

Soybean Oil Market Update



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Despite record crush, US soybean oil stocks tighten on domestic demand (IEG Vantage)

- Record US soybean crushing, driven by strong soybean meal imports amid reduced competition from Argentina, kept soybean oil stocks higher in the first quarter of the 2018/19 marketing year than they were over the same period in 2017/18.
- Supplies began tightening in January 2019 as end of month soybean oil stocks were 2.0 billion pounds, down from 2.2 billion pounds a year ago.
- Increases in domestic non-biodiesel demand and record usage of soybean oil as a feedstock in biodiesel have triggered lower stocks.
- Soybean oil accounted for 60% of US biodiesel production feedstocks in December 2018.
- *Argentinian soybean oil production is expected to return to normal as its crop recovers from low production last year as a result of weather. Argentina re-emerging as competition for US soybean oil will likely cause a decline in US soybean oil stocks accumulation.*

USDA March soybean data: US soybean crush rises again

- According to the USDA's March WASDE report, the US is expected to crush 2.1 billion bushels of soybeans in the 2018/19 marketing year, an increase of 10 million bushels from the forecast from the February WASDE report.
- According to the USDA, the higher crush forecasts are due to higher domestic disappearance of soybean meal and a lower soybean meal extraction rate reflecting data reported by NASS in the Oilseed Crushings report.
- Based on the increased crush and no change in the forecast of exports, soybean carryover at the end of the 2018/19 marketing year is expected to be 900 million bushels, down 10 million bushels from February's forecast but still more than double the 438 million bushel carryover at the end of the 2017/18 marketing year.
- The USDA cut its global soybean production forecast by nearly 1 million MT to 360.1 million MT, primarily due to lower expected production in Brazil and Paraguay.
- *Data reported by the USDA in the March WASDE report were generally in line with market expectations*

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Brazil sets February soybean export record

- Brazil's soybean exports were up 85.2% year-on-year in January and February to 8.2 million MT, with February volumes setting a record.
- Brazil exported 6.1 million MT of soybeans in February 2019, more than double the 2.9 million MT in February 2018.
- The main contributing factors to the record February exports were strong demand from China and an early harvest in Brazil.
- Of the 8.2 million MT of soybeans exported by Brazil, 7 million MT were exported to China.
- *Brazilian soybean exports are expected to be at their peak for the 2018/19 marketing year with export levels regressing in the 2019/20 marketing year due to lower production in Brazil, depleted stocks, and a potential US/China trade deal.*

Brazil soybean sales expected to be slow in coming months

- Despite record February soybean exports and more than half of the soybean crop having been harvested by the end of February, Brazilian soybean farmers are holding onto a large proportion of their soybean stocks.
- The expectations of a poor soybean crop are triggering farmers to hold onto soybean supplies in anticipation of a future price increase.
- *The amount of deals made between soybean producers in Brazil and purchasers is expected to be fewer than usual until market players understand the real impact of widespread crop failure.*

Weekly Review: Soy prices set new 2019 lows

- Soybean prices hit lows for 2019 on March 8th as traders have grown impatient with the lack of a US/China trade deal.
- Chinese imports of soybeans have been weaker this year as a result of its African Swine Fever outbreak reducing feed demand.
- *There is some potential downside to soybean prices, but 2019 futures are trading approximately mid-way between high and low points on IEG Vantage's forecasted trading ranges.*

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Price Outlook Conference 2019: Soy trade troubles favor palm oil

- According to Oil World's Executive Director Thomas Mielke, Chinese soybean imports and crushing will decrease, primarily driven by lower soybean meal consumption compositions in pig feed.
- Soybean meal demand is currently poor, which will stagnate global soybean crushing, and thus soybean oil production is expected to be flat at best with a potential to decline.
- China has been importing more oils and fats as a result of the US/China trade tensions.
- China's diplomatic dispute with Canada is expected to reduce imports of Canadian rapeseed and increase demand for alternative oils like palm.
- High biodiesel consumption is supporting palm prices and current biodiesel mandates will continue to support palm oil consumption for biodiesel even if palm oil prices rise significantly above fossil fuels.
- *Current market conditions are favorable to palm oil and prices have been steadily rising thus far in 2019 after reaching 3 year lows towards the end of 2018, although they declined in Mid-March in the wake of an EU biodiesel ruling (See Below).*

