Veg. Oil Weekly Research Report

Contents

- Executive Summary
- Recommendations
- International Veg. Oil Market Summary
- Domestic Market Fundamentals
- Technical Analysis (Spot Market)
- Technical Analysis (Futures Market)
- Veg. Oil Prices at Key Spot Markets

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 rose during the week. Soy oil, palm oil and sunflower oil prices closed higher while groundnut oil price closed sideways. Rapeseed oil and coconut oil prices closed in green.

On the currency front, Indian rupee is hovering near 74.90 against 75.60 previous week. 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 815 levels for a target of 800 and 795 with a stop loss at 825 on closing basis. We expect refined soy oil at Indore (without GST) to stay in the range of Rs. 790-850 per 10 Kg. in the near term.

In MCX, market participants are advised to go long in CPO above 660 for a target of 675 and 680 with a stop loss at 650 on closing basis. We expect CPO Kandla 5 percent (without GST) to stay in the range of Rs 670-720 per 10 Kg in the near term.

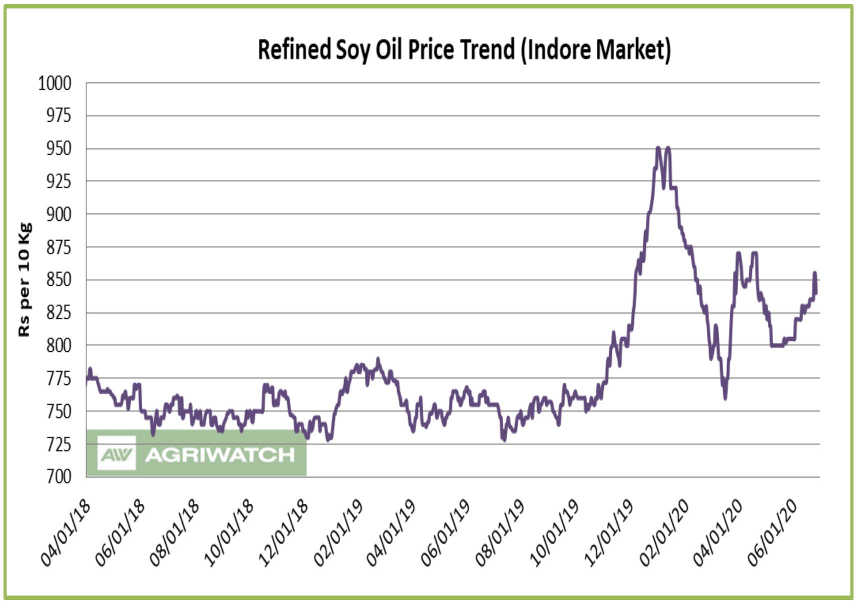
International Veg. Oil Market Summary

On the international front, rise second wave of coronavirus, better than expected crop condition in US and conducive weather of soybean in US 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 weak sentiment in domestic markets in the week in review on weak demand.

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

  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. However, demand of soybean in poultry is improving from the dip seen in April when demand fell to 45 percent of normal demand. Poultry demand is 50 percent of normal at present and is expected to rise 5 percent monthly if conditions remain favorable. This will certainly stretch domestic soy oil balance sheet since the imports are not strong.

  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 may underpin soy oil price.

  Import parity fell during the week on rise in prices of soy oil in international markets and is quoted at parity of 10-15 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.

  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 imports remain low.

  CDSO premium over CPO at high seas is high may cap gains while refined soy oil discount over rapeseed oil is high may increase demand. In USD terms, premium of CDSO CNF over CPO CNF is high and decrease demand of CDSO at CNF markets. Further, refined soy oil discount over refined sunflower and sunflower oil CNF premium over soy oil CNF is high may support soy oil prices. Moreover, refined soy oil premium over RBD palmolein is low may support soy oil prices in domestic markets.. Values in brackets are figures of last month.

