

Soybean Oil Market Update



Soybean Oil Market Update

Soybean futures pressured by trade uncertainty, wet weather concerns (IEG Vantage)

- Soybean futures drifted lower over the past week as uncertainty over the timing of a potential US-China trade deal, lower-than-anticipated soybean and soybean product sales and some concern over a potential shift in acreage because of delayed corn plantings amid flooding and wet weather forecasts for the US Corn Belt weighed on the market
- Next week, traders will be focused on USDA's survey-based Prospective Plantings and quarterly Grain Stocks reports, which may reinforce bearish US soybean fundamentals.
- Adding to the bearish North American oilseed supply situation, the Canola Council of Canada confirmed March 21 that Canada's canola seed trade with China (the largest importer of Canadian canola seed) has ceased amid heightened tensions between the two countries
- Flooding across the Mississippi and Missouri River drainages is anticipated to continue to hamper rail and barge logistics, which may firm US soybean and soy product export basis.
- *While soybean prices have increased slightly in recent times, the long term fundamentals behind the market indicate prices will remain on the lower end of usual soybean price ranges, probably between \$8.50 and \$9.50 per bushel for futures contracts through the rest of 2019.*

Soy growers voice concern over Trump China tariff remarks

- The American Soybean Association (ASA) said that lifting tariffs on China as part of any trade deal with the US is essential.
- "We're not talking about removing them," US President Donald Trump told reporters March 20. "We're talking about leaving them and for a substantial period of time, because we have to make sure that if we do the deal with China, that China lives by the deal," he added, noting China's past failures to live up to trade promises.
- "Soybean farmers continue to suffer from restricted access to China, by far the industry's most important foreign customer," ASA said in a release. "With depressed prices and unsold stocks forecast to double before the 2019 harvest begins in September, producers need China reopened to US soybean exports within weeks, not months or even longer," it argued.
- *Soybean purchase commitments by China have been welcomed by ASA, but it has made clear it views purchases alone as inadequate. A "longer-term plan to 'manage' soybean trade under which China would guarantee to buy specified amounts of soybeans over an extended period of months or years," would not be an acceptable alternative to "full market access," the group observed.*

Soybean Oil Market Update

USDA Weekly Export Sales: Disappointing soybean results with China cancels

- US soybean export sales fell below expectations as only two countries purchased 100,000 MT or more for the week that ended March 14th.
- Sales for the week totaled 399,528 MT including sales of 155,854 MT to Germany and 142,615 MT to China for the 18/19 crop year.
- Actual sales fell below of market expectations of sales between 600,000 and 1.6 million MT.
- *Total US soybean export commitments are at 41.5 million MT, down 17 percent from this point a year ago, and at 81 percent of the USDA's total export forecast for 2018/19.*

Brazil soy exports top USD2.5 billion in February

- Brazilian soybean complex exports broke the USD2 billion barrier for the first time in the month of February reaching USD2.58 billion.
- The high export value was the result of the large export volumes of soybeans, up 112.7% over February 2017 to 6.1 million MT.
- Even with declining soybean prices, increased volumes pushed total value higher.
- Agribusiness accounted for 44.5% of Brazil's total exports in February, according to the Agribusiness Trade Balance, reported by the Commerce and International Relations Office, on March 18.
- *Trade tensions between the US/China and Canada/China have presented an opportunity for Brazil to capture more of the oilseed export markets as Chinese purchases of US soybeans and Canadian rapeseed have been below usual levels.*

Brazil soybean price and market liquidity rise

- Brazilian soybean prices rose during the third week of March due to higher CBOT futures prices, favorable exchange rates, and port premiums.
- Brazilian regions with the largest volumes available for sale were more liquid, mainly due to the increase of the dollar against the Brazilian Real, which makes soybeans cheaper in the domestic market.
- The power to strike deals was concentrated in the hands of cooperatives and industries previously, but trade has moved to a more balanced market scenario, with good volumes originated.
- Traders made purchases in the absence of importer demand and port premiums rose as the competitiveness of Brazilian grain increased.
- *Increased liquidity in the soybean market allows for more readily available transactions, which benefits both buyers and sellers.*



