

Soybean Oil Market Update



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China imported 50% less US soybeans in 2018

- As a result of the trade war between the US and China, China imported 50% less US soybeans in 2018 as compared to 2017.
- Soybean imports from the US to China were at a 10-year-low in 2018.
- China imported 69,000 MT of soybeans in December 2018, up from zero in November 2018, but down from 6.2 million MT in December 2017.
- China purchased a few million MT of soybeans in December, but those cargoes were not to arrive until the first quarter of 2019.
- Soybean imports from Brazil into China more than doubled from 1.9 million MT in December 2017 to 4.4 million MT in December 2018.
- Total Chinese soybean imports declined 8% from 2017 to 2018 to 88 million MT as China introduced initiatives to reduce soybean demand.
- *It remains to be seen how trade negotiations play out in 2019 and whether the US will regain its usual market share. Initial estimates of the first quarter of 2019 by IEG Vantage estimate soybean exports of 2.9 million MT in Q1 2019, down from 6.2 million MT in Q1 2018.*

US Futures Review: Soyoil strength continues, supporting soybeans

- Soybean oil prices have been shifting higher in recent trading sessions, reaching three-month highs in late January.
- Concerns over drought-related production impacts in Brazil have provided support to soybean prices.
- *Spreads between soybean oil and soybean meal have shifted in favor of soybean oil recently, and margins for US crushers remain favorable as Argentina has still not been able to overcome last Spring's crop shortfall to supply crushers.*

Brazil's grain players exercise caution

- Brazil has proposed structural reforms to reduce its deficit, but details of actual policy changes have been hard to come by, leading to uncertainty in Brazil's economy which has extended into agriculture.
- Brazil announced it will move its Israeli embassy from Tel Aviv to Jerusalem, which may lead to trade repercussions with Arab countries which would impact exports of halal meat primarily.
- *Low prices and economic uncertainty has led to a number of oilseed and grain producers in Brazil to be reluctant to sell.*

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Malaysia threatens France with import restrictions

- Malaysia will consider laws to restrict imports of French products if France does not abandon plans to ban the use of palm oil in biofuels.
- French lawmakers voted to ban palm oil from the country's biofuels supply beginning in 2020 over concerns non-sustainable palm oil production is causing mass deforestation in Malaysia and Indonesia.
- Trade between the two countries was valued at nearly 4 billion Euros in 2017.
- *Malaysia and Indonesia may need to show a stronger commitment to sustainable sourcing of palm oil or they risk alienating importers.*

Palm oil futures climb to four-month high

- Like soybean oil futures prices, Malaysian palm oil has also shown recent strength, reaching a four-month high in January 2019.
- Palm oil prices are forecast to continue to increase due to rising demand from the food and energy sectors, slowing production growth, and declining global stockpiles.
- Exports of Malaysian palm oil rose by 12% for the period of January 1st to 20th as compared to a month earlier.
- *Global market conditions are trending in the favor of vegetable oils.*

Weekly Review: Rapeseed price firms despite export slowdown

- Winnipeg rapeseed futures firmed, aided by strength in the soybean oil market, a soft Canadian dollar, and harsh weather affecting sales and transport of Canadian rapeseed.
- In the wake of tensions between Canada and China over Canada's involvement in the Huawei affair, trade between the two countries has slowed down, resulting in a decrease in rapeseed exports from Canada to China.
- The Huawei affair was sparked when Meng Wanzhou, an executive of Chinese telecom company Huawei was arrested in Canada, and Canada then agreed to extradite Wanzhou to the US as the US Justice Department investigates Huawei for violating US sanctions imposed against Iran.
- *Political tensions between the US and China have extended to other countries as they "pick sides" in the dispute. Canada's economic reliance on the US has forced them to choose to maintain relations with the US at the risk of hurting relations with China.*

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Trump signs temporary spending bill, ending partial shutdown

