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# Soybean Oil Market Update

Prepared for



October 15, 2019

# Soybean Oil Market Update

## Shipping hit harder by trade war soybean impacts in 2019

- > The shipping industry has been hit harder in 2019 by the trade war's effect on soybean exports than it was in 2018, according to shipping association BIMCO.
- > Combined with ASF in China, the trade war between the US and China decreased soybean demand in China, generating 8.5% lower tonne-mile demand for vessel transport.
- > In 2018, lower US soybean export demand was offset by increased demand for Brazilian exports, but Brazilian soybean exports were down 7.8 million MT over the first eight months of 2019 as compared to 2018.
- > *According to BIMCO's Chief Shipping Analyst Peter Sand, "Lower Chinese demand as a result of the African Swine Flu mean that even without the effects of tariffs, seaborne volumes of soybeans imported by the Chinese may not return to levels seen in 2017 for some years."*

## USDA Crop Progress: Corn, soy harvest continues well behind average

- > US corn and soybean harvest has improved compared but the progress for both crops remains well behind the average pace for this time of year.
- > Soybean harvest moved to 14 percent complete during the first week of October, up from seven percent the prior week but still well behind the average of 34 percent and the year-ago mark of 31 percent. Traders expected USDA to report 15 percent was harvested.
- > *Slower soybean harvest rates due to rainy weather have led to tighter supplies, which has pushed soybean prices significantly higher than the ranges at which they had previously been trading, comfortably above the \$9/bushel threshold.*

# Soybean Oil Market Update

## EU rapeseed imports double, palm oil imports down

- > The European Union has almost doubled the amount of rapeseed it has imported this season in conjunction with low domestic production.
- > Soybean imports have managed to maintain the same high pace during the 2019/20 crop year as in the 2018/19 crop year.
- > Palm oil imports have been down almost 20% year-on-year.
- > The EU rapeseed market balance is tight this year after the bloc's production was expected at 16.9 million MT, down 20.6% from the five-year average on a 15.8% smaller planted area.
- > The US has supplied 35.8% of the EU's soybean imports at 1.2 million MT, second only to Brazil at 1.4 million MT and 42.0%.
- > *The EU vegetable oil market is increasingly turning to soybean oil due to environmental concerns over palm oil in conjunction with low rapeseed production domestically and in Canada.*

## Soy, biodiesel groups press Ross for meeting on Argentina biodiesel duties

- > Concern over a Commerce Department review of countervailing duties on imports of biodiesel from Argentina – which could lead to a reduction in import tariffs – led the American Soybean Association (ASA) and National Biodiesel Board (NBB) to pen a joint letter requesting a meeting with Commerce Secretary Wilbur Ross.
- > A review found that changes to Argentina's export taxes for biodiesel – which function as a support measure for producers – meant import duties could be lowered from the average 72% now in place to just 10%.
- > The duties were originally put in place to “redress years of massive subsidies benefiting Argentina's biodiesel industry,” and the review “must protect the US biodiesel industry and soybean farmers from any potential resumption of those subsidies and unfair trade practices,” officials urged.
- > *The US biodiesel industry is heavily dependent upon government policy to remain competitive as it is not economically viable without beneficial government policy, including protection from foreign competition through import duties.*

# Soybean Oil Market Update

## EU rapeseed area up, but still below five-year average

- > The EU's rapeseed production is likely to remain below the long-term average in 2020/21, as poor yields and difficult growing conditions in recent years have pushed many farmers away from the crop.
- > Rapeseed growers have also complained that EU restrictions on the use of neonicotinoid insecticides have left them struggling to control insect pests.
- > *An increasing number of farmers have been doubting whether to keep producing rapeseed given its low yields and profitability in recent times and the often difficult growing conditions caused by dry weather.*

