



Consolidated Edible Oil Balance Sheet

Combined Oil B/S Yearly						
	2014/15	2015/16	2016/17	% Change	2017/18	% Change
Oil Carry In	11.24	18.88	13.40	-29.0%	14.09	5.1%
Oil Prod	46.7	42.4	53.86	26.9%	53.8	-0.2%
Oil Imports	140.9	146.2	145.4	-0.6%	151.6	4.2%
<b>Total Supplies</b>	<b>198.9</b>	<b>207.6</b>	<b>212.7</b>	<b>2.5%</b>	<b>219.4</b>	<b>3.2%</b>
Oil Domestic Use	179.9	194.1	198.6	2.3%	205.7	3.6%
Oil Carry Out	18.88	13.40	14.09	5.1%	13.66	-3.0%
SUR	10.5%	6.9%	7.09%		6.64%	

Source: EAR Research  
Consolidated Oil balance sheet of palm, soy, cotton, mustard, sun and groundnut

- The historic tax reform in India, Good and Service Tax (GST) was implemented from 1<sup>st</sup> July, 2017. With GST on roll trading activities across the value chain was subdued during the month in order to get clarity on the process.
- In June domestic edible oil prices witnessed mixed trend, soy oil, cotton oil and sun oil prices witnessed range bound while palm oil and Gnut oil prices fell. While mustard oil prices traded in thin range after a weak start
- Consolidated edible oil production in June is m/m down by 8% as crushing activity was dull as traders lacked clarity on GST amid lean crushing season
- As compared to May, imports in June were down by 6% due to disparity in imports of major oils viz., soy and palm oil. For the season so far imports are marginally down by 0.6%
- Domestic demand for veg oils for the season so far is up by 2.3%
- Domestic edible oil production for June is forecasted y/y marginally on higher seed availability year on year and ongoing crushing.

World Edible Oil Balance Sheet ( 9 Oils) in Million tons					
Attribute	2014-15	2015-16	2016-17	2017-18	% Change
Beginning Stocks	24.2	24.3	20.3	18.6	-8.2%
Production	177.3	176.8	186.3	195.0	4.7%
Imports	71.1	70.6	73.2	75.1	2.7%
<b>Total Supply</b>	<b>272.5</b>	<b>271.7</b>	<b>279.7</b>	<b>288.7</b>	<b>3.2%</b>
Exports	76.5	73.5	77.6	79.3	2.3%
Consumption	171.8	177.9	183.6	189.4	3.2%
Ending Stocks	24.3	20.3	18.6	20.0	7.6%
Stock to Usage	25.46%	19.40%	17.54%	18.18%	

Source USDA

Consolidated Oil balance sheet of Coconut, Cotton, palm, kernel, olive, soybean, rapeseed, peanut, sunflower

- With revival in production of palm oil world veg oil production is seen increasing year on year by 4.7% thus increasing the total supplies by 3.2% despite 8.2% fall in beginning stocks.
- Global consumption is also expected to witness a growth of 2.9% y/y with prices of major oils correcting sharply from the peak set early during the season.
- With improving supplies scenario world veg oil stocks are seen improving and SUR is seen loosening year on year at 18.18%. However, SUR is still 2nd lowest since last decade.



- During the month ahead focus will be largely on the seasonal production growth of palm oil in Malaysia and Indonesia along with soy oil selling strategy in Argentina. Weather uncertainty is once again emerging in US and South American nations.
- Though too early to discuss, the forecast of dry weather conditions in South American nations are increasing acreage concerns for coming season thus the selling strategy in Argentina has to be closely monitored.

**PALM OIL**

**Palm Oil on the way to regain its share in global markets with improving supplies**

World Palm Oil Balance Sheet (in million tons)						
	2014-15	2015-16	2016-17	Change	2017-18	Change
Beginning Stocks	9.57	10.10	7.95	-21.3%	7.51	-5.6%
Production	61.81	58.83	62.67	6.5%	66.86	6.7%
Imports	44.79	42.61	44.22	3.8%	45.49	2.9%
<b>Total Supply</b>	<b>116.18</b>	<b>111.54</b>	<b>114.84</b>	<b>3.0%</b>	<b>119.85</b>	<b>4.4%</b>
Exports	47.37	43.73	45.97	5.1%	47.06	2.4%
Consumption	58.70	59.86	61.36	2.5%	63.25	3.1%
Ending Stocks	10.10	7.95	7.51	-5.6%	9.54	27.2%
<b>Stocks to Usage</b>	<b>89.1%</b>	<b>49.3%</b>	<b>48.8%</b>		<b>58.9%</b>	