Commission confirms palm oil phase-out for biofuels

- Malaysian palm oil prices hit three-month lows on March 13th in the wake of the bearish EU announcement on palm oil use in biodiesel.
- The EU Commission has categorized palm oil as a biofuel feedstock with a high indirect land use change (ILUC) risk which cannot be counted towards the EU's renewable energy target and is thus subject to a progressive phase-out.
- The Renewable Energy Directive passed in June 2018 sets out to boost the share of renewable energy in the EU to 32% and end subsidies for biofuels that are damaging to the environment and the climate, capping them at 2019 levels until 2023 and afterwards bringing them down to zero by 2030.
- Soybeans have been identified as a low ILUC risk feedstock and are exempt from a phase-out.
- The EU executive's decision is based on a review of existing literature and original research, which found that 45% of the expansion of palm oil production since 2008 led to the destruction of forests, compared to just 8% for soybeans and 1% for sunflowers and rapeseed.
- Primary palm oil producing nations Indonesia and Malaysia have threatened to challenge the decision to the World Trade Organisation.
- *This ruling provides a significant opportunity to soybean oil to gain market share the EU biofuel feedstock market.*

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Limiting palm oil expansion could prove a sustainability own-goal

- According to several speakers at the Palm and Lauric Oils Outlook Conference, restricting the area under oil palm for environmental reasons could lead to expansion of other less space-efficient oilseeds and increase deforestation.
- A boycott of palm oil could lead to lower demand, thus lowering palm oil prices and moving demand to markets less concerned about sustainability.
- A boycott could equally lead consumers to switch to alternative oils, driving up demand for other oil crops which take a larger land area to produce, displacing deforestation rather than eliminating it.
- According to LMC International chairman James Fry “Some other oil needs to fill the gap. The obvious oil for many reasons is soybean oil. The trouble with soybeans is you get more than four MT of meal for every MT of oil. The oil yield is only one eighth of that for oil palm. So you need a lot of land to replace lost palm oil, and you’re going to get too much meal.”
- *While there is a negative sentiment regarding deforestation from palm oil production, the demand for vegetable oils will need to be met somehow and other oilseeds are less efficient for oil production.*

EPA unveils plan for year-round E15 sales, RIN reforms

- The EPA has announced its plan to allow for year-round sales of E15 (15 percent ethanol, 85 percent gasoline) and proposed reforms to the biofuel credits known as Renewable Identification Numbers (RINs).
- Under the proposed expansion, E15 would be allowed to be sold year-round without additional Reid Vapor Pressure (RVP) control, rather than just eight months of the year.
- The EPA will hold a public hearing March 29 on the plans and will take public comments on the proposed regulation with an aim of finalizing the effort before the summer driving season starts June 1, the date that also serves as the start date that blocks sales of E15 fuels in some areas of the country.
- *While more ethanol use affects the corn markets more than oilseeds, this proposal does reaffirm the EPA’s commitment to increasing biofuel use and reforming renewable fuel policy to the favor of producers.*