## USDA October update: Acres trimmed for both corn, soybeans vs Sept

- > According to the October USDA WASDE report, US soybean production is forecast at 3.550 billion bushels, down two percent from September and down 20 percent from last year.
- > Based on conditions as of October 1<sup>st</sup>, yields are expected to average 46.9 bushels per acre, down 1.0 bushel from September and down 3.7 bushels from 2018.
- > USDA adjusted soybean harvested areas, now forecasting it at 75.6 million acres, down less than 1 percent from the previous forecast and down 14 percent from 2018.
- > The soybean crop is the smallest since it was at 3.36 billion bushels in 2012 and was smaller than 3.583 billion bushels expected by the trade.
- > *Price reaction to the release of the report was minimal for soybeans, with prices declining by a few cents maximum across the board for CBOT futures.*

# Soybean Oil Market Update

## Malay September data pauses palm rally

- > Malaysia's official palm oil data for September had some promising signs amid concerning numbers, with the bearish data stronger than the bullish.
- > Production saw no significant monthly gain – up just over 1% but exports dropped by nearly 19% so end-month stocks rose by some 9.3%, probably more than most analysts expected.
- > Production in September last year had jumped by 14% and continued rising by another 6% in October. This year's early flattening out might support some analysts' predictions of a less impressive seasonal peak than usual this year, although the latest total still leaves output some 9% higher for the year to date.
- > The main drop in monthly exports were to India at a 43% decline after heavy exports to India earlier in the year reduced the need for India to intake supply.
- > *Earlier, the Malay Bursa palm oil futures market had been looking steadier, aided by softening in Malaysia's ringgit currency and ideas competitive pressures might be relieved by some firming in the soy oil market. Declining exports are of concern to palm oil futures traders.*

## France's high court rules against tax benefits for palm oil diesel

- > Tax incentives on biofuels that use palm oil look set to be dropped from January 2020 following a French high court ruling today.
- > The decision enters into force on 1 January, 2020 and oil company Total, which recently started processing palm-based biofuels at its La Mede plant in southern France, has estimated the tax incentive to be worth between EUR70 million and EUR80 million per year.
- > Total CEO Patrick Pouyanne has previously warned that if the law is upheld, it would probably be the end of La Mede, in which Total invested EUR300 million (USD330 million) to convert it to use palm oil.
- > *The ruling is not surprising based on the European Union's shift away from palm oil use due to environmental concerns.*

# Soybean Oil Market Update

## Spanish olive farmers protest low prices and US tariffs

- > Thousands of Spanish olive and olive oil producers have protested the low sale prices for their products in Madrid, amid fears that new US duties will exacerbate the sector's problems.
- > Prices paid to Spanish olive farmers plummeted after a record harvest of 1.79 million MT last season.
- > Protesters demanded Spain's national government and European Union institutions take concrete action to help improve their economic situation, among others by facilitating the private storage of their products under the Common Agricultural Policy.
- > Spanish olive farmers are also discontent with 25% tariffs on exports to the US that will go into effect October 18<sup>th</sup> in response to subsidies given to aircraft manufacturer Airbus by the EU that have hurt the US aerospace industry, particularly Boeing.
- > *Olive oil is a premium oil typically used for human consumption and a low price environment for olive oil will hinder substitute oils' ability to compete in the food consumption sector and drive overall vegetable oil prices lower.*

## US-China trade talk progress supports soybeans

- > The US and China Friday October 11th announced what President Donald Trump termed "phase one" of an agreement between the two sides, with key provisions covering intellectual property, financial services and agriculture.
- > China has agreed to purchase up to \$50 billion of in US agricultural products.
- > *Despite the lack of specific information regarding how the deal will supposedly address "agricultural structural issues," soybean futures rose upon the news of the trade discussion progress.*

# United States: Soybean Oil Exports

## US Annual Soybean Oil Exports

	16/17	17/18	18/19	19/20 (F)
EU-28	1	1	1	0
China	133	1	0	0
South Korea	206	301	344	185
Rest of Asia/Oceania	28	23	34	26
Africa	61	29	20	49
Colombia	122	108	61	86
Dominican Republic	150	152	138	75
Mexico	265	168	125	170
Other West Hemis.	194	327	207	225
<b>Total</b>	<b>1,159</b>	<b>1,110</b>	<b>931</b>	<b>816</b>

