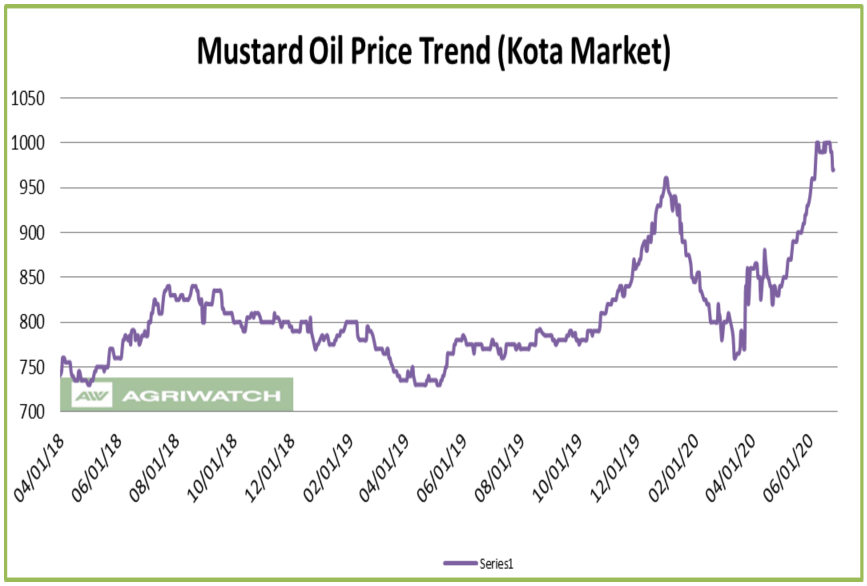
- Policy review: Malaysian PM presented economic stimulus plan in Malaysian parliament, crude palm oil exports will be not be taxed in 2020. This will give boost to exports of palm oil struggling under rise in palm oil stocks. It is estimated that total of 1.0 MMT of extra shipments will be done by Malaysia in second half of 2020.

  According to Indonesia trade ministry, Indonesia will not charge export duty on crude palm oil for June. Reference prices of June was set at USD 568.94 per ton compared to USD 635.15 per ton last month, below threshold price of USD 750 per ton. Export duty on CPO was brought down to zero ton in April due to fall in threshold price of USD 750 per ton. Indonesia charges export levy on CPO above USD 570 per ton. Earlier in the month Indonesia increased export levy by USD 5 per ton to fund ambitious biodiesel program after 2020.

  .***Price Outlook:*** We expect CPO Kandla 5 percent (without GST) to stay in the range of Rs 670-750 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. Arrivals of rapeseed fell at in various mandis in India during the week.

  Plants are running at full capacity and supplies of rapeseed are coming to plant in adequate quantity.

  Transport is normal as there are no shortage of truck drivers. Loaded trucks are not facing problems at state borders as it had been opened.

  In retail markets stocks of rapeseed oil is firm and consumers are consuming more rapeseed oil as it is mainly used in home food and most of the country has not opened fully from lockdown. Moreover, demand of rapeseed oil rose as it is considered as immunity booster has supported prices.

  There is parity in crush of rapeseed.

  NAFED is procuring rapeseed since 15 April for the MY 2020-21 to support market. Total progressive purchase has been 7.82 lakh tons and majority of the procurement is in Haryana and Rajasthan with progressive purchase of 3.09 lakh tons and 3.26 lakh tons respectively.

  Total stocks after sale of mustard seed in MY 2019-20 is 3.30 lakh tons. Therefore, total stocks of rapeseed with NAFED stands at 11.12 lakh tons.

  Arrivals of rapeseed fell at various key markets during the week. Better crush margins have encouraged mills to crush more in last two months. Arrivals will slow going ahead.

  COOIT estimated 77 lakh tons of rapeseed crop in MY 2020-21 compared to crop of 75 lakh tons last year. In the second advanced estimate rapeseed crop has been estimated at 87.03 lakh tons compared to 92.56 lakh tons last year.