- 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 734 (USD 722) per ton for July delivery, Aug delivery is quoted at USD 728 (USD 709) per ton and Sep delivery is quoted at USD 729 (USD 714) per ton. Values in brackets are figures of last week. Last month, CNF CDSO June average price was USD 723.57 (USD 661.11 per ton in May 2020) per ton. Soy refined (Indore) is quoted at Rs 820 (Rs 840 last week) per 10 kg.
- On the parity front, margins fell during the week due to fall in prices of soy oil in domestic markets. We eexpect margins to remain firm in coming days. Currently, refiners fetch USD 20-25/ton v/s gain of USD 30-35/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 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 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 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. 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 competitively 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 and June is expected to be 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

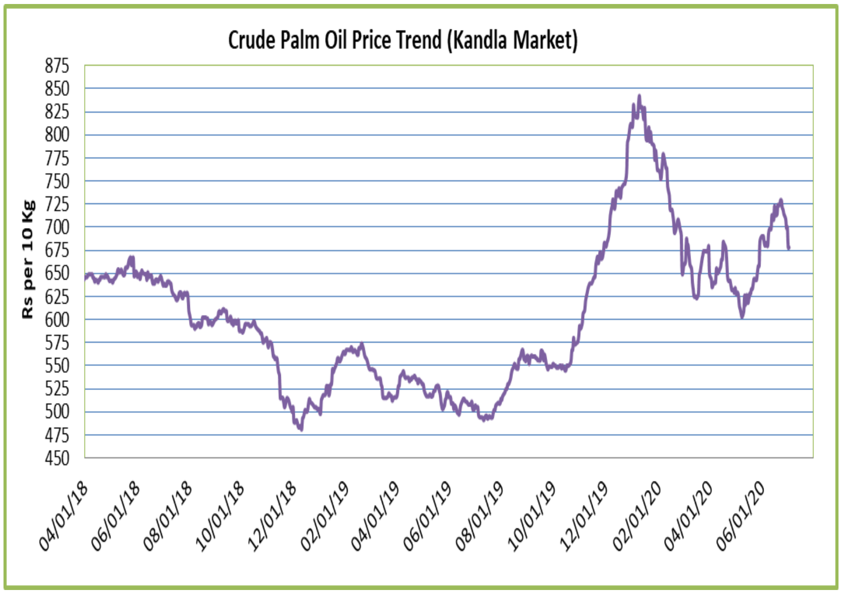
stocks are increased to 1,940 million lbs in 2020/21 from 1,880 million lbs in its earlier estimate. Production of soy oil in 2020/21 is increased to 24,860 million lbs from 24,685 million lbs in its earlier estimate. Imports in 2020/21 are kept unchanged at 400 million lbs compared to earlier estimate. 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 790-850 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.

  Prices of RBD palmolein closed lower due to weak demand. 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 may 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 at high seas while it rose at CNF markets compared to last week indicating weak 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.

  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 10-15 per 10 kg this week compared to last week disparity at Rs 30-35 per 10 kg.

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

RBD palmolein prices fell at high seas while it rose at CNF markets indicating weak 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.

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 firm compared to RBD palmolein at high seas as premium of RBD palmolein over CPO was at Rs 84 (Rs 86) 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 may increase CPO demand and imports. Values in brackets are figures of last week.

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

- 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 625 (USD 620) per ton for July delivery and Aug delivery is quoted at USD 620 per ton. Last month, CNF CPO June average price was at 629.15 per ton (USD 558.57 per ton in May 2020). Values in brackets are figures of last week.

  Moreover, RBD palmolein (Malaysian origin) CNF at Indian port, offered at USD 635 (USD 630) per ton for July delivery and Ag delivery is quoted at USD 630 per ton. Last month, CIF RBD palmolein June average price was USD 638.96 (USD 567.8 in May 2019) per ton. Values in bracket depict last month quotes.

  Ready lift CPO duty paid prices quoted at Rs 681 (Rs 714) per 10 Kg and July delivery duty paid is offered at Rs 673 (Rs 689) per 10 kg. Ready lift RBD palmolein is quoted at Rs 765 (Rs 800) per 10 kg as on July 3, 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 65-70/ton v/s gain of USD 100-105/ton (last week) margin in processing the

imported CPO and imports of ready to use palmolein fetch USD 50-55/ton v/s gain of USD 85-90/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, weakening global demand of palm oil in 2020 and 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 weakening 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 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.

