

# Weekly Sunflower Oil Market Analysis and Price Outlook

Decision enabling cash market analysis & price outlook

For the week beginning Oct 16, 2013

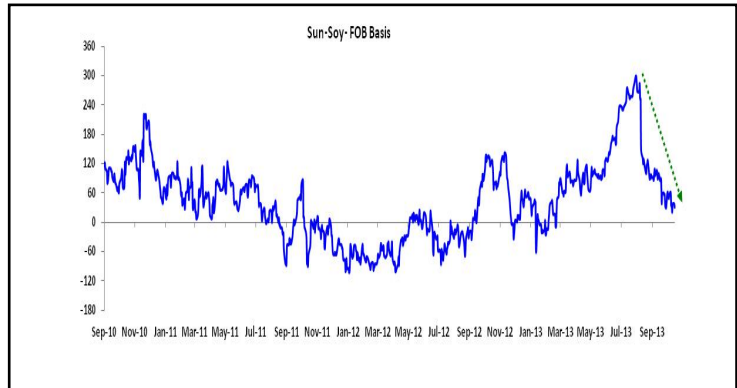
Report Summary				
	Price drivers	Impact	Weightage %	Score (1-5)
Fundamental Summary	Prevailing dryness across Argentina	Marginally Bullish	15%	4
	Lower sun seed planting at Argentina	Marginally Bullish	15%	4
	Sluggish harvesting pace at Russia & Ukraine	Marginally Bullish	20%	4
	Promising sun yield across Ukraine than last year	Marginally Bearish	20%	2
	Likely higher Y-o-Y sun seed production	Marginally Bearish	20%	2
	Anticipated weak international soybean market	Marginally Bearish	10%	2
	<b>Indexed score</b>			
*1 – Bearish; 2 – Marginal Bearish; 3 Consolidation; 4 Marginal Bullish; 5 – Bullish				
Technical Summary	<ul style="list-style-type: none"> <li>❖ Argentina sunflower oil price are likely to trade on mixed note, ahead of witnessing technical rebound in the coming weeks.</li> <li>❖ Ukraine sunflower oil prices are likely to trade on mixed note ahead of witnessing technical rebound in the coming weeks.</li> </ul>			

## Fundamental Review and Analysis

- ✓ Argentina soy oil continue to remain flat over the concern of crop damage across the Russia and Ukraine coupled with less planting acreage at Argentina front. However, ongoing harvesting across Russia and Ukraine with report of better yield has capped the aggressive gains.
- ✓ Argentina sun seed planting progress remain the biggest question till date where recent rainfall was too light too breaking the drought in the central and northern areas. In this context, approximately 70-75% of the total acreage in Argentina is under drought and it remains unfavorably dry in the first 10 days of October with the exception of the Southern & South eastern Buenos Aires province which caused delayed sunflower planting intention. Hence it is evident that loss in sun seed acreage will be a gain the soybean acreage because of its late planting and higher profitability.
- ✓ In Russia and Ukraine, too wet condition had a double effect:- damaging this year's crop and preventing completion of winter crop plantings. In this context, sunflower seed harvest in Russia and Ukraine have become quite severe as large share of the mature crop is still in the fields waiting to be collected and thus exposed to weather damage as a result extent of quality deterioration & quantitative losses remain unclear.
- ✓ Adding fuel to fire, anticipation of potential damage from approaching wintry condition could become an important factor curbing crushing's and resulting in smaller than expected exports of sun oil and meal from Black Sea origins.
- ✓ In Russia, sun seed harvest delays are still severe and thus raising the risk of additional crop damage. In this context, until 10<sup>th</sup> Oct harvest progress of sunflowers was less than half of last year's pace. Further, yield obtained so far were below earlier estimates but still they are slightly up from the last year.

