

# Soybean Oil Market Update

Prepared for



November 15, 2019

# Soybean Oil Market Update

## US soy crop come-back next year?

- > US soy markets had a better month in October, both in terms of futures and cash physical markets.
- > Optimism regarding the US and China reaching a trade agreement has benefitted soybean markets.
- > Planting areas are expected to recover in 2019/20 from a down year in 2018/19 and favorable weather would lead to a large crop.
- > *Boosted plantings and favorable weather will put downward pressure on prices due to abundant supply.*

## Soybeans end lower after November WASDE

- > Soybean futures ended lower Friday November 8<sup>th</sup> after USDA lowered its 2019/20 US soybean crush projection while leaving its 2019 US soybean production forecast unchanged.
- > January soybean futures lost 5 1/2 cents at \$9.31.
- > USDA projected world soybean stocks at 95.42 million MT, up 210,000 MT from the October projection.
- > With minimal changes to its balance sheet, USDA left its 2019/20 average farm price forecast unchanged at \$9 per bushel.
- > *Lower crush projections imply less demand for refined soybean products, thus causing a decrease in prices. However, because the change in soybean market dynamics from the latest report was minimal, there is not an expected long term price impact.*

## USDA Export Sales: China leads soybean sales higher

- > Net US soybean export sales of 1,807,400 MT for the week to October 31 2019/2020 were up 92% from the previous week and 41% from the prior four-week average.
- > The figure topped trade expectations of 600,000 to 1.2 million MT.
- > *USDA projects US soybean exports in the US to increase from 46.77 million MT in 2018/19 to 48.31 million MT in 2019/20.*

# Soybean Oil Market Update

## Rapeseed contemplates better than expected demand data

- > Grain Commission data showing much better than expected demand contributed to a firmer tone in Canadian canola futures prices the week ending November 8<sup>th</sup>.
- > The big surprise has been the strength of exports during the first quarter of the new season, actually running slightly ahead of last year at some 2.01 million MT, despite the political breakdown with usual top customer China.
- > Strong domestic crush figures with margins nearly double of this time last year also provided support to canola prices.
- > *If demand holds up amid this season's much smaller global supply (EU and Australian crops down too) and rival oils soy and palm stay firm, rapeseed/canola might finally find itself on a firm footing going forward.*

## Soybeans sink as improved production prospects, trade uncertainty pressure market

- > Soybean futures ended sharply lower Monday November 11<sup>th</sup> as anticipation of US harvest progress and ongoing US-China trade uncertainty weighed on the market.
- > January soybean futures declined by 14 cents to \$9.17/bushel.
- > Friday's bearish USDA reports included an increase in projected US soybean ending stocks.
- > Soybean meal futures settled sharply lower.
- > Soybean oil futures found support from smaller-than-anticipated Malaysian palm oil stocks, which led to sharply higher trade in palm oil futures.
- > *Long term futures are trading at a significant premium to nearby futures, which may incentivize more US soybean producers to store their crop for future sales.*

# Soybean Oil Market Update

## Soybean production in Brazil should be close to a record

- > The first estimates of Brazil's 2020 soybean crop from Brazilian Association of Vegetable Oil Industries (Abiove) forecast a larger crop than 2019, but less than 2018.
- > Soybean meal exports are forecast to decline as more soybean meal is consumed domestically in order to meet increased meat production.
- > Domestic biodiesel production from soybean oil as a feedstock is also projected to increase.
- > *Domestic demand for both soybean meal and soybean oil provides a positive outlook for soybean producers in Brazil as it should keep local prices competitive with the global market.*