- President Donald Trump signed a temporary spending bill to fund the US government agencies impacted by the shutdown until February 15th.
- The deal did not include any funding for a border wall, the main point of contention that led to the government shutdown occurring.
- There are hopes a more permanent solution will be reached so another shutdown does not occur once the funding expires February 15th.
- *A number of delayed USDA reports have been released or will be released within the next few days, bringing a sense of normalcy to the markets as the information in the reports is relied upon a number of industry stakeholders to make decisions ranging from planting to speculative trading.*

EU greenlights US soybean imports for biofuels

- The European Commission confirmed that US soybeans meet its technical requirements to be used in biofuels in the EU through July 1st, 2021.
- The EU imposes sustainability requirements for biofuel feedstocks or raw materials used for the development of biofuel feedstocks.
- The US accounts for 75% of EU soybean imports as a price drop in relation to Brazil occurred as Brazil became China's main supplier.
- The EU struck a deal on a new renewable energy framework in July 2018 that sets a renewable energy target for the EU of 32% for 2030 with room for an upwards revision by 2023.
- Prior to this ruling, soybean oil extracted from US soybeans shipped to the EU had to be sent back to the US as it was not permitted for use in biofuels. This ruling will reduce transportation costs associated with this practice.
- In 2018, the EU used 5.9 million MT of rapeseed oil and 400,000 MT of soybean oil as a feedstock for biofuels, although none of that soybean oil could be derived from soybeans originating in the US.
- *In order to meet the EU's ambitious renewable energy target, the share of biofuel usage will need to increase considerably. It would be expected that the demand for biofuel feedstocks will raise global market prices for soybean oil. Because the EU's renewable energy framework plans to phase out palm oil use for biofuels over sustainability issues, rapeseed oil, soybean oil, and animal derived products such as tallow or poultry fat will likely be the predominant feedstocks used for EU biodiesel.*



United States: Soybean Oil Exports

US Annual Soybean Oil Exports

	(1,000 MT)			
	15/16	16/17	17/18	18/19
EU-28	0	1	1	1
China	57	133	1	1
South Korea	93	206	301	257
Rest of Asia/Oceania	56	28	23	24
Africa	133	61	29	26
Colombia	51	122	108	91
Dominican Republic	119	150	152	136
Mexico	235	265	168	174
Other West Hemis.	271	194	327	333
Total	1,015	1,159	1,110	1,043