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- ✓ Thus, till date only 1.88 million ha or 26% of sunflower acreage has been harvested by the end of 10<sup>th</sup> Oct vis-à-vis 4.36 million Ha last year resulting in crop of just 3.66 million tons against 6.0 million tons in 2012/13. The major delay in the Volga basin with only 11% of the total sunflower area of 3.0 million ha harvested until 10<sup>th</sup> Oct.
- ✓ In the similar fashion, Ukraine harvesting of sunflower seed too remain sluggish and till date only 66% of the total acreage or 3.2 million Ha vis-à-vis 88% last year is harvested which is the slowest pace in many years. Hence, sun seed production by 8<sup>th</sup> Oct has reached to 6.37 million tons compared with 6.93 million tons for the same period last year.
- ✓ At the current scenario, Argentina Sun-Soy spread is likely to further narrow down and might get discounted at immediate front due to anticipation of higher ongoing prices of Argentina soy oil which clearly follows the trend of CME. However, spread tends to correct once the sun seed harvesting season start in the month of Jan onwards.
- ✓ At the soya front, forecast of clearing weather across the Midwest after the recent rainfall in the past might boost up the harvesting pace of bean which in turn will pressurize the prices downward. Further, easing weather especially Brazil at this juncture of time will increase the bean planting intention and a record bean crop is likely to be expected.
- ✓ At the Indian front, Sun oil import remains on lower side by 23% in the month of Sept'13 at 48.49 Thd tons vis-à-vis 63.19 Thd tons in the Aug'13. Lower import is mainly due to the production concern prevailing at the international front especially Russia and Ukraine.
- ✓ Summing up the facts, prevailing dryness across the Argentina coupled with harvest delay at Russia & Ukraine will add a bullish tone to the market while higher global sun seed production than last year coupled with likely to have higher yield at Russia and Ukraine will add a bearish tone to the market in medium term.



***In crux, sun oil prices are expected to trade with mixed to positive bias in next 3- 4 weeks.***

Argentina Sunflower 1M forward USD/Ton	<b>Last closing: USD 940 (00) per MT as on Oct 15, 2013</b>					
Technical Summary	Prices remained unchanged from almost a month, after a sharp decline. Momentum oscillators reached in deep oversold territory, which may create possibility of technical pullback in the coming weeks.					
Price Outlook Summary	Prices on holding below USD 950 are likely to stay with mixed to weak bias, in the range of USD 950 to USD 900, ahead of witnessing technical rebound towards USD 1050, in the coming 3-4 weeks.					
Price Ranges	0 - 2 weeks		0 – 1 month		0 – 2 months	
	IL	SL	IL	SL	IL	SL
	900	950	900	1050	1050	950
IL=Initial level (Initial Expectation from the current closing)						
SL= Subsequent level (The subsequent forecast after reaching the initial level)						

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### Chartist View on Argentina Sun Oil 1-Month Forward (USD/MT)

- ✓ Argentina Sunflower Oil after posting a high of USD 1160 in the month of July'13, remained mixed to weak then after.
- ✓ From almost more than a month prices remained static near USD 940, so in last week. Prices continued to hold below its 21-week EMA.
- ✓ As depicted in attached chart prices are moving in a falling channel line; going ahead prices are likely to find support from lower falling channel line near USD 920-900.
- ✓ On the weekly technical setup Stochastic (14/3/3) moving flat in "0-level" from last couple of sessions, while RSI (14) moved in oversold territory, drifting further lower in deep oversold area.
- ✓ Momentum oscillators moving in oversold to deep oversold condition creates possibility of technical pullback in prices, in days to come.
- ✓ Therefore, initially prices may remain mixed to weak ahead of witnessing technical pullback towards USD 1050.
- ✓ On the downside, below USD 950 prices has immediate support near USD 920-900, followed by USD 850.
- ✓ On the higherside, prices has immediate resistance near USD 1000 followed by USD 1050.