Palm oil demand by India from Malaysia will increased in June 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 as 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.

Further, production of palm oil will rise in Indonesia in coming months due to conducive weather conditions in the country. Production of palm oil will rise in 2020 and will surge in 2021 when new plants start producing.

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.

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 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. 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.

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.

Palm oil prices are expected to be supported by rise in crude oil prices due to OPEC and Russia going 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 June palm oil exports rose 29.1 percent to 1,622,432 tons compared to 1,256,395 tons last month. Top buyers were European Union 420,065 tons (269,125 tons), China at 365,300 tons (233,015 tons) and India & subcontinent 349,725 tons (197,600 tons). Values in brackets are figures of last month.
- According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's June palm oil exports rose 21.1 percent to 1,510,023 tons compared to 1,246,988 tons last month. Top buyers were European Union 331,675 tons (329,052 tons), China at 310,649 tons (240,116 tons), India at 203,625 tons (57,550 tons), Pakistan at 82,000 tons (65,700 tons) and United States at 58,000 tons (42,770 tons) and. Values in brackets are figures of 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.

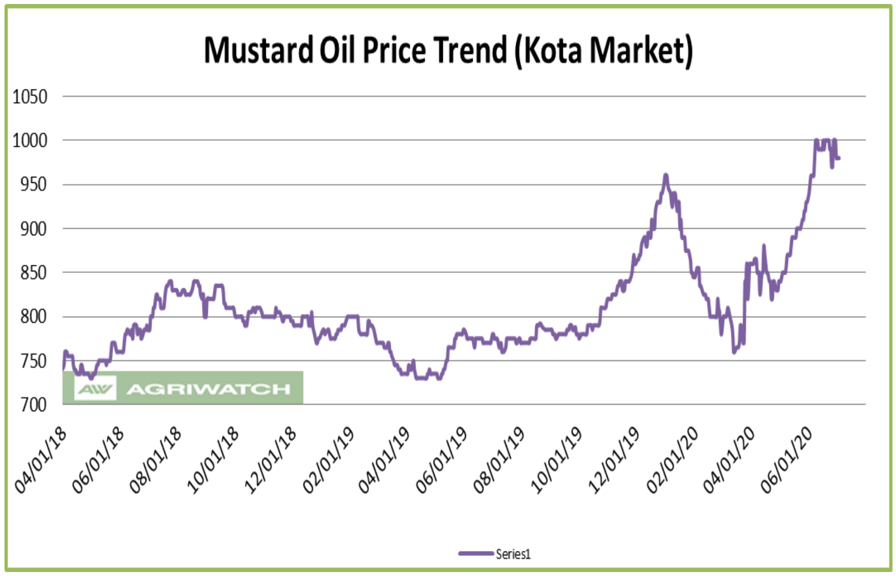
- Policy review: Malaysian PM presented economic stimulus plan in Malaysian parliament, crude palm oil exports will be not be taxed in 2020. This will give boost to exports of palm oil struggling under rise in palm oil stocks. It is estimated that total of 1.0 MMT of extra shipments will be done by Malaysia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

  According to Indonesia trade ministry, Indonesia will not charge export duty on crude palm oil for July. Reference prices of July was set at USD 622.47 per ton compared to USD 568.94 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 of USD 55 per ton on CPO prices above USD 570 per ton.

  .***Price Outlook:*** We expect CPO Kandla 5 percent (without GST) to stay in the range of Rs 670-720 per 10 Kg in the near term.

Rapeseed oil Fundamental Review and Analysis-

Domestic Front



- Mustard oil prices showed firm trend in benchmark market on firm demand. 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. 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 7.96 lakh tons and majority of the procurement is in Haryana and Rajasthan with progressive purchase of 3.09 lakh tons and 3.39 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 11.26 lakh tons.

  NAFED has fallen short of procurement target in Rajasthan.

  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 215 (Rs 195) per 10 Kg will cap gains in rapeseed oil prices.