  Rapeseed crop in MY 2020-21 was lower than last year at 72 lakh tons due to lower area and lower yield. Yield was lower due to lack of sunny days in growth phase. Seed size and seed numbers were lower leading to lower yields in many states. In addition, yield fell due to rains and hail before harvest.

  Lower crop of rapeseed in MY 2020-21 will support rapeseed and rapeseed oil prices.

  High premium of Jaipur kacchi ghani rapeseed oil over refined soy oil in domestic market is at Rs 195 (Rs 215) per 10 Kg will cap gains in rapeseed oil prices.

  Jaipur kacchi ghani rapeseed oil premium over RBD palmolein is at Rs 235 (Rs 250) per 10 kg which is high will cap gains in rapeseed oil prices.

  There was no import of canola oil in May. Imports of canola oil is 0.17 lakh tons in oil year 2019-20 (Nov-19-Oct-20) v/s 0.44 lakh tons last oil year indicating weak demand. There has been no imports of canola oil for last two months.

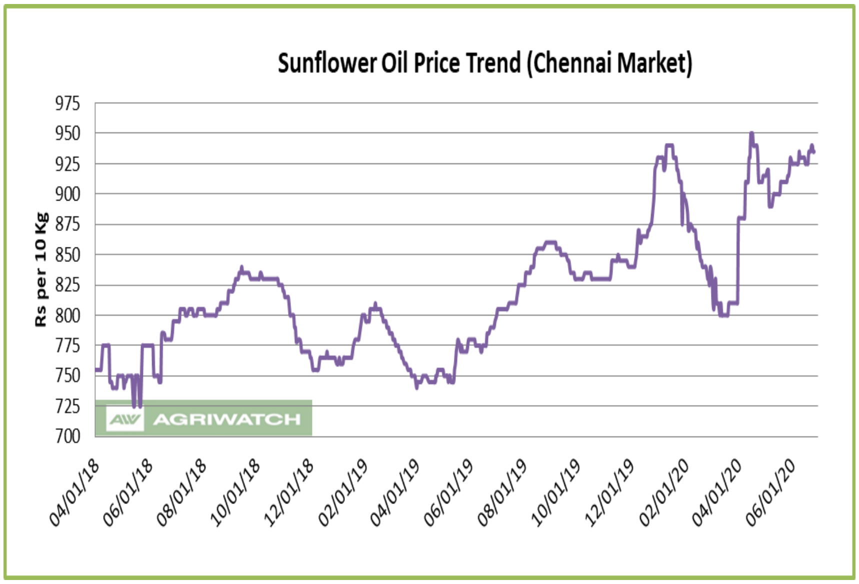
Markets are expected to trade sideways to higher in coming days on firm demand.

- Rapeseed oil import scenario- India imported 0.0 lakh tons rapeseed (Canola) oil in May 2020 v/s 0.0 lakh tons imports in May 2019. In the oil year 2019-20 (Nov 2019-May 2020) imports were 0.17 lakh tons compared to 0.44 lakh tons in last oil year, down 61.36 percent y-o-y.
- Currently, RM oil at Jaipur market, (expeller) is offered at Rs 1,017 (Rs 1,037) per 10 Kg, and at Kota market, it is offered at Rs 970 (Rs 1,000) per 10 kg as on June 26, 2020. 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 900-1050 per 10 Kg.

Sunflower oil Fundamental Review and Analysis-:

Domestic Front



- Sunflower oil price rose during the week in Chennai on firm demand.

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

  Demand of sunflower oil may fall due to rise in its prices. Moreover, high premium of sunflower oil over soy oil and palm oil may lead to weakening of demand.

  Demand of sunflower oil is expected to remain firm as replacement oil due to lees use of palm oil in HoReCa segment leading to higher use of sunflower oil at Indian homes. There may demand gains in sunflower oil up to 20 percent in some states in oil year 2019-20. This will lead to higher imports of sunflower oil in coming months. Imports will rise by 20 percent from last year and will end the oil year above 2.7 MMT.