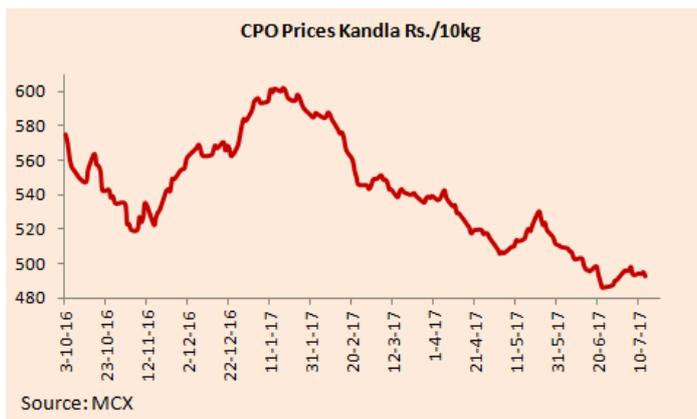
Source: USDA

- Globally palm oil prices continued to trade volatile and witnessed diverse movement at major destinations.
- Prices for 3<sup>rd</sup> month continuous futures at Malaysia ended tad higher after trading near multimonth low during the initial days of the month. Prices recovered most of the losses due to firm cues from soy oil and depreciation of Ringgit against the US dollar. Palm oil prices in Indonesia ended the month down by 2.68% amid weak export demand and increasing production prospects
- In the latest Malaysian Palm Oil Board monthly release, the production data for the month of June was m/m down amid labour issues during Ramzan.
- In June palm oil exports were down m/m by 8.9%, mainly due to weak demand.
- Palm oil price discount to soy oil widened month on month.
- With rapid improvement in supply scenario of global palm oil, the trend of low palm oil discounts vis-à-vis soft oils would start to change and palm oil would regain its share in world demand for veg oils.

**Palm Oil - India**

**Crude palm oil prices during the month of June traded weak mainly due to weak demand and increasing global supply prospects**

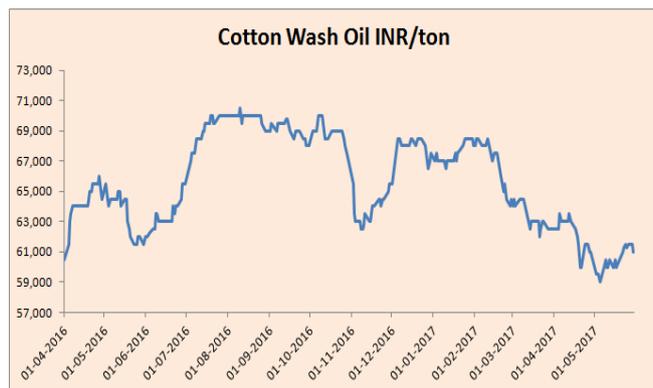
- Ahead of GST implementation activities at the spot markets were subdued during the month as participants lacked clarity post functioning of GST.
- Palm oil imports in June are estimated higher M/m, much in line with EAR expectations. Imports are higher y/y mainly due to favourable parity widening discounts vis-à-vis soy oil





- Annual imports of palm oil are revised higher mainly due to lower than expected imports in soy oil amid favourable parity of palm oil.
- CIF prices of all the imported oils traded mixed. Sharp fall was seen in palm oil prices followed by sun oil while soy oil prices ended the month on positive note. Soy oil premium and Sun oil premium vis-à-vis CPO has widened m/m. Though m/m premiums have widened it is still low considering the historical average spreads

**Cotton Oil**



**Cotton seed oil prices declined initially in June but recovery was seen later in the month tracking firmness in other oils. Prices are currently at INR 650/10 kg.**

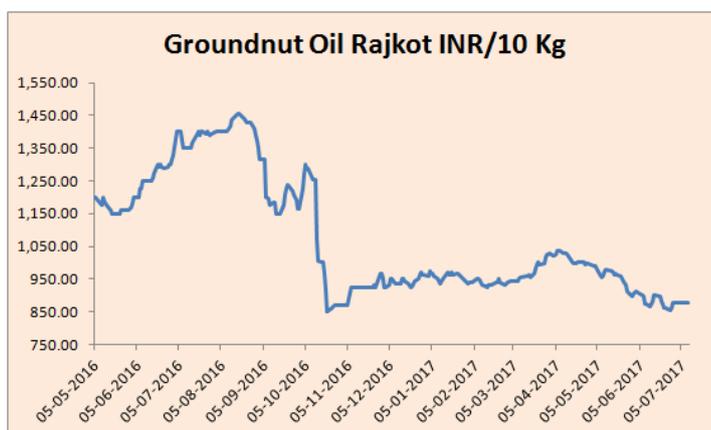
- Cotton oil prices declined initially with adequate availability and timid buying from processors and bulk players ahead of GST implementation, but prices witnessed recovery with demand improving
- Palmolein prices declined by 3.8 percent followed by Gnut by 2.5 percent. Rape oil prices

increased by 2.7 percent over last month

- Arrivals of Cotton seed declined in June but crushing was in parity for most of the month. Seed prices remained steady for the end of the month amid lower trading activity. Crushing was lower in the month due to lower off take of CoC
- In the coming month, production is expected to decline further with lower arrivals and crush
- However, demand is expected to remain steady and SUR is expected to decline supporting prices
- Cotton oil continued to remain in premium over Soy oil. The premium is expected to increase in coming days, in line with the seasonality