  Jaipur kacchi ghani rapeseed oil premium over RBD palmolein is at Rs 270 (Rs 235) 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.

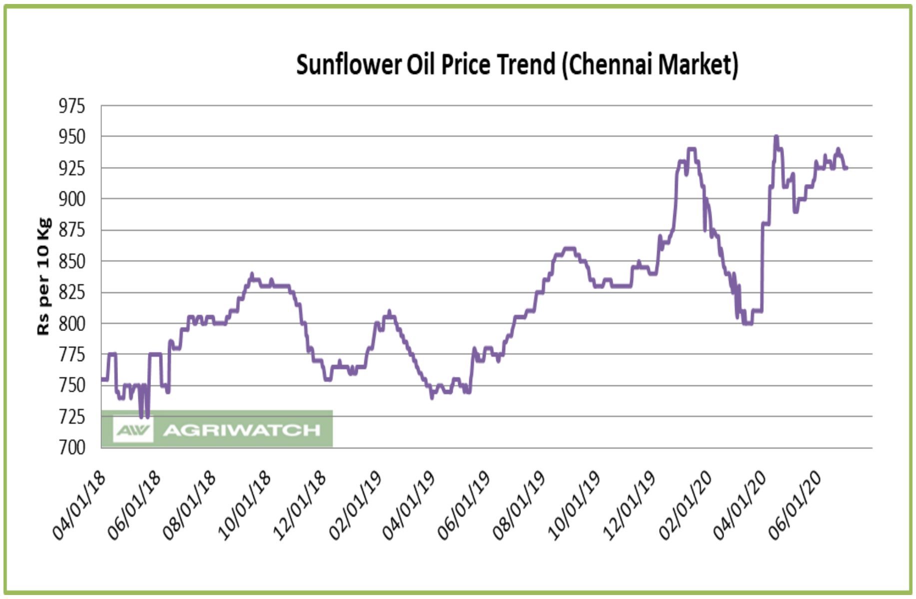
Markets are expected to trade sideways to higher in coming days on firm demand.

- 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 1,037 (Rs 1,017) per 10 Kg, and at Kota market, it is offered at Rs 980 (Rs 970) per 10 kg as on July 3, 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 960-1020 per 10 Kg.

Sunflower oil Fundamental Review and Analysis-:

Domestic Front



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

  Sunflower oil price rose at high seas while it fell at 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 less use of palm oil in HoReCa segment leading to higher use of sunflower oil at Indian homes. There may be 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 105 (Rs 95 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 116 (USD 128 last week) per ton which is high and may underpin prices.

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

  In domestic market refined sunflower oil (Chennai) premium over RBD palmolein (Kandla) is at Rs 160 (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 395 (Rs 415 last week) per 10 kg will support sunflower oil prices.

  Prices may be supported on seasonal uptrend of prices.

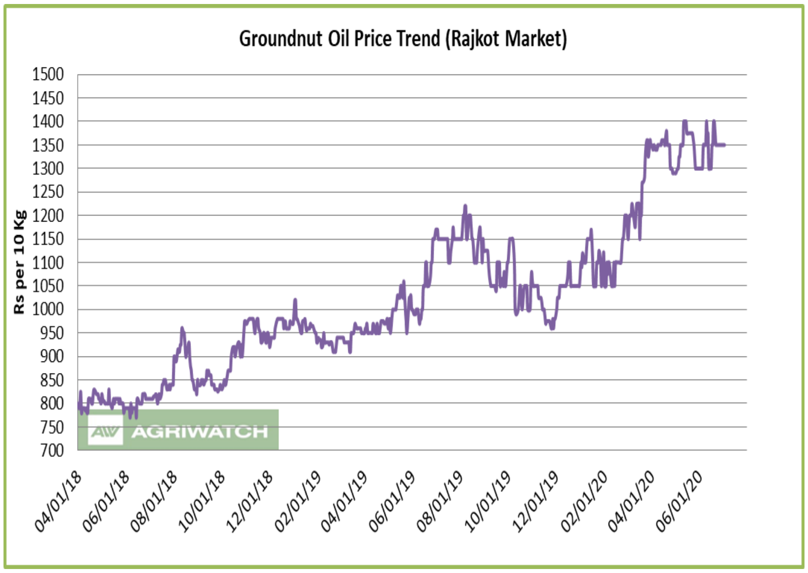
  In top producer Ukraine Sunflower crop in 2020-21 is expected to be lower than last year. This will keep sunflower CNF prices supported in coming months.