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

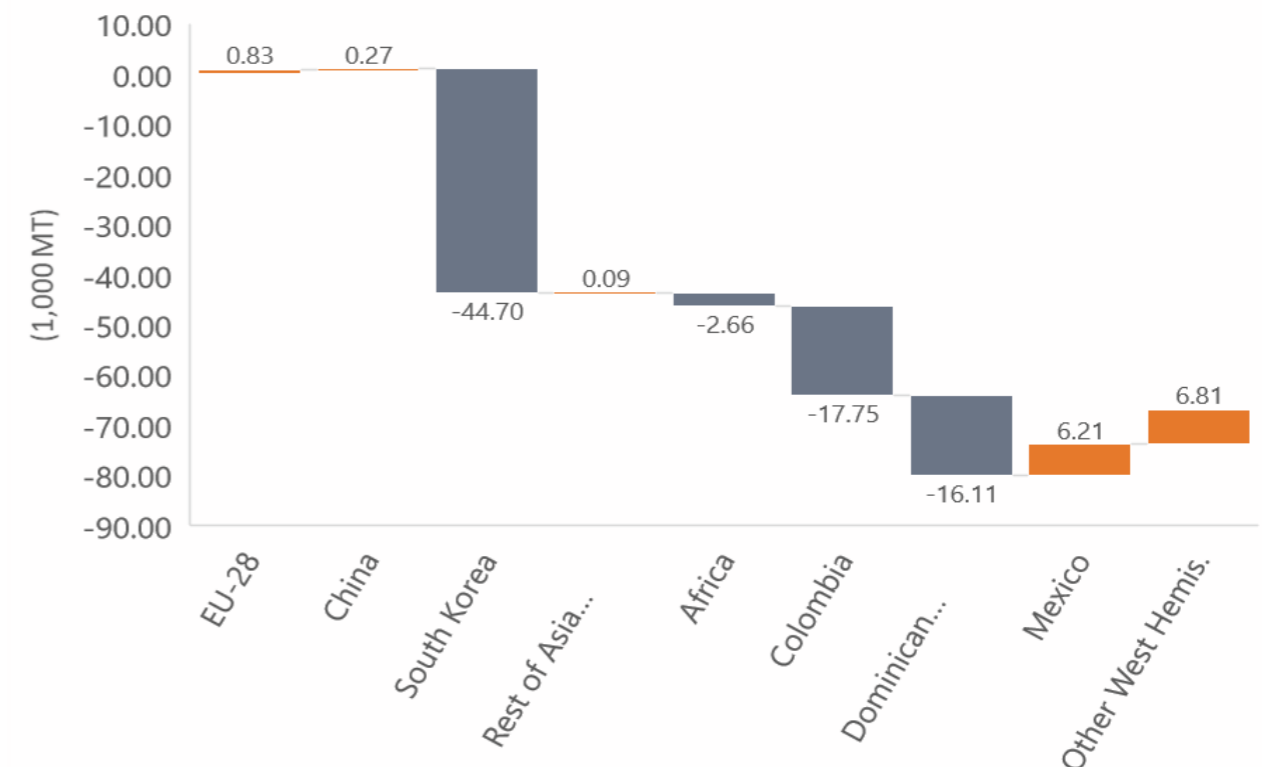
(F) = Informa Economics IEG Forecast

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

US Monthly Soybean Oil Exports

	(MT)				
	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
EU-28	3	2	18	283	0
China	74	101	34	79	0
South Korea	13,053	8,679	15,592	32,930	14,075
Rest of Asia/Oceania	2,015	1,172	1,450	1,362	12,304
Africa	11,801	5,002	3	12,202	0
Colombia	5,859	6,573	6,963	13,213	13,160
Dominican Republic	13,593	12,213	14,443	13,876	12,155
Mexico	18,178	6,978	6,631	10,069	13,696
Other West Hemis.	25,072	14,466	21,135	13,894	6,897
Total	89,648	55,186	66,269	97,908	72,288