  Refiners are running at normal capacity. Vessel discharge at Indian ports is normal. There are no problems in transportation. State border impediments for movement of sunflower oil is normal with opening of Indian state borders from June 8.

  There is supply disruption from Ukraine due to quota system on exports of sunflower oil from where India procures 95 percent of its imports has supported domestic sunflower oil prices.

  Import parity is negative and refining margins are negative due to higher prices of sunflower oil in international markets may lead to lower imports of sunflower oil in coming months. Rising premium of sunflower oil over soy oil and palm oil at CNF markets will slow imports.

  In domestic market, sunflower oil prices premium over soy oil is at Rs 95 (Rs 90 last week) per 10 kg, which indicates that sunflower oil prices is diverging at domestic markets and CNF markets. At present premium of sunflower oil over soy oil at CNF markets is at USD 128 (USD 120 last week) per ton which is high and may underpin prices.

  Sunflower oil premium over RBD palmolein at CNF India is at USD 220 (USD 200 last week) which will decrease imports.

  In domestic market refined sunflower oil (Chennai) premium over RBD palmolein (Kandla) is at Rs 135 (Rs 135) per 10 kg which is high will underpin sunflower oil in domestic market.

  In domestic market, high groundnut oil premium over sunflower oil at Chennai market is at Rs 415 (Rs 375 last week) per 10 kg will support sunflower oil prices.

  Prices may be supported on seasonal uptrend of prices.

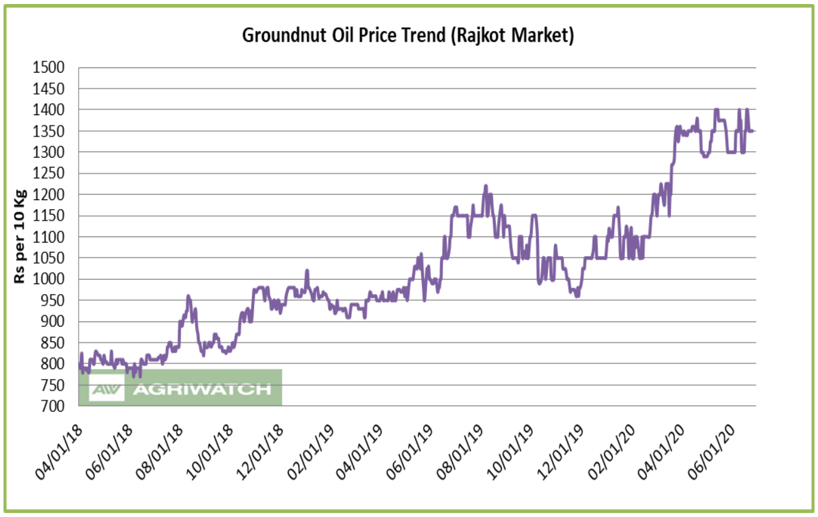
  In top producer Ukraine Sunflower crop in 2020-21 is expected to be lower than last year. This will keep sunflower CNF prices supported in coming months.

Prices of sunflower oil are expected to rise on firm, rise in competing oils prices and rise in prices of sunflower oil in international markets.

- Sunflower oil imports scenario- According to Solvent Extractors Association (SEA), Sunflower oil imports rose 1.5 percent y-o-y in May to 1.33 lakh tons from 1.31 lakh tons in May 2019. Imports in oil year 2019-20 (November 2019-May 2020) were reported higher by 11.33 percent y-o-y at 16.4 lakh tons compared to 14.73 lakh tons in last oil year.
- On the trade front, CIF sunflower oil prices (Ukraine origin) at West coast of India quoted at USD 850 (USD 855) per ton for JAS delivery. CNF sun oil (Ukraine origin) May monthly average was at USD 789.73 per ton compared to USD 760.60 per ton in April. Values in brackets are figures of last week.
- Prices are likely to stay in the range of USD 790-880 per ton in the near term. CNF Sunflower oil premium over CDSO is hovering remain at USD 128 (USD 120 last week) per ton for May delivery. CNF sunflower oil premium over RBD palmolein is hovering around USD 220 (USD 200) per ton.
- Currently, refined sunflower oil at Chennai market is Rs 935 (Rs 925) per 10 Kg, and at Kandla/Mudra market, it 1is offered higher at Rs 925 (Rs 915) per 10 kg as on June 26, 2020. 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 880-960 per 10 Kg.