**Groundnut Oil**

**Gnut oil prices are currently trading at INR 875/10 kg. Gnut oil prices continued to decline due to weak demand and adequate availability. Also, with GST implementation, trading activity was timid.**



- Gnut oil prices in June month declined amid weak demand from retailers and bulk buyers ahead of GST implementation and ample availability. Gujarat markets are closed from last week of June due to traders strike
- Gnut oil prices traded near its seasonal lows amid weak demand from retailers and bulk buyers. Adequate availability of seed amid summer arrivals and bumper production continued to keep pressure on seed prices as well
- Domestic and export demand was weak during the month. Stockiest were in selling mode and bulk buying was avoided amid confusion over implementation of GST
- In July, supply is expected to decline and demand will increase



**Soy Oil  
Global Scenario**

World Soy Oil Balance Sheet (in million tons)				
	2015-16	2016-17	2017-18	Change y/y
Beginning Stocks	4.2	3.5	3.8	6.4%
Production	51.5	54.2	56.3	3.9%
Imports	11.6	11.2	11.5	3.1%
<b>Total Supply</b>	<b>67.3</b>	<b>69.0</b>	<b>71.6</b>	<b>3.9%</b>
Exports	11.7	11.6	12.0	3.0%
Consumption	52.1	53.6	55.9	4.4%
Ending Stocks	3.53	3.75	3.71	-1.1%
<b>Stocks to Usage</b>	<b>8.72%</b>	<b>8.95%</b>	<b>8.45%</b>	

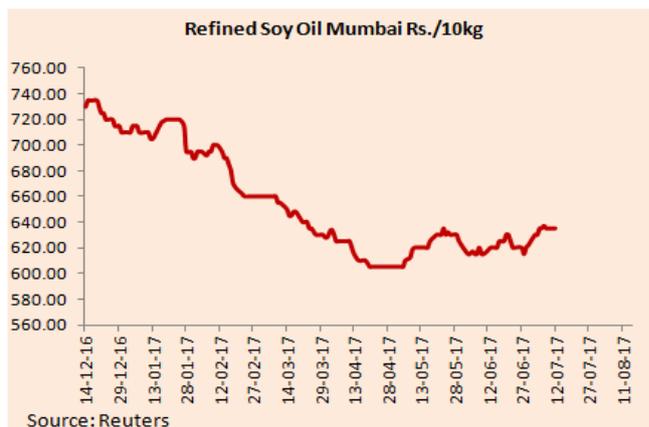
Source: USDA

- Globally soy oil prices witnessed positive tone at various destinations. Prices in Argentina and Brazil ended the month tad higher. While an increase of 9.0% was seen in US markets mainly due to thin supplies.
- Soy oil supplies in US were tight as lean demand for meal slowed down crushing of soy beans resulting in higher prices m/m
- US soy oil share in total realisation has declined month on month by 3.6% to 32.6%, and is not attractive to incentivise crushers to crush beans for its oil, thus supplies would continue to remain limited in US
- In Argentina the demand for soy oil from biodiesel sector remains upbeat mainly due to robust exports especially to US markets. Meanwhile the US government deferred its decision on imposition of import duties from Argentina and Indonesia till August. However, close to record stocks of bio fuel would keep the demand low from US resulting to increase in exportable surplus of soy oil from Argentina
- Bio fuel stocks in US in March is near its all time high levels, thus the production and imports could possibly slow down during the month of July resulting in slowing of soy oil demand from the bio fuel sector
- Soy oil premium to palm oil has widened sharply month on month by 70% to \$85/ton. At \$85/ton the premiums are still low considering the average premiums of \$120/ton

**Domestic Scenario**

**Soy oil prices witnessed range bound move during the month of June mainly due to subdued activity at domestic market amid firm global cues**

- Ahead of GST implementation activities at the spot markets were subdued during the month as participants laced clarity post functioning of GST.
- Soy bean crushing activity continued to remain subdued in June due to widening crush disparity m/m. However, crushing for the season is higher y/y on ample supply.
- Refined soy oil premium to palm olein continued to widen m/m, amid sharp fall in prices of palm oil during the month.
- EAR has revised down the consumption for soy oil due to widening premium m/m resulting to shift in demand to palm oil.
- Domestic edible oil Industry players are urging government to increase the import duty on soy oil to 25% from current 12%
- EAR releases regular update on sowing progress and crop condition for paid user.**