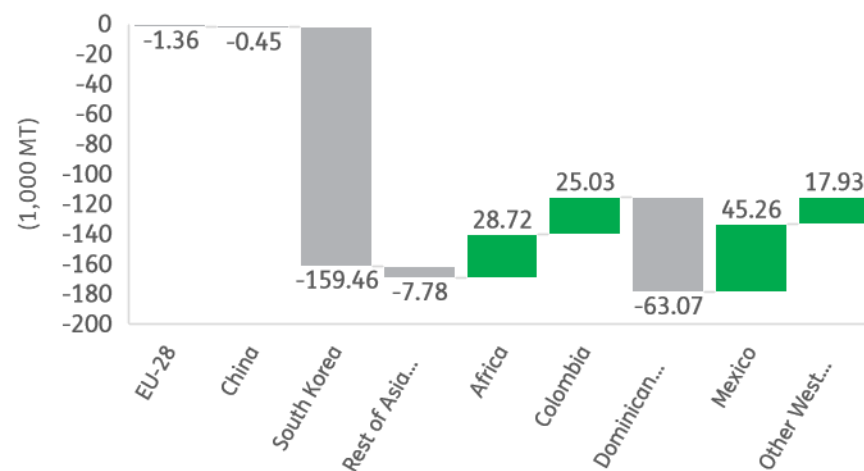
(F) = Informa Economics IEG Forecast

Note: Highlighted yellow references where changes have been made from previous report.

## US Monthly Soybean Oil Exports

	(MT)				
	Mar-19	Apr-19	May-19	Jun-19	Jul-19
EU-28	0	25	2	116	20
China	40	14	54	14	36
South Korea	76,134	17,091	46,662	0	38,752
Rest of	2,564	1,938	3,280	2,916	1,602
Africa	0	0	3	3	3
Colombia	3,780	6,676	1,692	79	26
Dominican	12,867	22,015	4,749	15,745	7,519
Mexico	11,846	9,551	14,753	7,048	9,503
Other West Hemis.	16,075	9,916	22,126	17,350	21,609
<b>Total</b>	<b>123,305</b>	<b>67,224</b>	<b>93,320</b>	<b>43,269</b>	<b>79,070</b>

## YTD Change in Exports (18/19 to 19/20)



# Argentina: Soybean Oil Exports Update

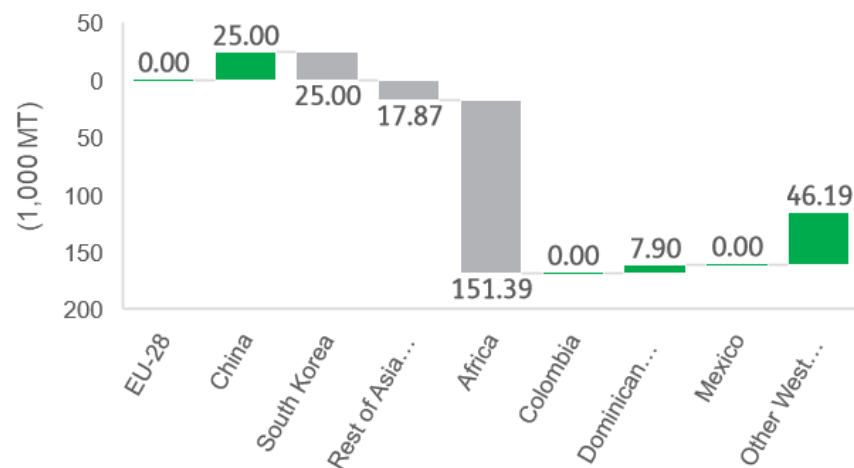
## Argentina Annual Soybean Oil Exports

	16/17	17/18	18/19 (F)	19/20 (F)
EU-28	0	0	0	0
China	0	27	50	75
South Korea	138	4	175	150
Rest of Asia/Oceania	3,742	2,508	3,219	3,201
Africa	644	651	931	780
Colombia	32	0	50	50
Dominican Republic	14	2	20	28
Mexico	0	0	0	0
Other West Hemis.	818	513	840	886
<b>Total</b>	<b>5,387</b>	<b>3,705</b>	<b>5,285</b>	<b>5,170</b>