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



- Groundnut oil market fell on account weak demand.

  Groundnut oil demand is weak as NAFED is quoting higher prices as auctions, which makes it difficult for processors to supply to market at a rate where there is demand.

  Groundnut oil supply is constrained as stock of groundnut in the market is over due to higher crushing, exports, NAFED procurement, direct consumption and seed demand. Stock is only left with NAFED.

  Supply of groundnut oil is constrained due to lower crush of groundnut as demand of groundnut meal is low.

  Groundnut oil demand may fall due to high premium over soy oil, sunflower oil and palm oil prices, which leads to higher demand of these oils.

  Limited numbers of crushers are working in market due to weak supply of groundnut and less demand of groundnut meal. There is disparity in crush at present prices of groundnut.

  Groundnut sowing is progressing at a much higher pace compared to last year indicating that higher crop will be planted during this Kharif season. This will cap groundnut oil prices in coming days.

  Retail demand may weaken due to higher prices.

  NAFED has procured 7.21 lakh tons of K-19 groundnut. NAFED stocks of K-18 groundnut is 1.38 lakh tons at the end of sale of groundnut. So, total stocks of groundnut after procurement is 8.59 lakh tons.

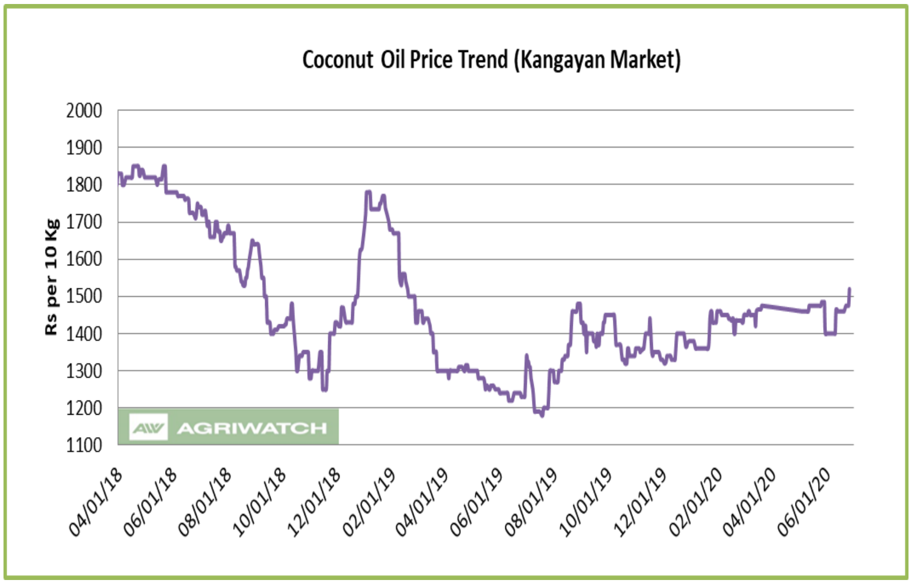
  Exports of groundnut has resumed but exports are weak due to higher prices of groundnut leading to diversion of groundnut towards crushing.

  In South India, prices rose on firm demand. Due to demand season when pickles, chatni and other value added products demand is firm, prices may stay elevated in South India during May-July period.

