

Weekly Soy Oil Price Outlook and Strategy

Decision enabling market analysis & price outlook



Report for week beginning 01 May 2017

Argentina Soy Oil Price Outlook Summary

| 28 Apr 2017 | AR Soy Oil FOB 1M Forward USD/MT | BR Soy Oil FOB 1M Forward USD/MT | CME Soy Oil July'17 USc/Lb | MY RBD Olein FOB 1M USD/MT | BRLUSD |
|----------------|--|--|----------------------------------|----------------------------------|--------|
| Closing Prices | 704.6 | 715.4 | 32.16 | 675.00 | 3.1718 |
| Change | -2.87 | -19.2 | -0.32 | -5.0 | 0.0283 |

| | Critical Price drivers | Price Direction |
|-----------------------|---|----------------------|
| Fundamental Summary | Awaited Oil and oilseed report for Mar'17 | Downward |
| | Brisk pace of Soybean harvesting in Argentina | Downward |
| | Restricted Farmers selling in Brazil | Upward |
| | Other veg oil dynamics | Downward |
| Price Outlook Summary | Prices are likely to consolidate in the zone of USD 680 to 730 | |
| | 0 to 1 Month | 0 to 2 Months |
| Direction | Mixed | Downward |
| Price Range | 670 to 730 | 740 to 680 |

Argentina Soy Oil Procurement Strategy for spot month*

| Open Position | Pricing Window | | | Already Priced | |
|---------------|----------------|-------------|--|------------------------|----------|
| | Start | End | Avg Till Date | Weighted Average Price | Quantity |
| | 16 Apr 2017 | 15 May 2017 | 703.1 | 693 | 25% |
| | | | Yet to be Priced (Remaining quantity) | | |
| | | | Cover @ USD 700 | 50% | |

Strategy Review

Closed Positions Audit

| Market | Period | Procurement savings % (Bettering the market average) |
|--------------------------|-------------------------------|---|
| AR Soy Oil 1M Forward | 2010 to Till Date Mar 2017 | 1.05% -0.28% |

* Please contact Engagement manager for forward / long term buying strategies

Fundamental Analysis

Argentina Soy oil traded rangebound with negative bias on prevailing negative sentiments over Bio-diesel export issues to US coupled with ongoing harvest pressure.

Moving forward, the soy oil dynamics that shall take Centre stage are:

- Brisk pace of soybean harvest pace in Argentina
- Ongoing Argentine Bio-diesel trade issue with US
- Projected upcoming weakness in Argentina Soy oil basis
- Restricted Brazilian soybean farm selling on the account of stronger BRL
- Expected dry and hot weather during May-July across US Mid-west
- Anticipated M-O-M higher crush in upcoming USDA oil and oilseed report for Mar'17

- ✓ Soybeans harvesting has been completed by 32.3 % of harvestable acreage (18.4 million hectares). In absolute number, 5.856 M hectares of soy plots has been harvested with average national yield of 3.53 T/H and 20.68 million tons of soybean has been collected till date. The W-O-W and Y-O-Y progress were seen at 16% and 8.1% respectively.
- ✓ Moreover, the NEA region and east-central Entre Ríos are likely to achieve a yield record towards the end of the cycle with yields at 3.09 and 2.88 T/H, respectively. These two regions would also be responsible for the surplus in production, which could comfortably offset the area losses forecasted for the north of La Pampa and the west of Buenos Aires. Bolsadecereals has kept national production estimates unchanged at 56.5 million tons.