Prices of sunflower oil are expected to fell on weak, fall in competing oils prices and fall 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.
- According to Ministry of Agriculture, sowing of sunflower is reported at 0.363 lakh hectares as on 02.07. 2020 compared to 0.254 lakh hectares in corresponding period last year. Sowing is reported higher in Karnataka and Maharashtra.
- On the trade front, CIF sunflower oil prices (Ukraine origin) at West coast of India quoted at USD 840 (USD 850) per ton for JAS delivery. CNF sun oil (Ukraine origin) June monthly average was at USD 839.92 per ton compared to USD 789.73 per ton in May. 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 116 (USD 128 last week) per ton for May delivery. CNF sunflower oil premium over RBD palmolein is hovering around USD 200 (USD 220) per ton.
- Currently, refined sunflower oil at Chennai market is Rs 925 (Rs 935) per 10 Kg, and at Kandla/Mudra market, it is offered higher at Rs 900 (Rs 925) per 10 kg as on July 3, 2020. Values in brackets are figures of last week.
- We expect sunflower oil prices to trade sideways to weak tone in the coming days.

Price Outlook: Sunflower oil (without GST) prices in Chennai may stay in the range of Rs 900-950 per 10 Kg.

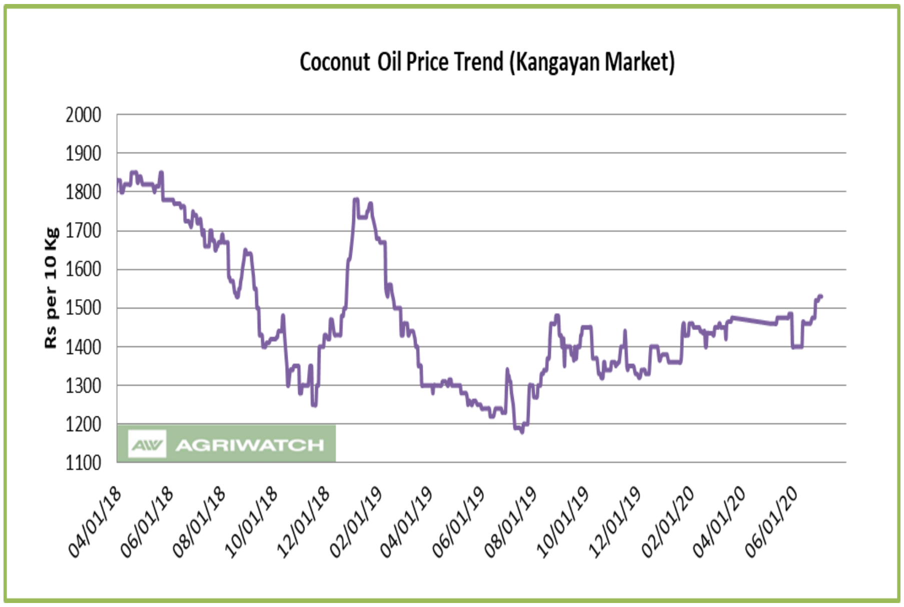
***Groundnut oil Fundamental Review and Analysis*-:**
Domestic Front



- Groundnut oil market traded sideways 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 fell on weak demand. As demand season is over in South India when pickles, chatni and other value added products demand is firm, prices may fall in South India during going ahead.
  Groundnut oil prices are expected to fall on weak demand.
- According to Ministry of Agriculture, sowing of groundnut is reported at 25.052 lakh hectares as on 02.07. 2020 compared to 15.59 lakh hectares in corresponding period last year. Sowing is reported higher in Gujarat, Maharashtra and AP while it is reported lower in Rajasthan.
- On the price front, currently the groundnut oil prices in Rajkot is 13,500 (Rs 13,500) per quintal and it was 13,200 (Rs 13,500) per quintal in Chennai market on July 3, 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 1250-1400 per 10 Kg

Coconut Oil Fundamental Review and Analysis-:
Domestic Front



- Coconut oil benchmark market of Kangayam traded firm due to firm demand.