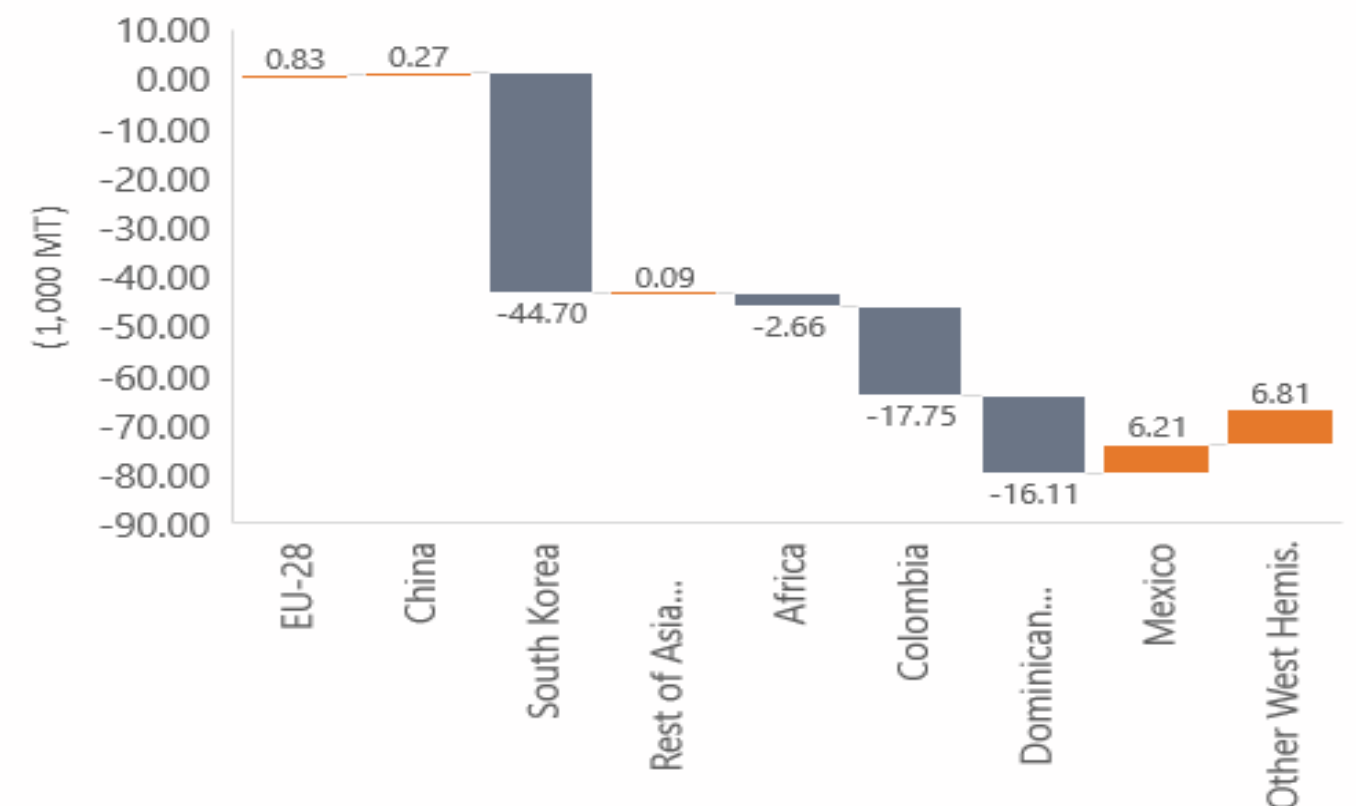
(F) = Informa Economics IEG Forecast

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

US Monthly Soybean Oil Exports

	(MT)				
	18-Jun	18-Jul	18-Aug	18-Sep	18-Oct
EU-28	218	5	3	2	18
China	51	74	74	101	34
South Korea	27,337	14,000	13,053	8,679	15,592
Rest of Asia/Oceania	2,533	1,881	2,015	1,172	1,450
Africa	24	5	11,801	5,002	3
Colombia	2,275	9,540	5,859	6,573	6,963
Dominican Republic	4,214	13,108	13,593	12,213	14,443
Mexico	12,938	10,065	18,178	6,978	6,631
Other West Hemis.	53,977	30,581	25,072	14,466	21,135
Total	103,567	79,259	89,648	55,186	66,269

YTD Change in Exports (17/18 to 18/19)