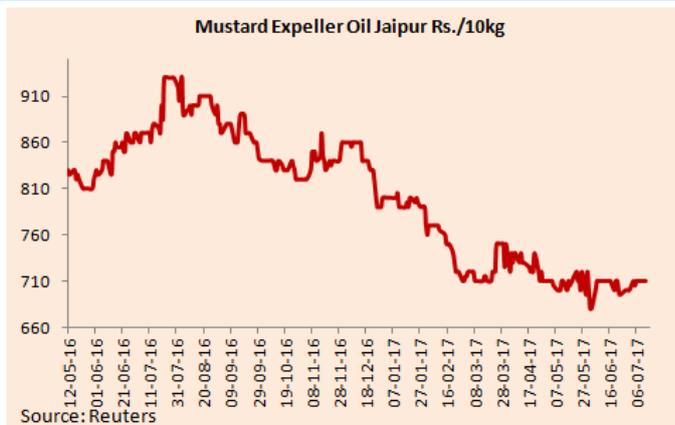




**Mustard Oil**

Mustard expeller oil prices traded in a thin range during the month amid subdued activity due to GST.

- Small quantity of canola oil imports were seen in June
- Despite record mustard seed production, **the parity / disparity canola oil imports would be crucial factor to determine the seed crush**
- Cumulative imports of canola oil so far for the season 2016-17 (Nov-Oct) is down 6.9% y/y
- For the season so far Indian mustard oil production is up y/y.
- Refined mustard oil premium to refined soy oil widened sharply in June.
- Global rape oil prices traded firm in June firm cues from rape seed on the back of weather concerns at major producing states amid low inventories.



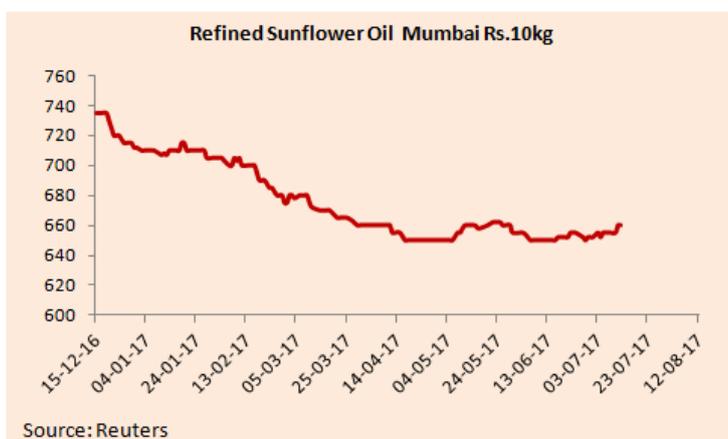
World Mustard oil Balance Sheet Million tons					
	2014-15	2015-16	2016-17	2017-18	Change
Beginning Stocks	5.5	5.7	5.5	4.3	-22.0%
Production	27.6	27.8	28.1	28.5	1.1%
Imports	4.0	4.2	4.4	4.5	2.9%
<b>Total Supply</b>	<b>37.10</b>	<b>37.74</b>	<b>38.03</b>	<b>37.28</b>	<b>-2.0%</b>
Exports	4.1	4.1	4.5	4.7	5.2%
Consumption	27.3	28.1	29.3	29.1	-0.6%
<b>Ending Stocks</b>	<b>5.74</b>	<b>5.49</b>	<b>4.28</b>	<b>3.45</b>	<b>-19.3%</b>
Stock to Usage	24.7%	22.9%	17.3%	14.2%	

Source USDA

**Sun Oil**

Sun oil prices traded in a narrow range amid thin activity at the spot markets due to GST

- Globally sun oil crushing season is at the fag end, sun oil imports in June was down m/m. **Sun oil is one of major edible oil imported in India and domestic supplies of sun oil is largely determined by imports**
- Favourable parity resulted in higher imports so far during the season. Year to date sun oil imports sharply up y/y
- In June sun oil CIF prices rose marginally thus easing the import parity month on month, for the month ahead sun oil imports are expected to slow down further.
- In Ukraine sunflower seed crushing has entered fag end of the season also parity is not attractive thus crushing has slowed down.





Global Sunflower Oil Balance Sheet (in million tons)

	2015-16	2016-17	2017-18	% Change
Beginning Stocks	2.4	1.5	1.6	2.3%
Production	15.5	17.7	18.0	1.9%
Imports	6.9	8.2	8.3	1.8%
<b>Total Supply</b>	<b>24.8</b>	<b>27.4</b>	<b>27.9</b>	<b>1.9%</b>
Exports	8.1	9.5	9.5	-0.4%
Consumption	15.1	16.3	16.9	3.6%
Ending Stocks	1.54	1.57	1.54	-2.1%
<b>SUR</b>	<b>21.83%</b>	<b>23.15%</b>	<b>20.77%</b>	

Source: USDA





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