  Groundnut oil prices are expected to fall on weak demand.
- According to Ministry of Agriculture, sowing of groundnut is reported at 18.45 lakh hectares as on 26.06. 2020 compared to 9.81 lakh hectares in corresponding period last year. Sowing is reported higher in Rajasthan, Gujarat and Karnataka.
- On the price front, currently the groundnut oil prices in Rajkot is 13,500 (Rs 14,000) per quintal and it was 13,500 (Rs 13,000) per quintal in Chennai market on June 26, 2020. 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 Mumbai market is likely to trade in the price band of Rs 1250-1450 per 10 Kg

Coconut Oil Fundamental Review and Analysis-:
Domestic Front

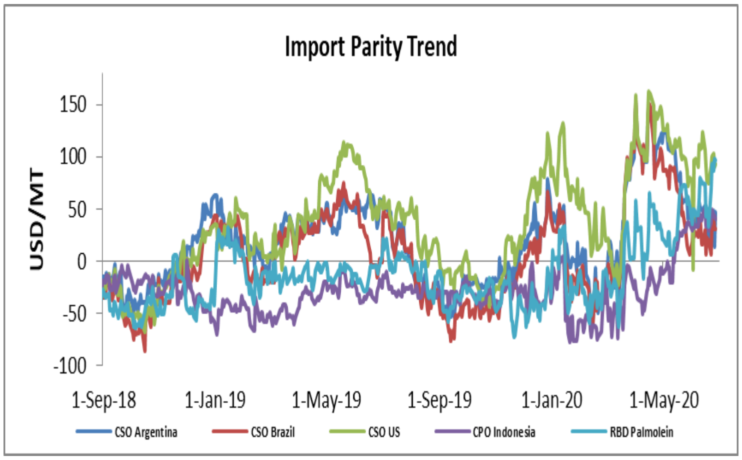


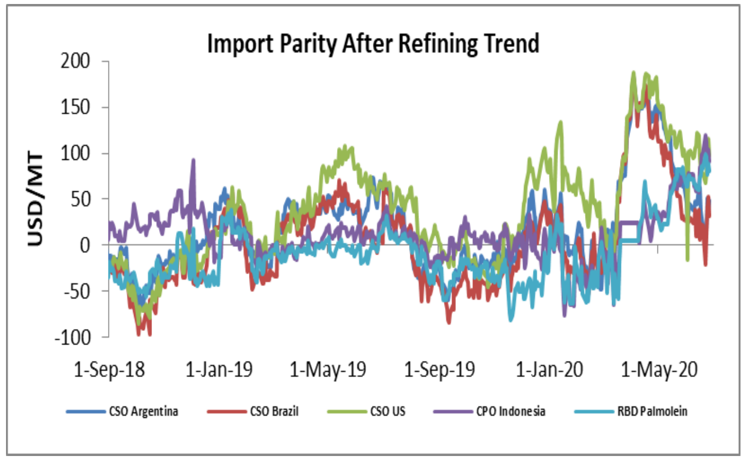
- Coconut oil benchmark market of Kangayam traded firm due to firm demand.
  Prices may rise on rise in palm oil prices.
  Retail demand may decrease due to rise in prices of coconut oil prices.
  Demand of copra is improving due to opening of India in various phases. Copra prices will be supported by Tamil Nadu government procurement of copra at MSP.
  Prices of coconut oil rose due to rise in prices of copra.
  Mills have started to open as lockdown is removed. However, due to lower demand of coconut oil from North India on coronavirus has led to shutdown of many mills.
  Millers are operating at lower capacity due to weak demand in food and industrial segment. Mills are facing weak demand in branded segment, as demand is more in unbranded segment, has led to weak demand of copra from coorporates as they are major source of demand of coconut oil. Demand of coconut is low as there is demand destruction in costly oils like coconut oil, on weak sentiment and weak purchasing power in the country due to coronavirus. However, due to opening of the country demand may revive in coming days.
  Traders are selling copra to international markets like Bangladesh as demand at home is less and stocks is high. Further, many consignments of coconut oil has been shipped to Middle East and Taiwan.
  Demand of coconut oil may shift to other oils like palm oil due to high price difference between other oils and coconut oil. However, coconut oil consumers are loyal consumers and shift is limited.
  Stockists and retailers are not stocking, as they are not certain of prices.
  Corporate demand, which is one of the major contributors, is improving.
  Traders and upcountry buyers demand is weak as they are not certain about prices.
  Price trend is biased towards upside.
  Prices of coconut oil may rise due to renewed demand. Household consumption will fall due to rise in prices during lockdown.
  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 14,500 (Rs 14,500) per quintal, and was quoted at 15,200 (Rs 14,600) per quintal in Erode market on June 26, 2020.