Argentina: Soybean Oil Exports Update

Argentina Annual Soybean Oil Exports

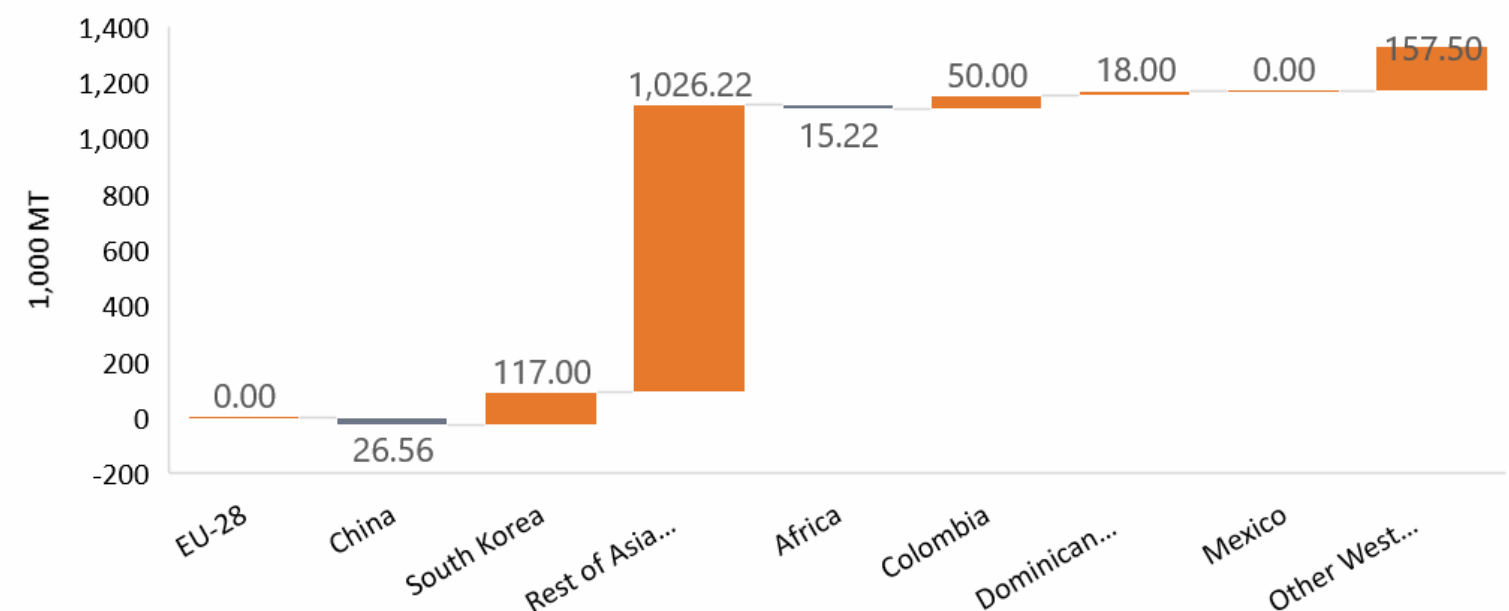
	(1,000 MT)			
	15/16	16/17	17/18	18/19
EU-28	0	0	0	0
China	1	0	27	0
South Korea	185	138	4	121
Rest of Asia/Oceania	4,005	3,742	2,307	3,534
Africa	823	644	585	636
Colombia	17	32	0	50
Dominican Republic	55	14	2	20
Mexico	0	0	0	0
Other West Hemis.	613	818	430	671
Total	5,698	5,387	3,355	5,032

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Argentina Monthly Soybean Oil Exports

(1,000 MT)	18-Jul	18-Aug	18-Sep	18-Oct	18-Nov
EU-28	0	0	0	0	0
China	0	27	0	0	63
South Korea	0	0	0	0	0
Rest of Asia/Oceania	221	311	201	229	106
Africa	80	22	66	41	1
Colombia	0	0	0	0	0
Dominican Republic	0	0	0	0	0
Mexico	0	0	0	0	0
Other West Hemis.	29	31	84	61	39
Total	330	391	350	331	208

YTD Change in Exports (17/18 to 18/19)



Soybean Oil Balance Tables for US and Argentina

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

	14/15	15/16	16/17	17/18	18/19 (F)
Carryin (Oct 1)	528	841	765	776	903
Production	9,663	9,956	10,035	10,781	11,054
Imports	120	130	145	152	159
Total Supply	10,311	10,928	10,945	11,709	12,115
Domestic Use	8,556	9,148	9,009	9,726	10,206
Biodiesel	2,286	2,582	2,812	3,236	3,765
Non-Biodiesel	6,271	6,566	6,197	6,491	6,441
Exports	914	1,015	1,160	1,080	1,043
Total Use	9,470	10,163	10,169	10,806	11,249
Carryout (Sep 30)	841	765	776	903	866