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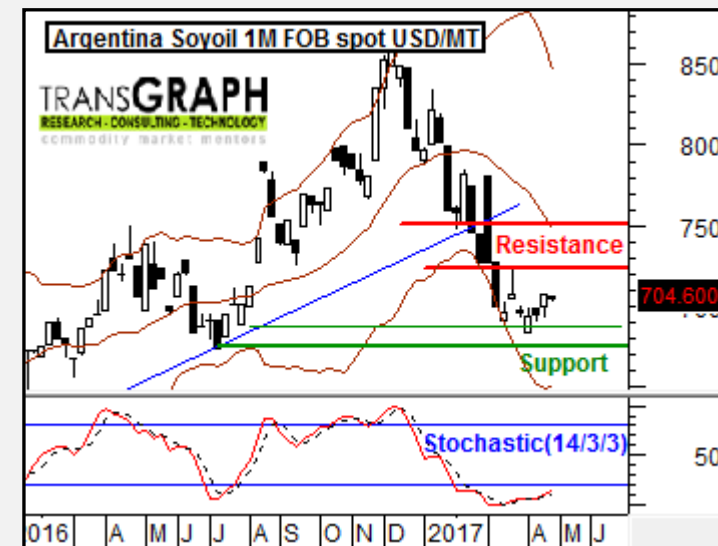
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- ✓ Moving farther, soy oil basis for one month contract is expected to touch toward \$6.5 per ton in negative zone with respect to CME, which is currently trading at \$1.8 per ton with positive side.
- ✓ Moving farther, dispute over Argentine Bio-diesel exports to US remain unresolved even after Mr. Macri visit to White House on last Thursday.
- ✓ Meanwhile, the American Renewable Fuel and Job Creation Act of 2017 bill has been introduced by Senators Joe Donnelly, Chuck Grassley, Maria Cantwell supported by 13 other senators in Senate to reinstate Bio-diesel Tax credit. But, decision on this bill is yet to come, which is bringing an anonymous view in the market and keeping oil market on a volatile note.
- ✓ Soybean planting is doing well in US with completion of 6% of intended acreage vs. 3% 5-year average and 2% last year planted acreage. Addition to this, favorable weather forecast for next 15 days likely to foster planting pace.
- ✓ But, dryer than normal and warm weather across Mid-west region during key soy growing stages would limit soybean production growth over expected Y-O-Y lower yield despite of huge acreage growth on account of upcoming El Niño phenomenon, which is known for drought in Upper Mid-west and above normal precipitation across lower Mid-West region.
- ✓ From Brazilian front, weaker soybean prices has discouraged farmers selling since couple of months over low farmer realized value owing to stronger Brazilian Real. On the other side of scenario, Soybean production has recorded historically high at 111 million tons. Thus, higher production and passive soybean selling at farm level has created storage shortage problem. Soybean storage capacity is half of the production capacity in the states of Mato-Grosso.
- ✓ Paraguay soybean production is expected to revise downward by 6% toward 9.4 million tons from 10 million tons USDA previous month estimates.
- ✓ But at the same time, soybean yield in Uruguay is expected to rise by 10% to 25% compared to last year, where harvesting progress has been recorded more than 30% till last week.
- ✓ From other soft oil scenario, Ukraine sun oil exports during Sep-Mar stand at 80.7 thousand tons, an increase of 4% compared with 2015/16 MY, and up 32% compared with 2014/15 MY.
- ✓ Looking at SPPOMA production pace during 20-25th Apr'17 is slower compared to 7.37% production growth for 1-20th Apr'17. This might be due to recent heavy precipitation across southern Malaysia which might have disturbed harvesting pace of FFBs and consequently dented supply in short term.

Technical Outlook: Argentina Soy Oil, FOB 1M Forward USD/MT

- ✓ Soybean 1-month forward prices are seen consolidating after testing support at USD 682.
- ✓ Prices are seen trading with lower lows and lower highs since Dec'17 after failing to sustain above USD 850 suggesting that trend is bearish.
- ✓ At momentum front oscillators like Stochastic (14/3/3) and RSI (14 Pd) are in deep oversold region suggesting corrective bias in coming weeks.
- ✓ Therefore with prices at support while momentum oscillators approaching deep oversold region, prices are likely to test support at USD 680 and consolidate in the coming 2-3 weeks.
- ✓ On the downside USD 680 shall act as an immediate support followed by strong support at USD 650.
- ✓ On the higher side prices would find resistance around USD 750.



Turnaround Point: A weekly close above USD 750 shall turn the sentiments consolidation for medium term.

Concisely, Prices are likely to consolidate in the zone of USD 680 to 730 in the coming weeks.

✓ Mini Chart

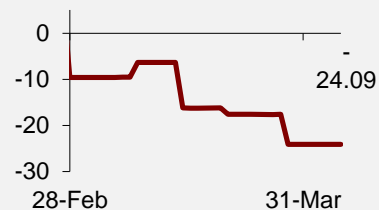
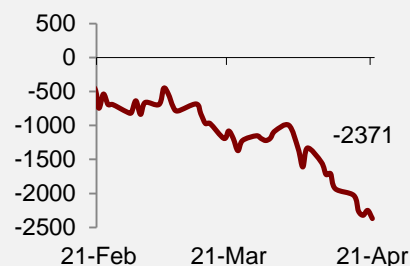
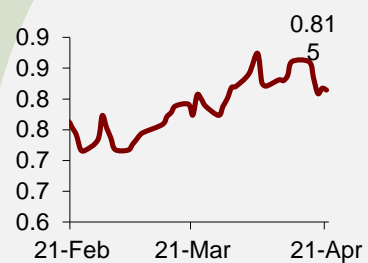
Gross soybean crush margins @ US (\$/bu)

Net soybean crush margin @ Indore (INR/ton)

Imported Soybeans crush margin @ China (RMB/ton)

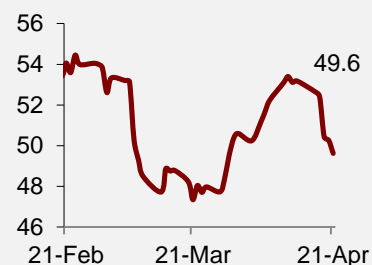
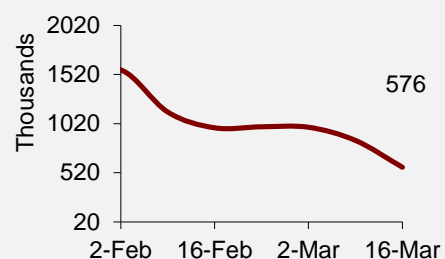
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US Weekly Export sales ('000 tons)