Price Outlook: Coconut oil (without GST) prices in Erode may stay in the range of Rs 1400-1600 per 10 Kg.

Import Parity Trend

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





	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
May 6-Jun 12, 2020	42.91	21.56	105.45	66.05	65.72
May 13-Jun 19, 2020	43.22	22.05	90.74	84.65	75.92
May 20-Jun 26, 2020	31.99	23.72	93.46	103.88	88.43

Outlook-:

Refining margins parity fell for crude soy oil from Argentina due to fall in prices of soy oil in Indian markets. We expect soy oil refining margins parity to weaken in medium term due to expectation of lower prices of soy oil in Indian markets.

Refining margins of CPO and RBD palmolein rose on fall in prices of palm oil in international market. We expected CPO parity to weaken in medium term due to fall in in prices of palm products in Indian markets.

Technical Analysis (Refined soy oil)

Refined soy oil Futures (NCDEX, Daily July, 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 800 in weekly might take the prices below 780 levels.
- Expected price band for next week is 780-860 level in near to medium term. RSI and MACD is suggesting downtrend in the market.

Strategy: Market participants are advised to go short below 810 levels for a target of 795 and 790 with a stop loss at 820 on closing basis.

RSO NCDEX (July)

Support and Resistance				
S2	**S1**	**PCP**	**R1**	**R2**
787.00	802.00	807.60	820.00	842.00

Spot Market outlook: Refined soy oil Indore (without GST) is likely to stay in the range of Rs 780-880 per 10 Kg.

Technical Analysis (Crude Palm oil)

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

Outlook - Prices show downtrend in prices during the week. We expect that CPO July 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 650 in weekly chart may bring the prices to 630 levels.
- Expected price band for next week is 600-700 level. RSI and MACD are suggesting downtrend in prices in the coming week.

Strategy: Market participants are advised to go short in CPO below 655 for a target of 640 and 635 with a stop loss at 665 on closing basis.

CPO MCX (July)

Support and Resistance				
S2	**S1**	**PCP**	**R1**	**R2**
620.00	636.00	653.10	660.00	680.00

Spot Market outlook: Crude palm oil (without GST) is likely to stay in the range of Rs 670-750 per 10 Kg.

Veg. Oil Prices at Key Spot Markets

Commodity	Centre	Prices(Per 10 Kg) 26-Jun-20	19-Jun-20	Change
Refined Soybean Oil	Indore	840	835	5
	Indore (Soy Solvent Crude)	810	790	20
	Mumbai	840	825	15
	Mumbai (Soy Degum)	795	790	5
	Kandla/Mundra	835	820	15
	Kandla/Mundra (Soy Degum)	795	790	5
	Kolkata	830	820	10
	Delhi	865	875	-10
	Nagpur	917	907	10
	Rajkot	810	825	-15
	Kota	850	855	-5
	Hyderabad	Unq	0	-
	Akola	853	845	8
	Amrawati	854	844	10
	Bundi	855	860	-5
	Jalna	927	917	10
	Solapur	907	897	10
	Dhule	927	917	10
Palm Oil*	Kandla (Crude Palm Oil)	755	750	5
	Kandla (RBD Palm oil)	824	756	68
	Kandla RBD Pamolein	856	814	42
	Kakinada (Crude Palm Oil)	725	740	-16
	Kakinada RBD Pamolein	835	819	16
	Haldia Pamolein	845	824	21
	Chennai RBD Pamolein	845	824	21
	KPT (krishna patnam) Pamolein	840	824	16
	Mumbai RBD Pamolein	866	835	32
	Mangalore RBD Pamolein	851	830	21
	Tuticorin (RBD Palmolein)	832	830	2
	Delhi	870	880	-10
	Rajkot	814	840	-26
	Hyderabad	800	830	-30
	PFAD (Kandla)	509	509	Unch
	Refined Palm Stearin (Kandla)	725	740	-16
	Superolien (Kandla)	830	830	Unch
	Superolien (Mumbai)	840	840	Unch
* inclusive of GST				
Refined Sunflower Oil	Chennai	935	925	10