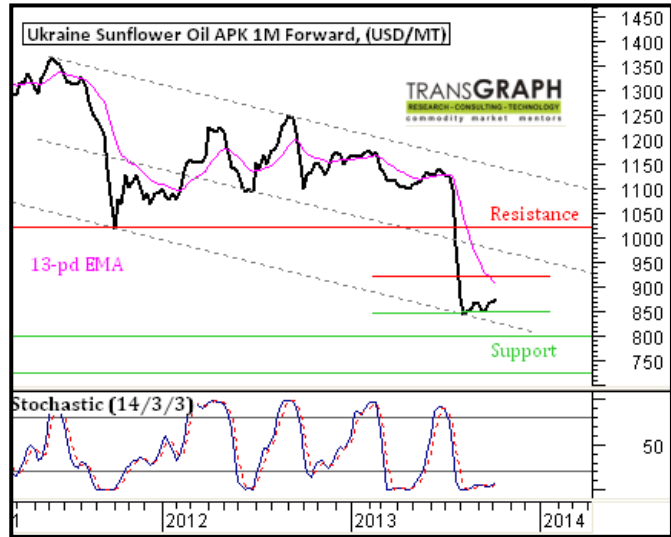
**Concisely, prices on holding below USD 950 are likely to stay with mixed to weak bias, in the range of USD 950 to USD 900, ahead of witnessing technical rebound towards USD 1050, in the coming 3-4 weeks.**

Ukraine Sunflower 1 month forward USD/T	<b>Last closing: USD 875 (+5.00) per MT as on Oct 10, 2013</b>					
Technical Summary	Prices moved marginally higher in last week, after remaining unchanged in prior week, finding support above USD 850. Momentum oscillators are easing from oversold territory, exhibiting support to technical pullback in prices.					
Price Outlook Summary	Prices upon holding above USD 850 are likely to stay with mixed bias in the range of USD 850 to USD 900. Prices on moving above USD 900 are likely to extend gains towards USD 1020, in the coming 4-6 weeks.					
Price Ranges	0 - 2 weeks		0 - 1 month		0 - 2 months	
	IL	SL	IL	SL	IL	SL
	900	800	1020	850	1020	900