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



Argentina: Soybean Oil Exports Update

Argentina Annual Soybean Oil Exports

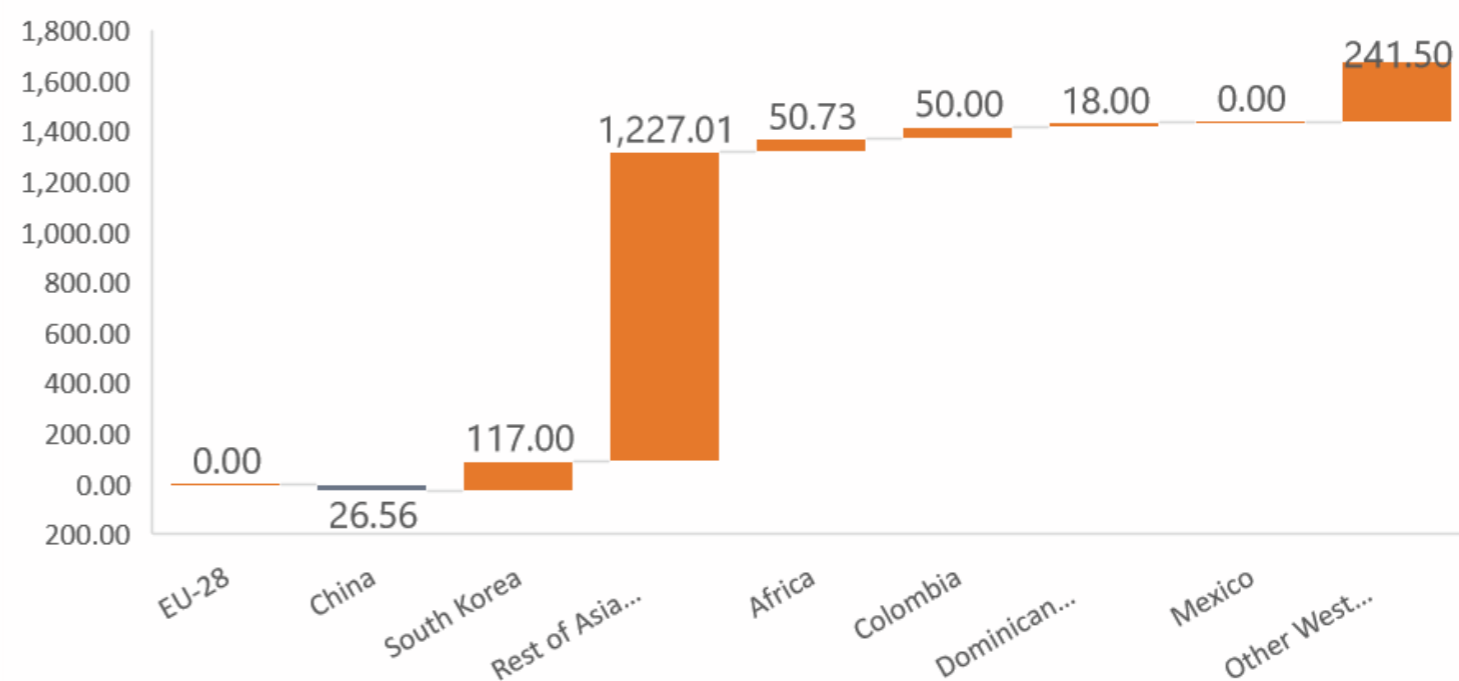
	(1,000 MT)			
	15/16	16/17	17/18	18/19
EU-28	0	0	0	0
China	1	0	27	0
South Korea	185	138	4	121
Rest of Asia/Oceania	4,005	3,742	2,307	3,534
Africa	823	644	585	636
Colombia	17	32	0	50
Dominican Republic	55	14	2	20
Mexico	0	0	0	0
Other West Hemis.	613	818	430	671
Total	5,698	5,387	3,355	5,032

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

Argentina Monthly Soybean Oil Exports

	(1,000 MT)	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
EU-28		0	0	0	0	0
China		27	0	0	63	0
South Korea		0	0	0	0	0
Rest of Asia/Oceania		311	201	229	106	288
Africa		22	66	41	1	0
Colombia		0	0	0	0	0
Dominican Republic		0	0	0	0	0
Mexico		0	0	0	0	0
Other West Hemis.		31	84	61	40	47
Total		391	350	331	209	334