NYMEX Crude (\$/barrel)



Market Prices

| Market | Commodity | 28 April 2017 | 21 April 2017 | Change | Change % |
|-----------|--|---------------|---------------|--------|----------|
| Argentina | Soy oil FOB, Argentina, one month forward USD/MT | 704.6 | 707.47 | 2.87 | -0.41% |
| Brazil | Soy oil FOB, Brazil, one month forward USD/MT | 715.4 | 734.60 | 19.2 | -2.68% |
| Dutch | Soy oil FOB mill, Dutch origin EUR/MT | 745.30 | 745.30 | 0 | 0% |
| CME | Soy oil CBOT, May'17 USc/Lb | 31.62 | 31.94 | 0.32 | -1.01% |
| BMD | BMD CPO futures Apr'17 MYR/MT | 2508 | 2530 | 22 | -0.88% |

| Spread | Spread – Chicago soy oil to Argentina soy oil USD/MT | 60.82 | 60.82 | 0.00 | 0.00% |
|--------|--|-------|-------|------|-------|
|--------|--|-------|-------|------|-------|

Our Extensive coverage of Edible Oilseeds & Oils Complex

| Report | Coverage # | Price Outlook & Strategies |
|--|--|--|
| Daily BMD Palm Oil Price Outlook and Strategy | NU, FA, WA, PI, TA, TS, PO, FF, MP, 5D | MY.CPO.BMD |
| Daily CME Soy Complex Price Outlook and Strategy | NU, FA, WA, PI, TA, TS, PO, FF, MP, 5D | USA.SB.CME, USA.SM.CME, USA.SBO.CME |
| Daily Indian Edible Oil and Oilseed Price Outlook and Strategy | NU, FA, WA, PI, TA, TS, PO, FF, MP, 5D | IN.CPO.MCX, IN.SB.NCDEX, IN.SBO.NCDEX, IN.RMS,NCDEX, IN.SM.KANDLA |
| Weekly Edible oil and Oilseeds Price Outlook and Strategy | NU, FA, WA, PI, TA, PS, PO, FF, MP, 2M | AR.SBO.1M, USA.SBO.CME, MY.CPO.BME, MY.RBDO.FOB, IN.SBO.NCDEX, IN.SBO.INDORE, IN.CPO.MCX |
| Weekly Edible oil Elliott wave analyser | EWA, PO, 6W | MY.CPO.BMD, USA.SBO,CME, PH.CNO.1M, AR.SFO.1M, UKR.SFO.1M |
| Weekly Indian Edible Oil Price Outlook and Strategy | NU, FA, WA, PI, TA, PS, PO, FF, MP, 2M | IN.RSO.JAIPUR, IN.GNO,RAJKOT, IN.CNO,KOCHI, IN.RBO,KHANNA |
| Weekly Lauric Oil Price Outlook and Strategy | NU, FA, WA, PI, TA, PS, PO, FF, MP, 2M | MY.PKO.1M, RTDM.CNO.1M, MY.PS.SPOT, MY.PFAD.SPOT |
| Weekly Palm Oil Price Outlook and Strategy | NU, FA, WA, PI, TA, PS, PO, FF, MP, 2M | MY.RBD.1M, ID.CPO.1M |
| Weekly Soy Oil Price Outlook and Strategy | NU, FA, WA, PI, TA, PS, PO, FF, MP, 2M | AR.SBO.1M |
| Weekly Sunflower Oil Price Outlook and Strategy | NU, FA, WA, PI, TA, PS, PO, FF, MP, 2M | AR.SFO.1M, UKR.SFO.1M |
| Bi-Weekly Poultry Feed Market Analysis and Price Outlook | NU, FA, WA, PI, TA, PS, PO, FF, MP, 2M | IN.SB.NCDEX, IN.SM.INDORE, IN.MZ.NIZAMABAD |
| Monthly Edible oil and Oilseed Complex Special Report | FA, BS, WA, PI, TA, PO, 2-3M | USA.SB.CME, USA.SM.CME, USA.SBO.CME, AR.SBO.1M, DXY.SPOT, USDBRL, USDARS, UKR.SFO.1M, MY.CPO.BMD, ID.CPO.1M, USDIDR, USDMYR, MY.CPKO.1M, PH.CNO.1M, IN.SBO.NCDEX, IN.SB.NCDEX, IN.RS.NCDEX.IN.RSE.KANDLA, IN.RSO.JAIPUR, IN.CPO.MCX, IN.CPO.KANDLA, IN.RS.RAJKOT |

News Update **NU**, Fundamental Analysis **FA**, Balance Sheets **BS**, Weather Analysis **WA**, Policy Impact **PI**, Technical Analysis **TA**, Trading Strategies **TS**, Procurement Strategies **PS**, Price Outlook **PO**, Market Intelligence **MI**, Facts & Figures **FF**, Market Prices **MP**,

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Price Spreads **PS**, Forward Curves **FC**, Elliott Wave Analysis **EWA**, 5D, 2W, 6W, 2M, 4-6M

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