## Argentina Monthly Soybean Oil Exports

	(1,000 MT)	Mar-19	Apr-19	May-19	Jun-19	Jul-19
EU-28		0	0	0	0	0
China		0	54	26	0	0
South Korea		0	0	0	0	0
Rest of Asia/Oceania		216	128	293	637	655
Africa		0	67	80	0	0
Colombia		0	0	0	1	2
Dominican Republic		0	0	0	0	0
Mexico		0	0	0	0	0
Other West Hemis.		1	44	35	40	92
<b>Total</b>		<b>218</b>	<b>293</b>	<b>435</b>	<b>678</b>	<b>748</b>

## YTD Change in Exports (18/19 to 19/20)





# Soybean Oil Balance Tables for US and Argentina

## US Soybean Oil Supply and Demand (1,000 MT)

	15/16	16/17	17/18	18/19	19/20 (F)
<b>Carryin (Oct 1)</b>	841	765	776	905	844
<b>Production</b>	9,956	10,035	10,783	11,007	11,069
<b>Imports</b>	130	145	152	184	204
<b>Total Supply</b>	10,928	10,945	11,711	12,096	12,117
<b>Domestic Use</b>	9,146	9,009	9,698	10,342	10,523
<b>Biodiesel</b>	2,582	2,812	3,236	3,629	3,901
<b>Non-Biodiesel</b>	6,564	6,197	6,462	6,713	6,622
<b>Exports</b>	1,017	1,160	1,108	910	816
<b>Total Use</b>	10,163	10,169	10,806	11,251	11,340
<b>Carryout (Sep 30)</b>	765	776	905	844	777

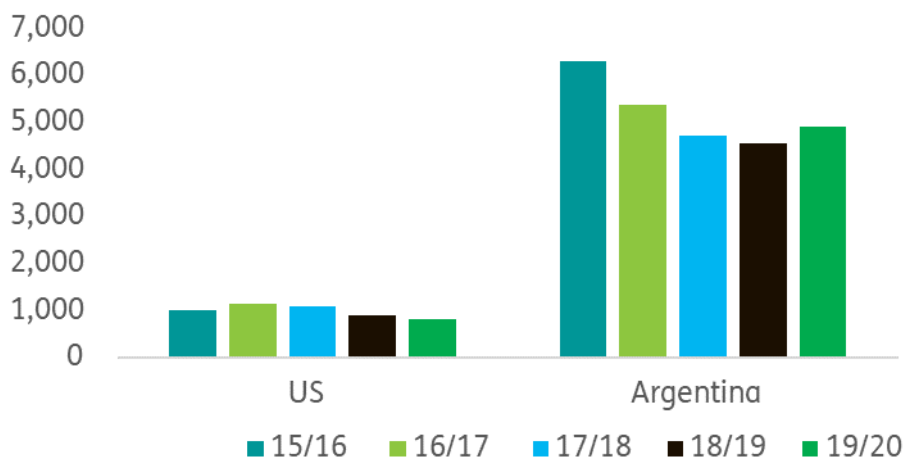
(F) = Informa Economics IEG Forecast

## Argentina Soybean Oil Supply and Demand (1,000 MT)

	15/16	16/17	17/18	18/19	19/20 (F)
<b>Carryin (Apr 1)</b>	196	337	259	310	170
<b>Production</b>	8,755	8,381	7,923	7,179	8,317
<b>Imports</b>	5	0	0	0	5
<b>Total Supply</b>	8,955	8,718	8,182	7,489	8,492
<b>Domestic Use</b>	2,448	2,995	3,202	2,613	3,422
<b>Biodiesel</b>	1,909	2,826	2,968	2,401	2,854
<b>Non-Biodiesel</b>	398	247	183	352	463
<b>Exports</b>	6,312	5,386	4,721	4,566	4,900
<b>Total Use</b>	8,619	8,459	7,872	7,319	8,217
<b>Carryout (Mar 31)</b>	337	259	310	170	275