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

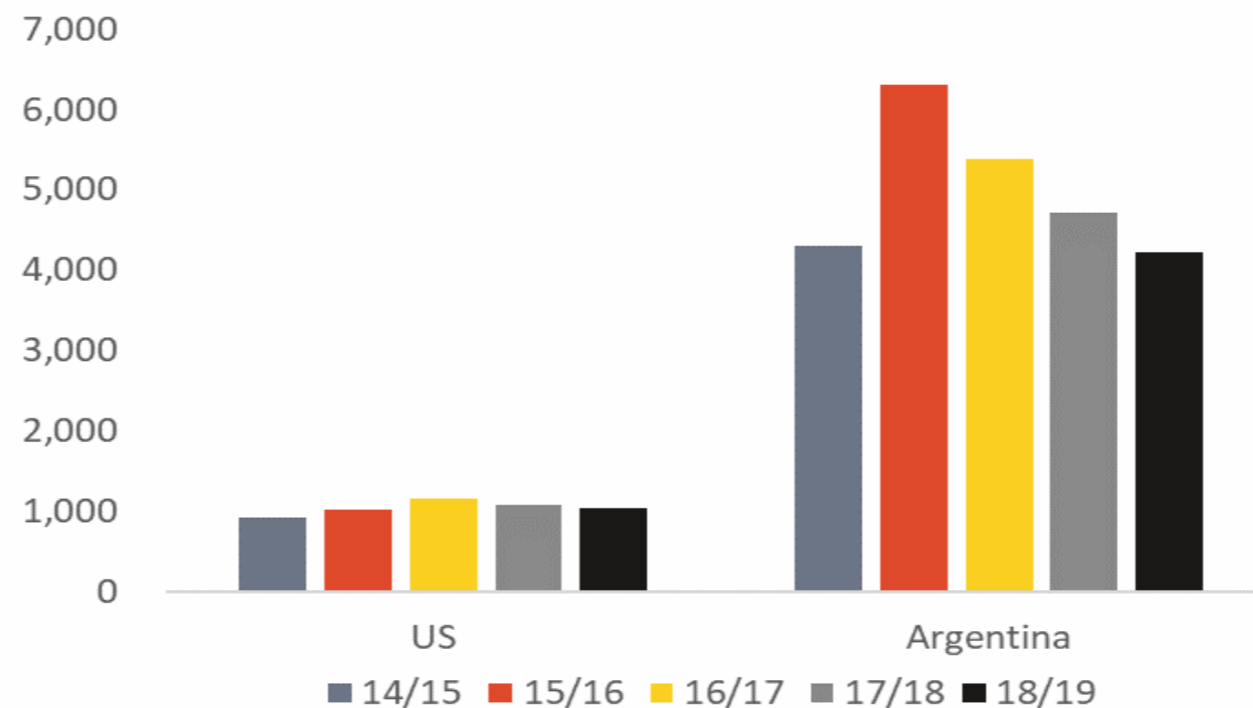
Argentina Soybean Oil Supply and Demand (1,000 MT)

	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

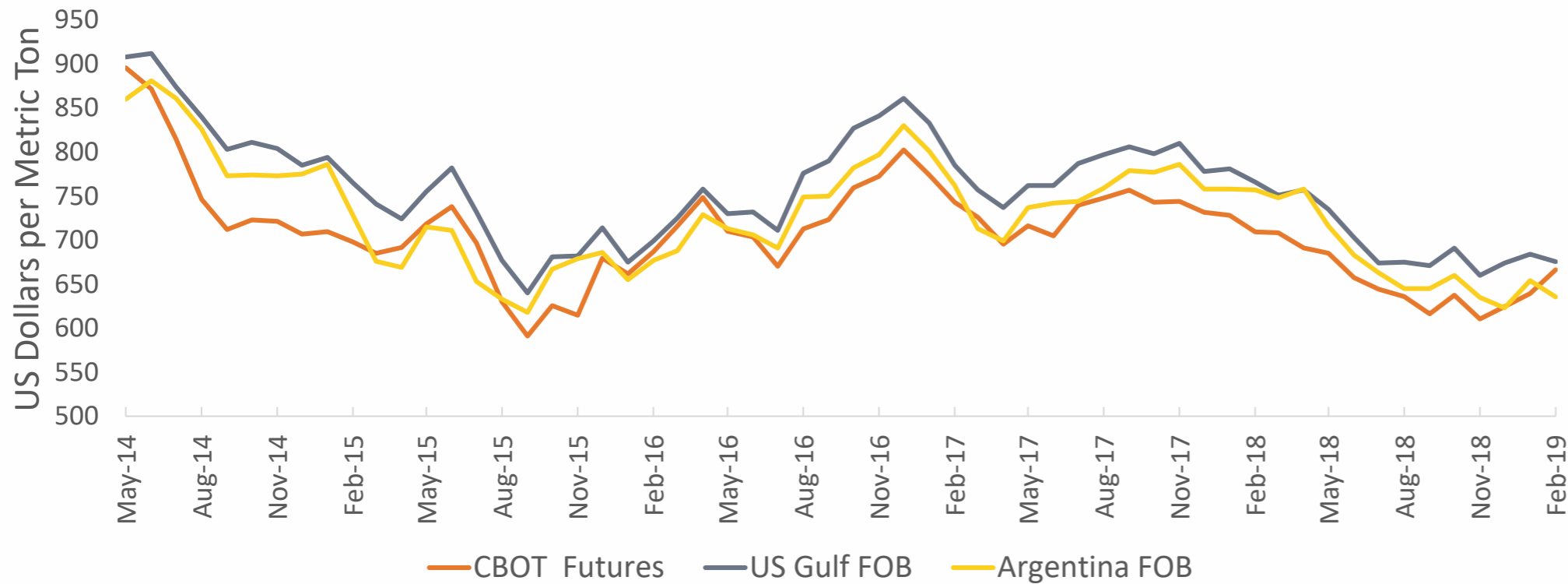
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SBO Exports Trend (1,000 MT)