  Fresh demand due to festive season and Onam demand has fueled rise in prices.

  Festive and Onam demand has fully offset fall in upcountry demand and fall in North India demand.

  Prices are expected to remain firm in next few weeks on fresh demand.

  Demand rose due to coconut oil distributed by civil supplies of various governments coupled with state agencies selling coconut oil at subsidized rates.

  Prices may fall on fall in palm oil prices.

  Retail demand may decrease due to rise in prices of coconut oil.

  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.

  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 corporates, 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.

  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.

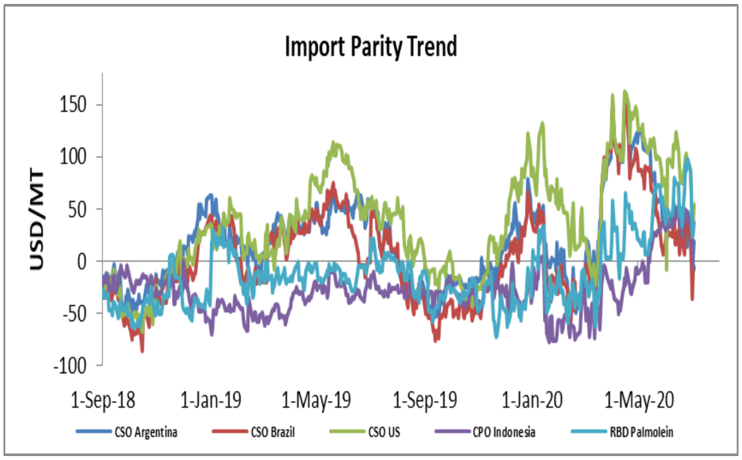
  Coconut oil prices are expected to be firm in days ahead.

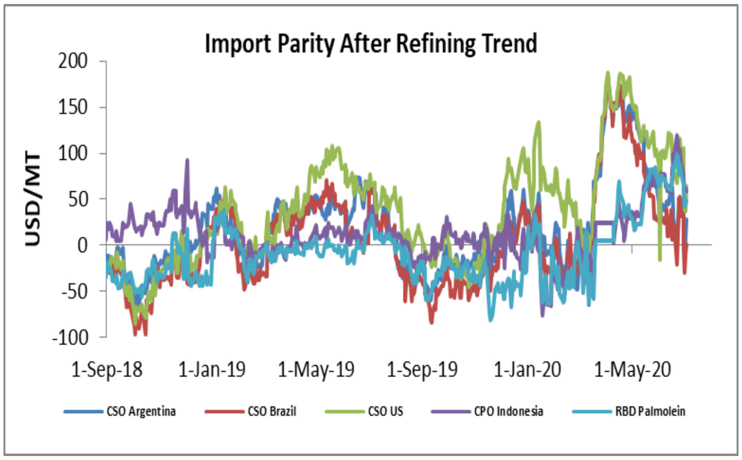
- On the price front, currently the coconut oil prices in Kochi is hovering remain at Rs 14,500 (Rs 14,500) per quintal, and was quoted at 15,300 (Rs 15,200) per quintal in Erode market on June 26, 2020.

Price Outlook: Coconut oil (without GST) prices in Erode may stay in the range of Rs 1500-1600 per 10 Kg.