## US tariffs could halt rise in EU olive oil exports

- > The EU has increased its exports of olive oil in recent years, but new US trade sanctions could stop this positive trend.
- > Spanish olive oil exports have now come under threat after the US, the main importer, decided to impose 25% tariffs on a wide range of EU agri-food products on October including olive oil.
- > The tariffs were instituted by the US over subsidies provided by the EU to aircraft manufacturer Airbus.
- > Consecutive good harvests have hurt olive oil prices in Spain, even prior to the decision.
- > *Olive oil is a premium oil typically used for human consumption and global volumes pale in comparison to more commonly used vegetable oils, so the effects of reduced olive oil exports from the EU is expected to be minimal in relation to global soybean oil trade.*

# 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	28	20	49
Colombia	122	108	61	86
Dominican Republic	150	152	138	75
Mexico	265	167	125	170
Other West Hemis.	194	327	207	225
<b>Total</b>	<b>1,159</b>	<b>1,108</b>	<b>930</b>	<b>816</b>

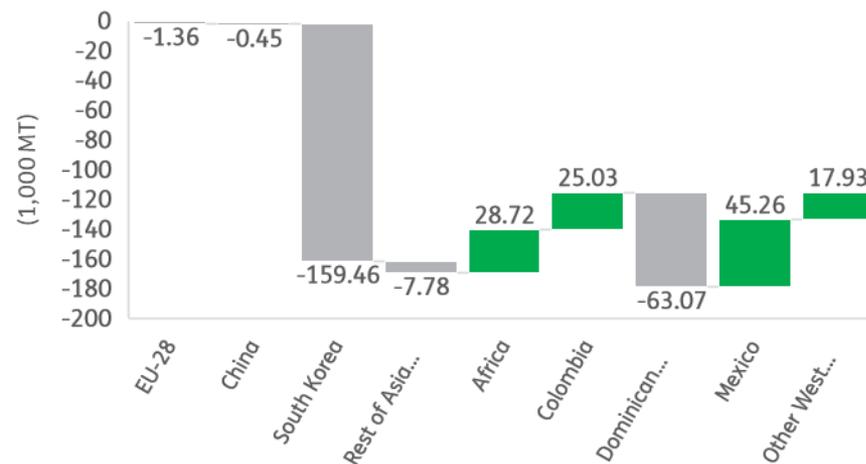
(F) = Informa Economics IEG Forecast

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

## US Monthly Soybean Oil Exports

	(MT)				
	May-19	Jun-19	Jul-19	Aug-19	Sep-19
EU-28	2	116	20	187	18
China	54	14	36	14	63
South Korea	46,662	0	38,752	23,888	10
Rest of	3,280	2,916	1,602	1,884	1,780
Africa	3	3	3	3	0
Colombia	1,692	79	26	6,465	2
Dominican	4,749	15,745	7,519	11,541	26
Mexico	14,753	7,048	9,503	9,795	7,658
Other West Hemis.	22,126	17,350	21,609	21,329	12,431
<b>Total</b>	<b>93,320</b>	<b>43,269</b>	<b>79,070</b>	<b>75,106</b>	<b>21,986</b>