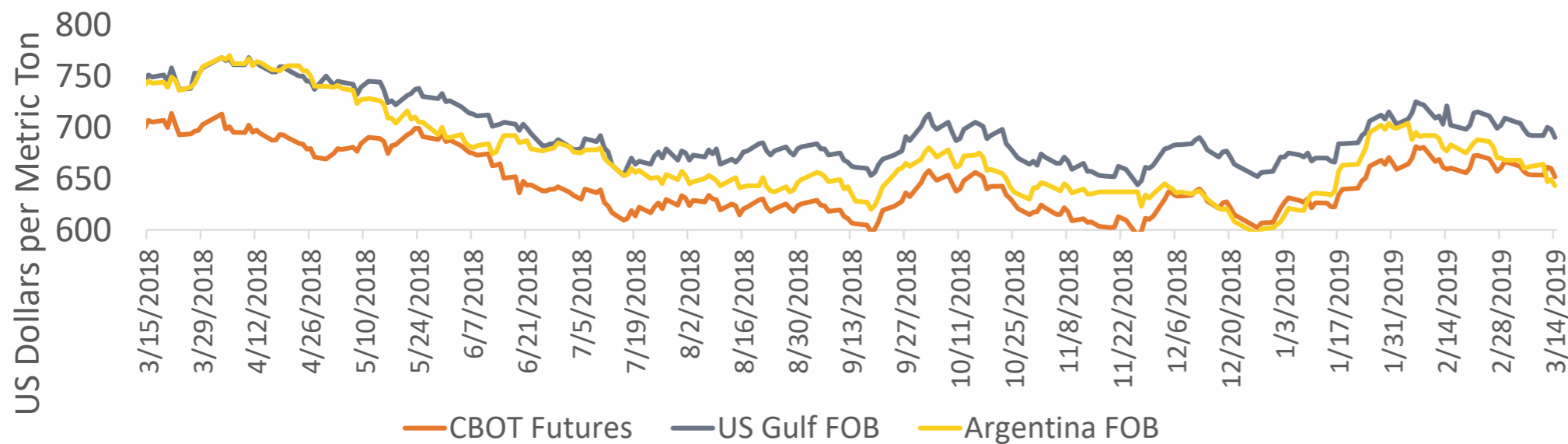


Soybean Oil Prices Trends

Soybean Oil Monthly Prices



Soybean Oil Daily Prices



	CBOT Futures	US Gulf FOB	Argentina FOB
2/13/2019	661	703	680
2/14/2019	659	721	677
2/15/2019	660	702	683
2/19/2019	656	698	675
2/20/2019	660	702	680
2/22/2019	673	715	688
2/25/2019	669	711	686
2/26/2019	663	705	681
2/27/2019	657	699	670
3/4/2019	663	705	668
3/5/2019	662	704	668
3/6/2019	657	698	660
3/7/2019	654	693	661
3/8/2019	654	692	662
3/11/2019	653	692	664
3/12/2019	661	700	647
3/13/2019	660	698	649
3/14/2019	652	690	643