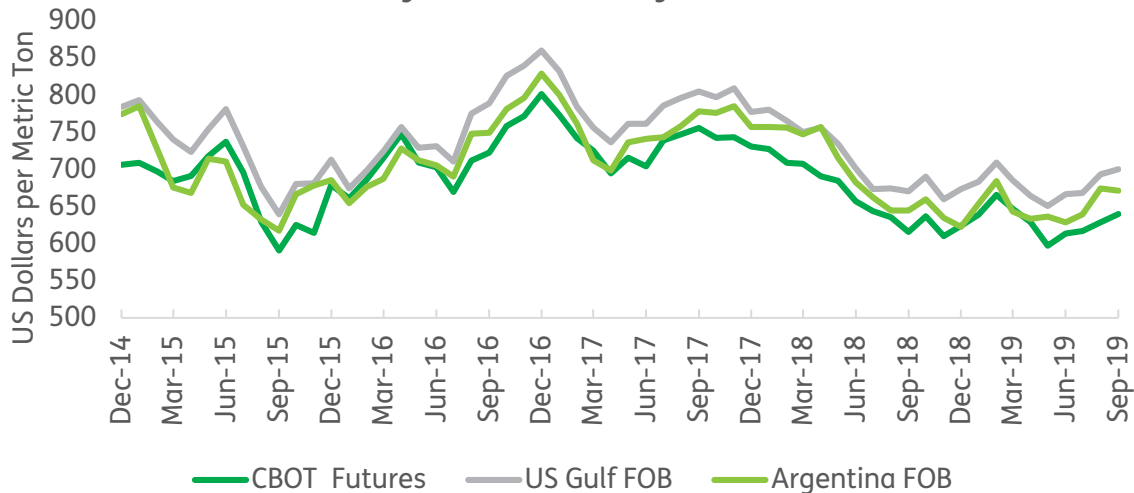
(F) = Informa Economics IEG Forecast

## SBO Exports Trend (1,000 MT)

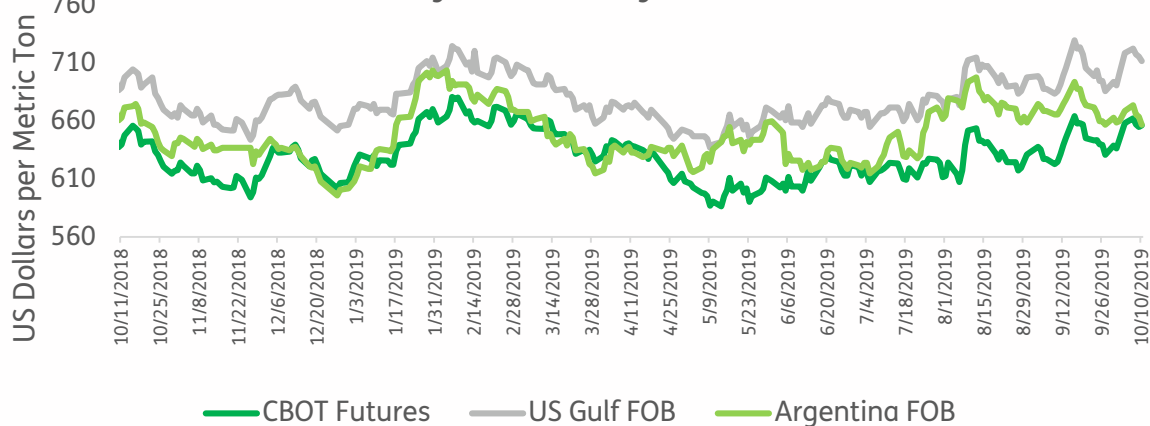


# Soybean Oil Prices Trends

Soybean Oil Monthly Prices



Soybean Oil Daily Prices



	CBOT Futures	US Gulf FOB	Argentina FOB
9/12/2019	640	700	675
9/13/2019	646	706	679
9/16/2019	664	730	694
9/17/2019	658	723	688
9/18/2019	659	724	688
9/19/2019	657	718	679
9/20/2019	646	706	674
9/23/2019	644	699	672
9/24/2019	644	704	667
9/25/2019	640	695	660
9/26/2019	640	695	660
9/27/2019	631	686	657
10/1/2019	637	691	628
10/2/2019	644	701	660
10/4/2019	658	719	669
10/7/2019	663	723	674
10/8/2019	657	718	666
10/9/2019	655	674	638
10/10/2019	657	712	657