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



# Argentina: Soybean Oil Exports Update

## Argentina Annual Soybean Oil Exports

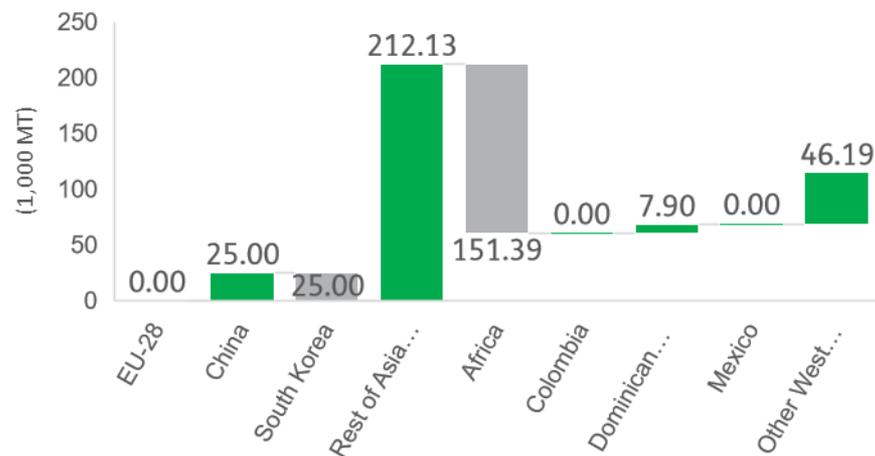
	16/17	17/18	18/19	19/20 (F)
EU-28	0	0	0	0
China	0	27	50	75
South Korea	138	4	175	150
Rest of Asia/Oceania	3,742	2,508	3,219	3,431
Africa	644	651	931	780
Colombia	32	0	50	50
Dominican Republic	14	2	20	28
Mexico	0	0	0	0
Other West Hemis.	818	513	840	886
<b>Total</b>	<b>5,387</b>	<b>3,705</b>	<b>5,285</b>	<b>5,400</b>

(F) = Informa Economics IEG Forecast

## Argentina Monthly Soybean Oil Exports

(1,000 MT)	May-19	Jun-19	Jul-19	Aug-19	Sep-19
EU-28	0	0	0	0	0
China	26	0	0	0	0
South Korea	0	0	0	0	0
Rest of Asia/Oceania	293	622	655	562	484
Africa	80	0	0	0	0
Colombia	0	1	2	2	2
Dominican Republic	0	0	0	0	0
Mexico	0	0	0	0	0
Other West Hemis.	35	40	92	8	148
<b>Total</b>	<b>435</b>	<b>663</b>	<b>749</b>	<b>572</b>	<b>634</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	903	805
<b>Production</b>	9,956	10,035	10,783	10,975	11,063
<b>Imports</b>	130	145	152	180	204
<b>Total Supply</b>	10,928	10,945	11,711	12,058	12,072
<b>Domestic Use</b>	9,146	9,009	9,700	10,372	10,523
<b>Biodiesel</b>	2,582	2,812	3,236	3,629	3,901
<b>Non-Biodiesel</b>	6,564	6,197	6,464	6,743	6,622
<b>Exports</b>	1,017	1,160	1,108	881	816
<b>Total Use</b>	10,163	10,169	10,808	11,253	11,340
<b>Carryout (Sep 30)</b>	765	776	903	805	732

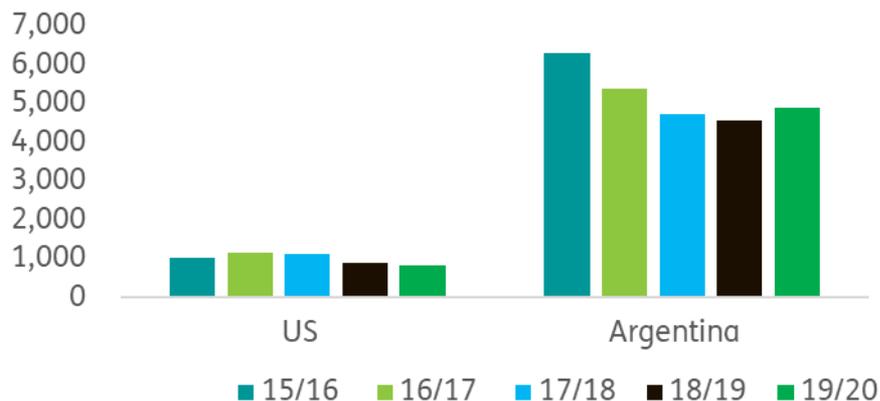
(F) = Informa Economics IEG Forecast

## 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	8,230
<b>Imports</b>	5	0	0	0	5
<b>Total Supply</b>	8,955	8,718	8,182	7,489	8,404
<b>Domestic Use</b>	2,448	2,995	3,202	2,613	3,335
<b>Biodiesel</b>	1,909	2,826	2,968	2,401	2,854
<b>Non-Biodiesel</b>	398	247	183	352	375
<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	8,129
<b>Carryout (Mar 31)</b>	337	259	310	170	275