Import Parity Trend

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





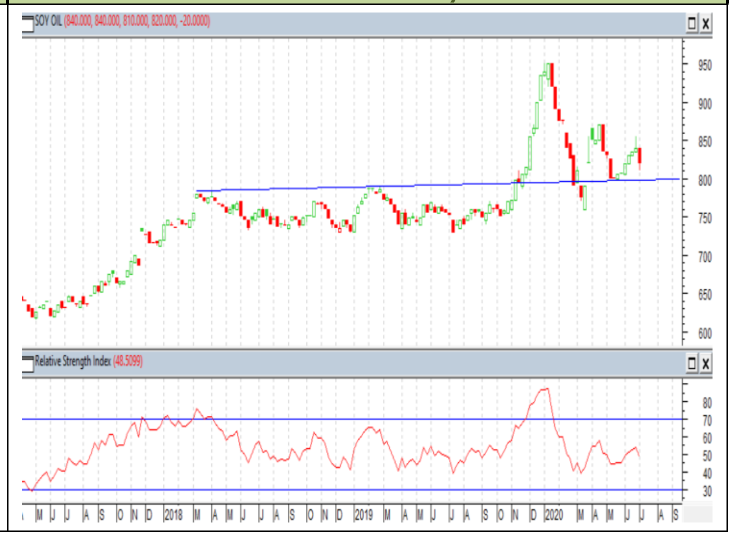
	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia	RBD Palmolein
May 13-Jun 19, 2020	43.22	22.05	90.74	84.65	75.92
May 20-Jun 26, 2020	31.99	23.72	93.46	103.88	88.43
May 27-Jul 3, 2020	21.82	-1.07	62.94	65.29	51.96

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 fell on fall in prices of palm oil in Indian 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 uptrend during the week in review. We expect prices to trade sideways to firm tone in the near term.
- Any close above 810 in weekly might take the prices below 800 levels.
- Expected price band for next week is 780-840 level in near to medium term. RSI and MACD is suggesting downtrend in the market.

Strategy: Market participants are advised to go short below 815 levels for a target of 800 and 795 with a stop loss at 825 on closing basis.

RSO NCDEX (July)

Support and Resistance				
S2	**S1**	**PCP**	**R1**	**R2**
787.00	802.00	812.00	820.00	842.00

Spot Market outlook: Refined soy oil Indore (without GST) is likely to stay in the range of Rs 790-850 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 uptrend 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 660 in weekly chart may bring the prices to 650 levels.
- Expected price band for next week is 640-680 level. RSI and MACD are suggesting downtrend in prices in the coming week.

Strategy: Market participants are advised to go short in CPO below 670 for a target of 655 and 650 with a stop loss at 680 on closing basis.

CPO MCX (July)

Support and Resistance				
S2	**S1**	**PCP**	**R1**	**R2**
642.00	655.00	665.20	673.00	696.00

Spot Market outlook: Crude palm oil (without GST) is likely to stay in the range of Rs 670-720 per 10 Kg.

Veg. Oil Prices at Key Spot Markets

Commodity	Centre	Prices(Per 10 Kg)		Change
		03-Jul-20	26-Jun-20	
Refined Soybean Oil	Indore	820	840	-20
	Indore (Soy Solvent Crude)	785	810	-25
	Mumbai	820	840	-20
	Mumbai (Soy Degum)	775	795	-20
	Kandla/Mundra	805	835	-30
	Kandla/Mundra (Soy Degum)	770	795	-25
	Kolkata	800	830	-30
	Delhi	845	865	-20
	Nagpur	900	917	-17
	Rajkot	795	810	-15
	Kota	830	850	-20
	Hyderabad	NA	0	-
	Akola	830	853	-23
	Amrawati	830	854	-24
	Bundi	835	855	-20
	Jalna	910	927	-17
	Solapur	890	907	-17
	Dhule	910	927	-17
Palm Oil*	Kandla (Crude Palm Oil)	712	755	-43
	Kandla (RBD Palm oil)	798	824	-26
	Kandla RBD Pamolein	803	856	-53
	Kakinada (Crude Palm Oil)	688	725	-37
	Kakinada RBD Pamolein	777	835	-58
	Haldia Pamolein	798	845	-47
	Chennai RBD Pamolein	798	845	-47
	KPT (krishna patnam) Pamolein	782	840	-58
	Mumbai RBD Pamolein	822	866	-44
	Mangalore RBD Pamolein	819	851	-32
	Tuticorin (RBD Palmolein)	800	832	-32
	Delhi	840	870	-30
	Rajkot	788	814	-26
	Hyderabad	765	800	-35
	PFAD (Kandla)	509	509	Unch
	Refined Palm Stearin (Kandla)	688	725	-37
	Superolien (Kandla)	830	830	Unch
	Superolien (Mumbai)	840	840	Unch
* inclusive of GST				
Refined Sunflower Oil	Chennai	925	935	-10