(F) = Informa Economics IEG Forecast

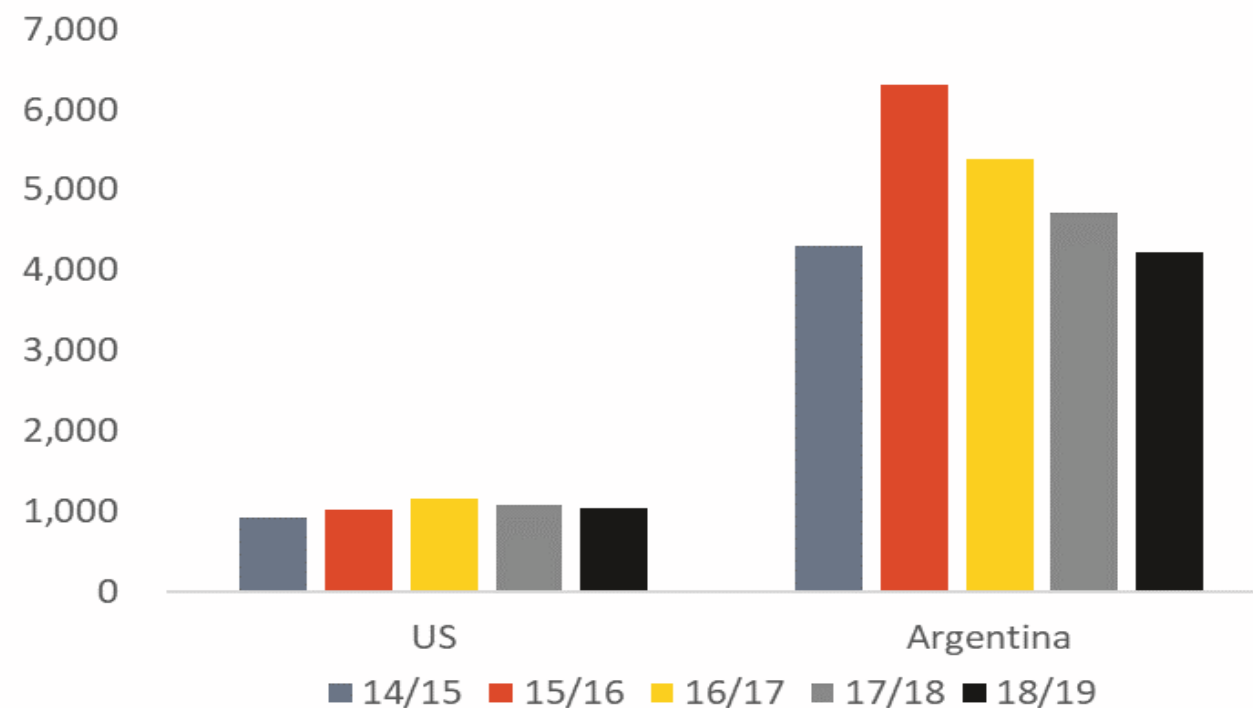
Argentina Soybean Oil Supply and Demand (1,000 MT)

	14/15	15/16	16/17	17/18	18/19 (F)
Carryin (Apr 1)	207	196	337	259	310
Production	7,191	8,755	8,381	7,923	7,289
Imports	26	5	0	0	60
Total Supply	7,424	8,955	8,718	8,182	7,659
Domestic Use	2,921	2,448	2,995	3,202	3,124
Biodiesel	2,559	1,909	2,826	2,968	2,728
Non-Biodiesel	374	398	247	183	456
Exports	4,296	6,312	5,386	4,721	4,225
Total Use	7,228	8,619	8,459	7,872	7,409
Carryout (Mar 31)	196	337	259	310	250