## Weekly Sunflower Oil Market Analysis and Price Outlook

### Chartist View on Ukraine Sunflower spot 1m forward (USD/MT)

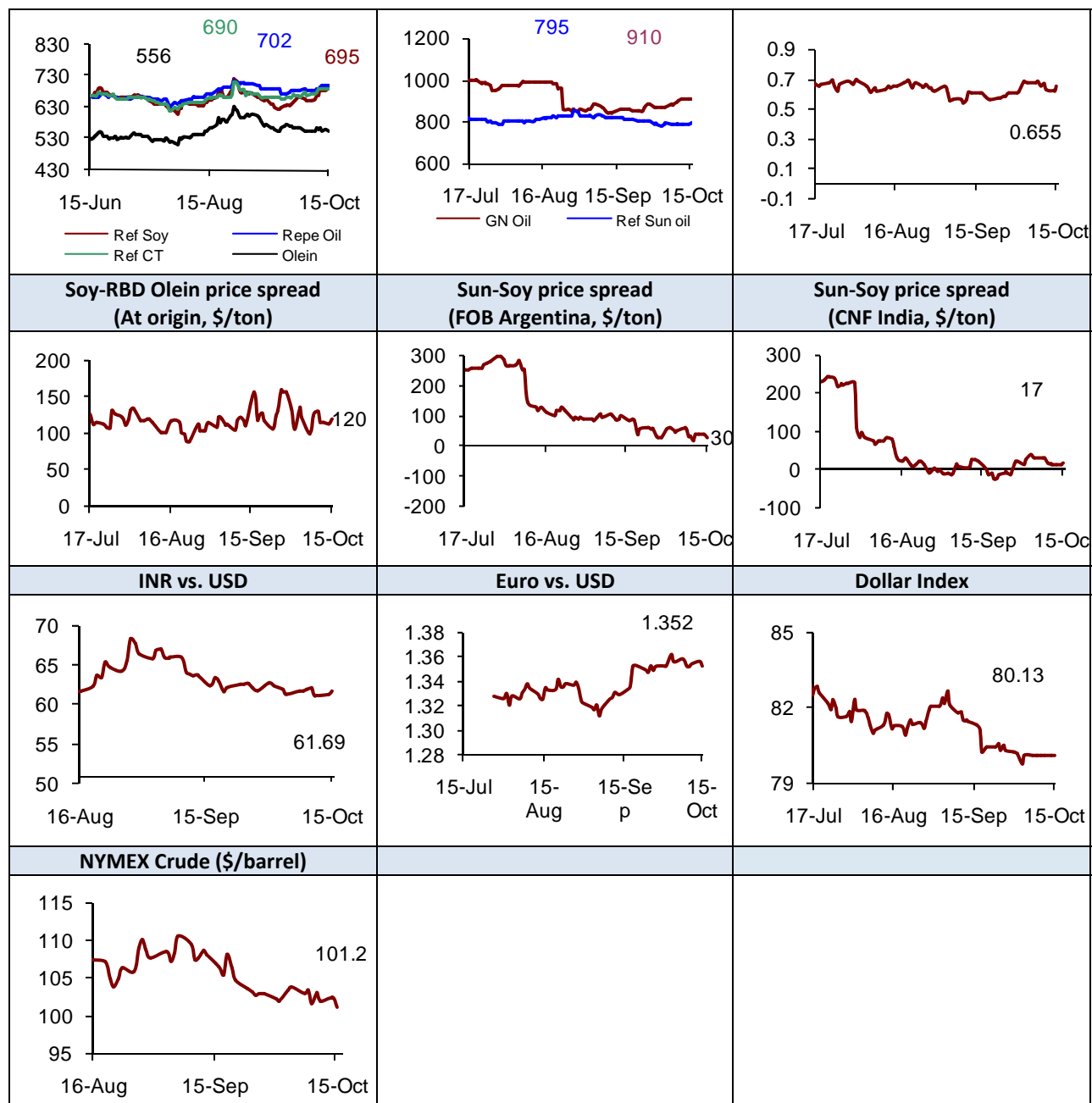
- ✓ Ukraine Sunflower Oil prices plunged sharply lower in last month, took support in prior week.
- ✓ In the week under review, prices moved higher by USD 5 and finally settled at USD 875. Prices are still holding below its 13-pd EMA.
- ✓ As depicted in attached chart, prices are moving in a falling channel line, where in recent past prices reached near to down channel line and found support.
- ✓ On the technical setup RSI (14) easing from oversold territory, while Stochastic (14/3/3) easing from deep oversold territory and still holds beneath oversold area.
- ✓ Momentum oscillators gradually easing from deep oversold to oversold territory, exhibiting support from lower levels, and possibility of technical pullback in days to come.
- ✓ On the upside prices has immediate resistance near USD 900 followed by USD 1020.
- ✓ Below USD 850 prices has firm support near USD 800-775.



**Concisely, Prices upon holding above USD 850 are likely to stay with mixed bias in the range of USD 850 to USD 900. Prices on moving above USD 900 are likely to extend gains towards USD 1020, in the coming 4-6 weeks.**

Weekly Dashboard		
Soy oil import parity (INR/10 kg)	CPO import parity (INR/10 kg)	Sunflower oil import parity (INR/10 kg)
<p>17-Jul 16-Aug 15-Sep 15-Oct</p> <p>— Kandla — JNPT — Landed — Indore</p>	<p>17-Jul-13 31-Aug-13 15-Oct-13</p> <p>— HS — LOCAL — LANDED</p>	<p>Jun-13 Jul-13 Aug-13 Oct-13</p> <p>— Landed — Local — Benchmark</p>
<b>Edible oil prices @ Mumbai (INR/10 kg)</b>	<b>Edible oil prices @ Mumbai (INR/10 kg)</b>	<b>Gross soybean crush margins @ US (\$/bu)</b>

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### Facts and Figures Digest

	Oct 15, 2013	Oct 08, 2013
Sunflower oil FOB, Argentina one month forward (US\$/MT)	940	940
Sunflower oil FOB, North European ports forward (US\$/MT)	975	985
Soy oil futures at CBOT, DEC'13 (cents / Lb)	40.66	40.43
Soy oil FOB, Argentina one month forward (US\$/MT)	903	907
Crude palm oil futures at BMD, Dec'13 (MYR/MT)	2362*	2338

\*as on 14<sup>th</sup> Oct 2013

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