	Mumbai	945	940	5
	Mumbai(Expeller Oil)	890	890	Unch
	Kandla (Ref.)	925	915	10
	Hyderabad (Ref)	940	930	10
	Latur (Expeller Oil)	885	875	10
	Chellakere (Expeller Oil)	895	885	10
	Erode (Expeller Oil)	970	970	Unch
Groundnut Oil	Rajkot	1350	1400	-50
	Chennai	1350	1300	50
	Delhi	1380	1340	40
	Hyderabad *	1350	1320	30
	Mumbai	1400	1370	30
	Gondal	1350	1325	25
	Jamnagar	1350	1325	25
Rapeseed Oil/Mustard Oil	Jaipur (Expeller Oil)	1017	1037	-20
	Jaipur (Kacchi Ghani Oil)	1045	1065	-20
	Kota (Expeller Oil)	970	1000	-30
	Kota (Kacchi Ghani Oil)	1020	1050	-30
	Neewai (Expeller Oil)	1005	1035	-30
	Neewai (Kacchi Ghani Oil)	1015	1045	-30
	Bharatpur (Kacchi Ghani Oil)	1030	1030	Unch
	Sri-Ganga Nagar(Exp Oil)	980	1000	-20
	Sri-Ganga Nagar (Kacchi Ghani Oil)	1020	1040	-20
	Mumbai (Expeller Oil)	980	970	10
	Kolkata(Expeller Oil)	1020	1000	20
	New Delhi (Expeller Oil)	970	1010	-40
	Hapur (Expeller Oil)	935	928	7
	Hapur (Kacchi Ghani Oil)	965	958	7
	Agra (Kacchi Ghani Oil)	1035	1035	Unch
Refined Cottonseed Oil	Rajkot	825	840	-15
	Hyderabad	810	825	-15
	Mumbai	845	830	15
	New Delhi	795	795	Unch
Coconut Oil	Kangayan (Crude)	1520	1460	60
	Cochin	1530	1530	Unch
Sesame Oil	New Delhi	1550	1350	200
	Mumbai	Unq	0	-

Kardi	Mumbai	Unq	0	**-**
Rice Bran Oil (40%)	New Delhi	750	745	**5**
Rice Bran Oil (4%)	Punjab	770	760	**10**
Malaysia Palmolein USD/MT	FOB	618	623	**-5**
	CNF India	640	650	**-10**
Indonesia CPO USD/MT	FOB	600	600	**Unch**
	CNF India	630	640	**-10**
RBD Palm oil (Malaysia Origin USD/MT)	FOB	615	620	**-5**
RBD Palm Stearin (Malaysia Origin USD/MT)	FOB	595	595	**Unch**
RBD Palm Kernel Oil (Malaysia Origin USD/MT)	FOB	720	760	**-40**
Palm Fatty Acid Distillate (Malaysia Origin USD/MT)	FOB	520	538	**-18**
Crude palm Kernel Oil India (USD/MT)	CNF India	Unq	770	**-**
Ukraine Origin CSFO USD/MT Kandla	CIF	850	840	**10**
Rapeseed Oil Rotterdam Euro/MT	FOB	660	780	**-120**

Argentina FOB ($/MT)	**25-Jun-20**	**18-Jun-20**	**Change**
Crude Soybean Oil Ship	656	666	**-10**
Refined Soy Oil (Bulk) Ship	679	689	**-10**
Sunflower Oil Ship	760	753	**7**
Cottonseed Oil Ship	636	646	**-10**
Refined Linseed Oil (Bulk) Ship	Unq	0	**-**
			**** indicates including GST***

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