Soybean Oil Line up Data - Argentina

PORT	TERMINAL	VESSEL	STATUS	DATE	TONS	CARGO	SHIPPER AND/OR CHARTERER	DESTINATION
SAN LORENZO	RENOVA NORTH BERTH	ATROTOS	ETF	3/14/2019	27,500	SBO	LDC	INDIA
SAN LORENZO	RENOVA NORTH BERTH	MELATI SATU	AT REC	3/4/2019	11,000	SBO	WILMAR	MOZAMBIQUE
SAN LORENZO	RENOVA NORTH BERTH	NAVIG8 ALABASTER	AT REC	3/9/2019	6,000	SBO	COFCO	BANGLADESH
SAN LORENZO	RENOVA NORTH BERTH	AQUADISIAC	AT ARAUCO		6,500	SBO	CARGILL	INDIA
SAN LORENZO	RENOVA NORTH BERTH	STENAWECO CATERINA CORRAD	AT REC	3/14/2019	33,000	SBO	GLENCORE	INDIA
SAN LORENZO	RENOVA NORTH BERTH	EVINOS	ETA REC	3/20/2019	30,000	SBO	CASILLO	IRAN
SAN LORENZO	RENOVA NORTH BERTH	HIGH JUPITER	ETA REC	3/20/2019	30,000	SBO	HAKAN	
SAN LORENZO	DREYFUS TIMBUES	ARCHON	ETA REC	3/14/2019	11,000	SBO	LDC	BANGLADESH
SAN LORENZO	DREYFUS TIMBUES	MAERSK TRIESTE	ETA REC	3/17/2019	7,000	SBO	COFCO	BANGLADESH
SAN LORENZO	DREYFUS TIMBUES	MAERSK TRIESTE	ETA REC	3/17/2019	15,000	SBO	COFCO	INDIA
SAN LORENZO	COFCO INTL. NORTH BERTH EX	NAVIG8 ALABASTER	AT REC	3/9/2019	2,000	SBO	COFCO	BANGLADESH
SAN LORENZO	MINERA ALUMBRERA	CAPELLA	ETF	3/18/2019	25,000	SBO	BUNGE	CHINA
SAN LORENZO	MINERA ALUMBRERA	MELATI SATU	ETA SLZO	3/15/2019	10,000	SBO	WILMAR	MALAYSIA
SAN LORENZO	MINERA ALUMBRERA	ARIONAS	ETA REC	3/18/2019	11,650	SBO	BUNGE	INDIA
SAN LORENZO	ARAUCO ARGENTINA (EX ALTO	AQUADISIAC	ETF	3/15/2019	10,000	SBO (P)	CARGILL	INDIA
SAN LORENZO	PARANA)	AQUADISIAC	ETF	3/15/2019	17,500	SBO	CARGILL	INDIA
SAN LORENZO		NAVIG8 ALABASTER	AT REC	3/9/2019	12,000	SBO	COFCO	INDIA
SAN LORENZO	ARAUCO ARGENTINA (EX ALTO	CHEMBULK TORTOLA	ETF TFA	3/19/2019	5,000	SBO (P)	BUNGE	COLOMBIA
SAN LORENZO		CHEMBULK TORTOLA	ETF TFA	3/19/2019	2,000	SBO	BUNGE	PANAMA
SAN LORENZO		CELSIUS MALAGA	ETA REC	3/20/2019	5,000	SBO	ADM	PERU
SAN LORENZO	SAN BENITO	ARIONAS	ETA REC	3/18/2019	9,000	SBO	BUNGE	INDIA
ROSARIO	VILLA GOBERNADOR GALVEZ	SW CAP FERRAT I	ETA ALV	3/15/2019	23,580	SBO	CARGILL	PERU
ROSARIO	DREYFUS VEGOIL TERMINAL	ARCHON	ETA REC	3/14/2019	4,000	SBO	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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