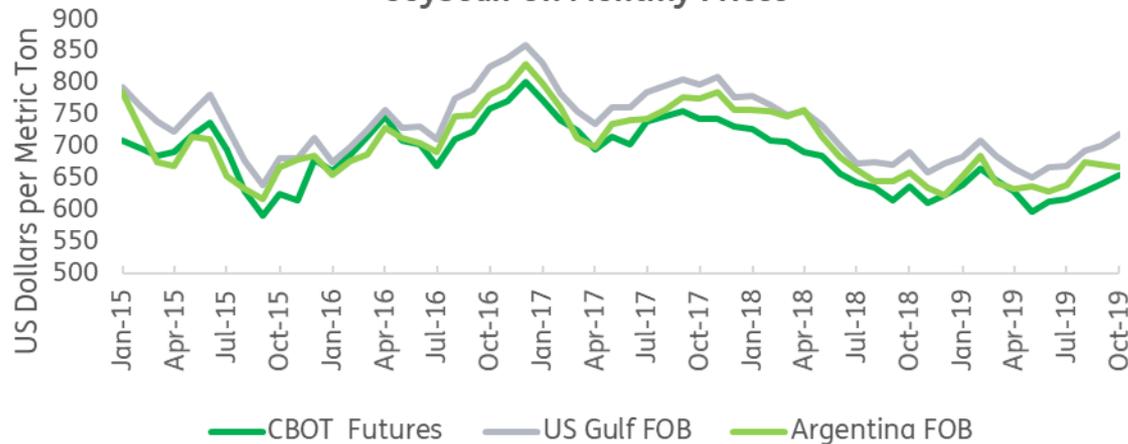
(F) = Informa Economics IEG Forecast

## SBO Exports Trend (1,000 MT)

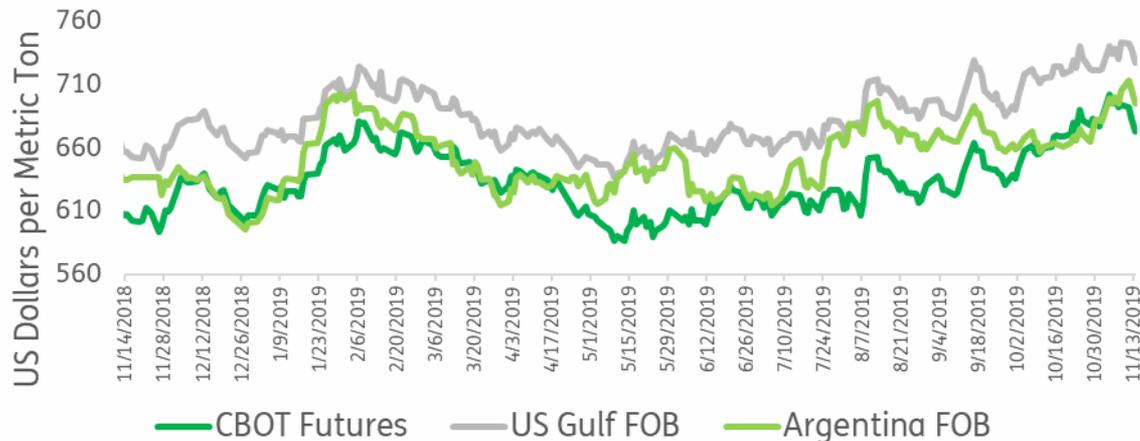


# Soybean Oil Prices Trends

### Soybean Oil Monthly Prices



### Soybean Oil Daily Prices



	CBOT Futures	US Gulf FOB	Argentina FOB
10/16/2019	670	725	663
10/17/2019	670	725	662
10/18/2019	669	719	661
10/21/2019	672	722	664
10/22/2019	680	730	670
10/23/2019	674	724	667
10/24/2019	691	741	676
10/25/2019	683	732	672
10/28/2019	679	723	666
10/29/2019	683	722	675
10/30/2019	683	722	683
11/1/2019	684	723	682
11/4/2019	703	741	628
11/5/2019	696	735	696
11/7/2019	693	731	696
11/8/2019	694	744	706
11/11/2019	693	743	714
11/12/2019	684	674	638
11/13/2019	673	728	696