	Mumbai	940	945	-5
	Mumbai(Expeller Oil)	895	890	5
	Kandla (Ref.)	900	925	-25
	Hyderabad (Ref)	925	940	-15
	Latur (Expeller Oil)	875	885	-10
	Chellakere (Expeller Oil)	885	895	-10
	Erode (Expeller Oil)	960	970	-10
Groundnut Oil	Rajkot	1350	1350	Unch
	Chennai	1320	1350	-30
	Delhi	1400	1380	20
	Hyderabad *	1300	1350	-50
	Mumbai	1370	1400	-30
	Gondal	1350	1350	Unch
	Jamnagar	1350	1350	Unch
Rapeseed Oil/Mustard Oil	Jaipur (Expeller Oil)	1032	1017	15
	Jaipur (Kacchi Ghani Oil)	1060	1045	15
	Kota (Expeller Oil)	980	970	10
	Kota (Kacchi Ghani Oil)	1030	1020	10
	Neewai (Expeller Oil)	1020	1005	15
	Neewai (Kacchi Ghani Oil)	1030	1015	15
	Bharatpur (Kacchi Ghani Oil)	1030	1030	Unch
	Sri-Ganga Nagar(Exp Oil)	995	980	15
	Sri-Ganga Nagar (Kacchi Ghani Oil)	1035	1020	15
	Mumbai (Expeller Oil)	970	980	-10
	Kolkata(Expeller Oil)	1050	1020	30
	New Delhi (Expeller Oil)	970	970	Unch
	Hapur (Expeller Oil)	960	935	25
	Hapur (Kacchi Ghani Oil)	990	965	25
	Agra (Kacchi Ghani Oil)	1035	1035	Unch
Refined Cottonseed Oil	Rajkot	825	825	Unch
	Hyderabad	800	810	-10
	Mumbai	835	845	-10
	New Delhi	770	795	-25
Coconut Oil	Kangayan (Crude)	1530	1520	10
	Cochin	1530	1530	Unch
Sesame Oil	New Delhi	1450	1550	-100
	Mumbai	NA	0	-

Kardi	Mumbai	NA	0	**-**
Rice Bran Oil (40%)	New Delhi	730	750	**-20**
Rice Bran Oil (4%)	Punjab	760	770	**-10**
Malaysia Palmolein USD/MT	FOB	605	618	**-13**
	CNF India	625	640	**-15**
Indonesia CPO USD/MT	FOB	590	600	**-10**
	CNF India	615	630	**-15**
RBD Palm oil (Malaysia Origin USD/MT)	FOB	603	615	**-12**
RBD Palm Stearin (Malaysia Origin USD/MT)	FOB	580	595	**-15**
RBD Palm Kernel Oil (Malaysia Origin USD/MT)	FOB	700	720	**-20**
Palm Fatty Acid Distillate (Malaysia Origin USD/MT)	FOB	510	520	**-10**
Crude palm Kernel Oil India (USD/MT)	CNF India	730	760	**-30**
Ukraine Origin CSFO USD/MT Kandla	CIF	840	850	**-10**
Rapeseed Oil Rotterdam Euro/MT	FOB	765	660	**105**

Argentina FOB ($/MT)	**3-Jul-20**	**26-Jun-20**	**Change**
Crude Soybean Oil Ship	655	652	**3**
Refined Soy Oil (Bulk) Ship	678	675	**3**
Sunflower Oil Ship	760	760	**Unch**
Cottonseed Oil Ship	635	632	**3**
Refined Linseed Oil (Bulk) Ship	NA	0	**-**
			**** indicates including GST***

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