# Soybean Oil Line up Data - Argentina

PORT	TERMINAL	VESSEL	STATUS	DATE	TONS	CARGO	SHIPPER AND/OR CHARTERER	DESTINATION
SAN LORENZO	RENOVA NORTH BERTH	HELLAS AVATAR	ETA REC	15-Oct	12,500	SBO	CARGILL	PERU
SAN LORENZO	RENOVA TBC	SARANGA	ETA REC	17-Oct	10,000	SBO	BUNGE	BRAZIL
SAN LORENZO	RENOVA TBC	APOSTOLOS	ETA REC	18-Oct	8,415	SBO		INDIA
SAN LORENZO	DREYFUS TIMBUES	HELLAS AVATAR	ETR SLZ	15-Oct	11,500	SBO	CARGILL	PERU
SAN LORENZO	DREYFUS TIMBUES	ARIONAS	ETR ZTE	15-Oct	15,000	SBO	LDC	INDIA
SAN LORENZO	COFCO INTL. NORTH BERTH EX	RHL DRESDEN	ETF	11-Oct	2,500	SBO	GLENCORE	CUBA
SAN LORENZO	COFCO INTL. NORTH BERTH EX	NAVIG8 VICTORIA	ETR FB	13-Oct	4,000	SBO	COFCO	MADAGASCAR
SAN LORENZO	MINERA ALUMBRERA	GRETA K	ETF	11-Oct	9,000	SBO	BUNGE	TUNISIA
SAN LORENZO	MINERA ALUMBRERA	GRETA K	ETF	11-Oct	14,000	SBO	BUNGE	ALGERIA
SAN LORENZO	MINERA ALUMBRERA	PTI ORION	ETA REC	12-Oct	30,000	SBO	COFCO	INDIA
SAN LORENZO	MINERA ALUMBRERA	GULF BAYNUNAH	ETA REC	15-Oct	11,400	SBO	ADM	MOROCCO
SAN LORENZO	MINERA ALUMBRERA	BATTERSEA PARK	ETA REC	23-Oct	9,000	SBO	ADM	PERU
SAN LORENZO	TRANSITO (ADM AGRO)	GULF BAYNUNAH	ETA REC	16-Oct	6,000	SBO (P)	ADM	SPAIN
SAN LORENZO	AKZO NOBEL	CHAMPION PULA	ETR RAM	19-Oct	2,500	SBO	COFCO	INDIA
SAN LORENZO	AKZO NOBEL	SUNNY VICTORY	ETR SNIC	22-Oct	17,500	SBO	COFCO	CHINA
SAN LORENZO	SAN BENITO	ARIONAS	ETA REC	15-Oct	15,000	SBO	LDC	INDIA
SAN LORENZO	SAN BENITO	GULF BAYNUNAH	ETA REC	16-Oct	9,000	SBO	ADM	MOROCCO
SAN LORENZO	SAN BENITO	SUNNY VICTORY	ETR SNIC	22-Oct	10,425	SBO	COFCO	CHINA
SAN LORENZO	SAN BENITO	MARS	ETA REC	27-Oct	17,000	SBO	ADM	INDIA
ROSARIO	VILLA GOBERNADOR GALVEZ	LUMPHINI PARK	ETA REC	23-Oct	11,450	SBO	CARGILL	DOMINICAN REP

Source: Agencia Maritima Nabsa S.A.

\*REC-Recalada Pilot Station, AT CZONE (At Common Zone- La Plata Roads), AT ROADS (At Port Terminal Corresponding Roads), ETA (Estimated Time of Arrival), ETF (Estimated time to Finalize Operations)

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