(F) = Informa Economics IEG Forecast

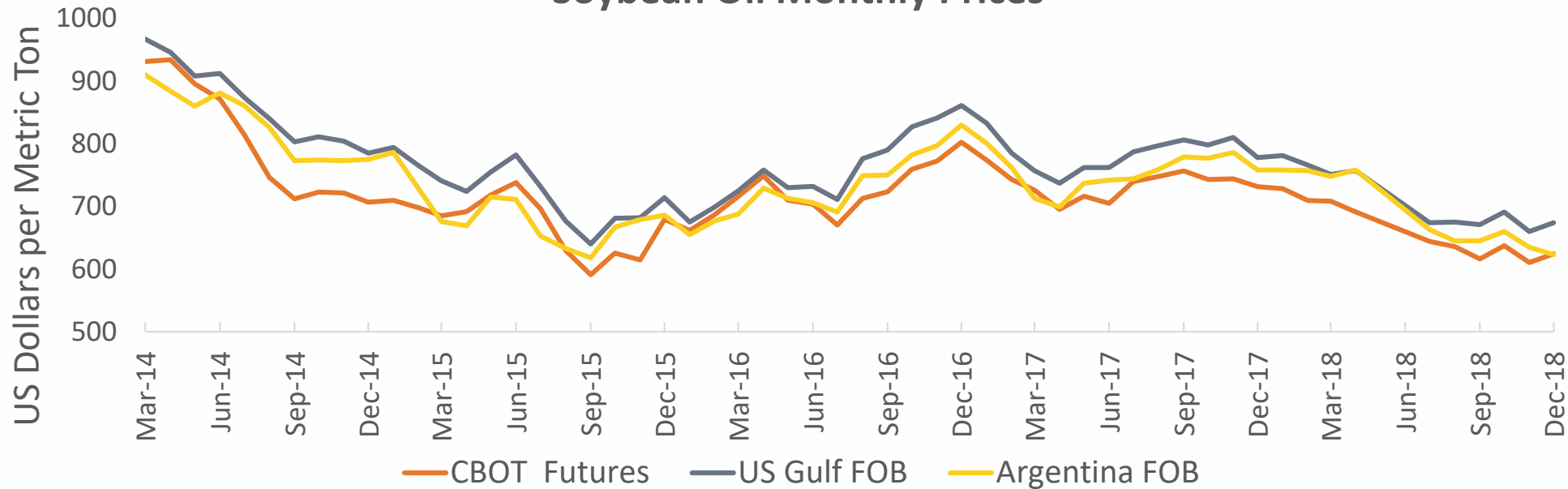
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SBO Exports Trend (1,000 MT)