## Soybean Oil Line up Data - Argentina

PORT	TERMINAL	VESSEL	STATUS	DATE	TONS	CARGO	SHIPPER AND/OR CHARTERER	DESTINATION
SAN LORENZO	RENOVA SOUTH BERTH	BOW ENGINEER	ETR SLZ	18-Nov	12,000	SBO	BUNGE	INDIA
SAN LORENZO	DREYFUS TIMBUES	BOW ENGINEER	ETR RAM	18-Nov	12,000	SBO	BUNGE	INDIA
SAN LORENZO	COFCO INTL. NORTH BERTH EX	NAVIG8 ALMANDINE	ETA REC	18-Nov	13,700	SBO	COFCO	INDIA
SAN LORENZO	MINERA ALUMBRERA	FAIRCHEM SABRE	ETA REC	17-Nov	9,000	SBO	BUNGE	TUNISIA
SAN LORENZO	MINERA ALUMBRERA	FAIRCHEM SABRE	ETA REC	17-Nov	16,050	SBO	BUNGE	ALGERIA
SAN LORENZO	MINERA ALUMBRERA	NAVIG8 ALMANDINE	ETR SLZ	18-Nov	11,300	SBO	COFCO	INDIA
SAN LORENZO	MINERA ALUMBRERA	FAIRCHEM COLT	ETA REC	19-Nov	18,500	SBO	ADM	MOROCCO
SAN LORENZO	MINERA ALUMBRERA	ST PETRI	ETA REC	21-Nov	22,000	SBO	WILMAR	INDIA
SAN LORENZO	MINERA ALUMBRERA	CHEMBULK BARCELONA	ETR SNIC	29-Nov	6,000	SBO (P)	ADM	ALGERIA
SAN LORENZO	TRANSITO (ADM AGRO)	CHEMBULK BARCELONA	ETR SNIC	29-Nov	19,000	SBO (P)	ADM	ALGERIA
SAN LORENZO	AKZO NOBEL	BTS SELENA	ETA REC	18-Nov	4,000	SBO	ADM	PERU
SAN LORENZO	AKZO NOBEL	SHAMROCK JUPITER	ETA REC	24-Nov	4,500	SBO	AGROGRAIN	PERU
SAN LORENZO	SAN BENITO	MATTHEOS I	ETR KM 171	15-Nov	15,000	SBO	COFCO	BANGLADESH
SAN LORENZO	SAN BENITO	TENACITY	ETR CP	18-Nov	19,000	SBO	LDC	BANGLADESH
ROSARIO	VILLA GOBERNADOR GALVEZ	CONDOR TRADER	ETA REC	23-Nov	13,000	SBO	CARGILL	PERU
ROSARIO	VILLA GOBERNADOR GALVEZ	GULF MIRDIF	ETA REC	26-Nov	22,000	SBO	CARGILL	INDIA
ROSARIO	DREYFUS VEGOIL TERMINAL	TENACITY	ETA REC	18-Nov	20,000	SBO	LDC	BANGLADESH
ROSARIO	DREYFUS VEGOIL TERMINAL	TENACITY	ETA REC	18-Nov	10,000	SBO (P)	LDC	BANGLADESH
RAMALLO	BUNGE TERMINAL	CTG MAGNESIUM	ETA REC	18-Nov	8,000	SBO	BUNGE	BRAZIL

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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