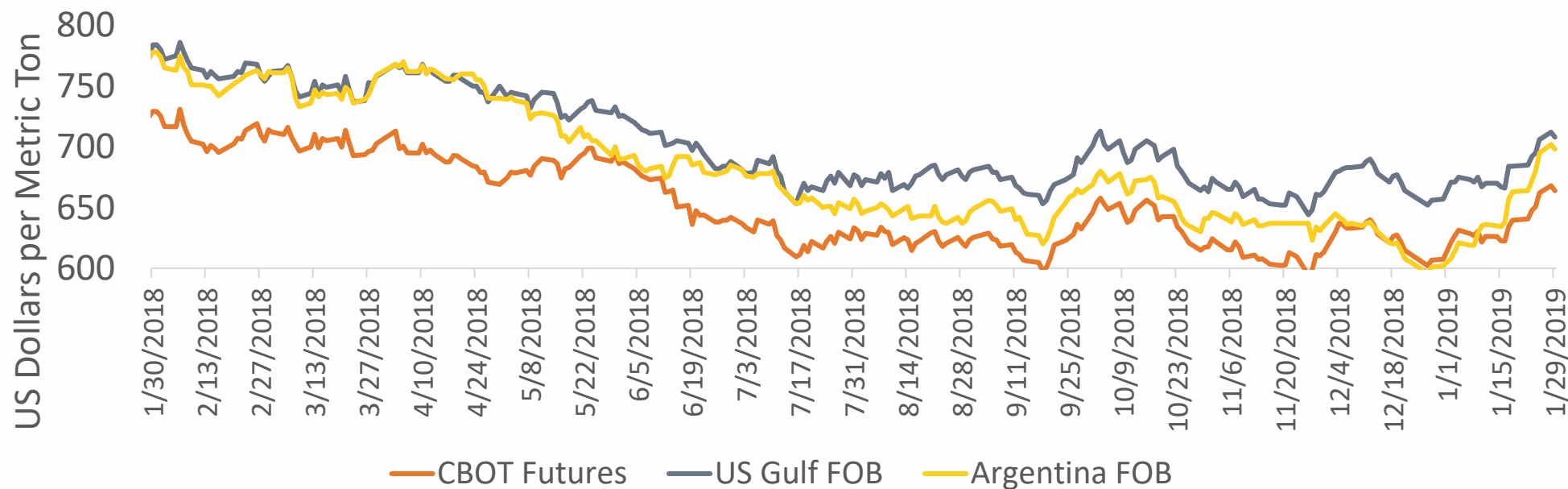


Soybean Oil Prices Trends

Soybean Oil Monthly Prices



Soybean Oil Daily Prices



	CBOT Futures	US Gulf FOB	Argentina FOB
12/31/2018	607	657	602
1/2/2019	621	671	608
1/3/2019	627	671	614
1/4/2019	631	675	621
1/7/2019	629	673	619
1/8/2019	627	671	619
1/9/2019	631	675	629
1/10/2019	621	667	635
1/11/2019	626	670	636
1/14/2019	626	670	635
1/15/2019	623	667	634
1/16/2019	622	666	638
1/17/2019	634	684	657
1/18/2019	640	684	663
1/22/2019	641	685	664
1/23/2019	648	692	672
1/24/2019	651	695	680
1/25/2019	662	706	695
1/28/2019	668	712	702
1/29/2019	664	708	698

Soybean Oil Line up Data - Argentina

PORT	TERMINAL	VESSEL	STATUS	DATE	TONS	CARGO	SHIPPER AND/OR CHARTERER	DESTINATION
SAN LORENZO	RENOVA NORTH BERTH	STENA IMPECCABLE	ETA REC	2/3/2019	10,140	SBO	CARGILL	INDIA
SAN LORENZO		CHEMBULK NEW ORLEANS	ETA REC	2/1/2019	11,500	SBO	COFCO	MALAYSIA
SAN LORENZO	COFCO INTL. NORTH BERTH EX	CHEMBULK NEW ORLEANS	ETA REC	2/1/2019	5,000	SBO	COFCO	SOUTH KOREA
SAN LORENZO	MINERA ALUMBRERA	LEOPARD SUN	ETF	1/31/2019	15,500	SBO	COFCO	PAKISTAN
SAN LORENZO	MINERA ALUMBRERA	LEOPARD SUN	ETF	1/31/2019	5,000	SBO (P)	COFCO	PAKISTAN
SAN LORENZO	MINERA ALUMBRERA	LEOPARD SUN	ETF	1/31/2019	3,000	SBO (P)	COFCO	MADAGASCAR
SAN LORENZO	ARAUCO ARGENTINA (EX ALTO PAR	CELSIUS MANILA	ETA REC	2/6/2019	4,000	SBO	CARGILL	PERU
SAN LORENZO	AKZO NOBEL	KRONBORG	ETF	1/31/2019	19,000	SBO	GLENCORE	BANGLADESH
SAN LORENZO	SAN BENITO	CELSIUS EAGLE	AT REC	1/28/2019	24,500	SBO	ADM	INDIA
SAN LORENZO	SAN BENITO	ALPINE MYSTERY	ETA REC	1/31/2019	27,500	SBO	LDC	INDIA
ROSARIO	VILLA GOBERNADOR GALVEZ	CELSIUS MAYFAIR	ETA REC	1/30/2019	18,000	SBO	CARGILL	
ROSARIO	DREYFUS VEGOIL TERMINAL	ALPINE MYSTERY	ETA REC	1/31/2019	3,500	SBO	LDC	INDIA
ROSARIO	DREYFUS VEGOIL TERMINAL	ADMORE SEAHAWK	ETA REC	2/1/2019	10,000	SBO (P)	LDC	BANGLADESH

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)





Questions

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