Soybean Oil Market Update

Brazil Agriculture Minister seeks greater access to Chinese market

- Brazilian Minister of Agriculture, Tereza Cristina plans to visit China in the first week of May with a mission to increase the number of Brazilian slaughterhouses authorized to export pork, beef and chicken to China, and to discuss soy exports.
- The minister of agriculture said that trade with China is very important for Brazilian agriculture and that one of the goals of the China visit in May is to increase the range of the Brazilian products exported to China.
- *If Brazil can increase exports of meat products to China, it can bolster the livestock industry and create greater domestic demand for soybean meal as a feed ingredient.*
- *According to Vitor Belasco, a grain analyst at Informa Agribusiness Consulting, "The increase in US soybean volumes shipped to China should maintain a fairly neutral impact on the Brazilian soybean market, in view of the price hike at CBOT, associated with the fall of the port prices in the country. Brazilian soybean prices should remain slightly below the prices of this crop," said Belasco.*

Weekly soybean meal sales highlight influence of higher South American crush (IEG Vantage)

- A projected increase South American crush as new-crop supply becomes available is forecast to limit seasonal strength in soybean meal futures in coming months.
- With China's return to the US market for a portion of its soybean import requirements, crush margins in Brazil have improved.
- Argentina is forecast to experience a substantial year-over-year recovery in soybean production, with above average crop conditions reported during the critical flowering period.
- Additionally, Argentina has reached a deal with the European Commission to increase its biodiesel exports to the EU under a quota agreement, which will also support Argentine crush margins.
- *US crush margins are forecast to remain relatively strong as sluggish export demand is not expected to support the market unless soybean shipments to China increase substantially, which implies downside risk in soybean futures.*

Soybean Oil Market Update

Philippines reiterates call for temporary ban on palm oil imports

- The Philippines' Agriculture secretary Emmanuel Piñol has called again for a temporary ban on palm oil imports from top producers Indonesia and Malaysia.
- Piñol has complained of low prices for vegetable oils as Indonesia and Malaysia have been “dumping” palm oil, leading to a 900% increase in palm oil imports to the Philippines over the past three year.
- Any potential ban would only be for a specific time period, but no time period has been determined yet.
- Piñol said he had requested that agencies increase the coconut oil component of biodiesel from 2% to 5%, a hike would be expected to increase copra consumption by 200,000 MT per year but is opposed by fuel companies.
- *The primary concern is that low palm oil prices have created an unfavorable environment for domestically produced coconut oil.*

Palm olein imports of great and serious concern to Indian oil extractors

- The Solvent Extractors' Association of India (SEA) said that India must increase import duties on palm olein to protect its domestic refining industry.
- In December, India lowered its import duties on palm oil from 44% to 40%, and palm olein import duties from 54% to 50%.
- In a separate notice the Indian government cut the duty on Malaysian palm olein to 45%.
- “The duty difference of mere 5% between CPO and [Malaysian] palm olein is simply unsustainable for our Palm Refiners,” SEA president Shri Atul Chaturvedi said.
- SEA called for a minimum duty difference of 10% between crude palm oil and palm olein. “Needless to mention without a duty difference of 10%, our Refineries would be elbowed out of business resulting in huge loss of employment and increase in Non-Performing Assets,” said Chaturvedi.
- *India is the largest importer of vegetable oils and pushing domestic refiners out of business would require an even greater proportion of vegetable oil usage in India to be from foreign imports.*

China imports more palm oil in February

- China imported 732,000 MT of the six main vegetable oils in February 2019, up 39.4% from the 525,000 MT in February 2018.
- Palm oil contributed to the greatest increase in volume, rising 27.2% year-on-year to 481,000 MT in February 2019.
- *Because soybean imports have fallen, leaving less available soybeans for crush, China has imported more vegetable oils.*



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	92	206	301	256
Rest of Asia/Oceania	55	28	23	36
Africa	136	61	29	35
Colombia	51	122	108	91
Dominican Republic	119	150	152	136
Mexico	235	265	168	160
Other West Hemis.	271	194	327	327
Total	1,016	1,159	1,110	1,043

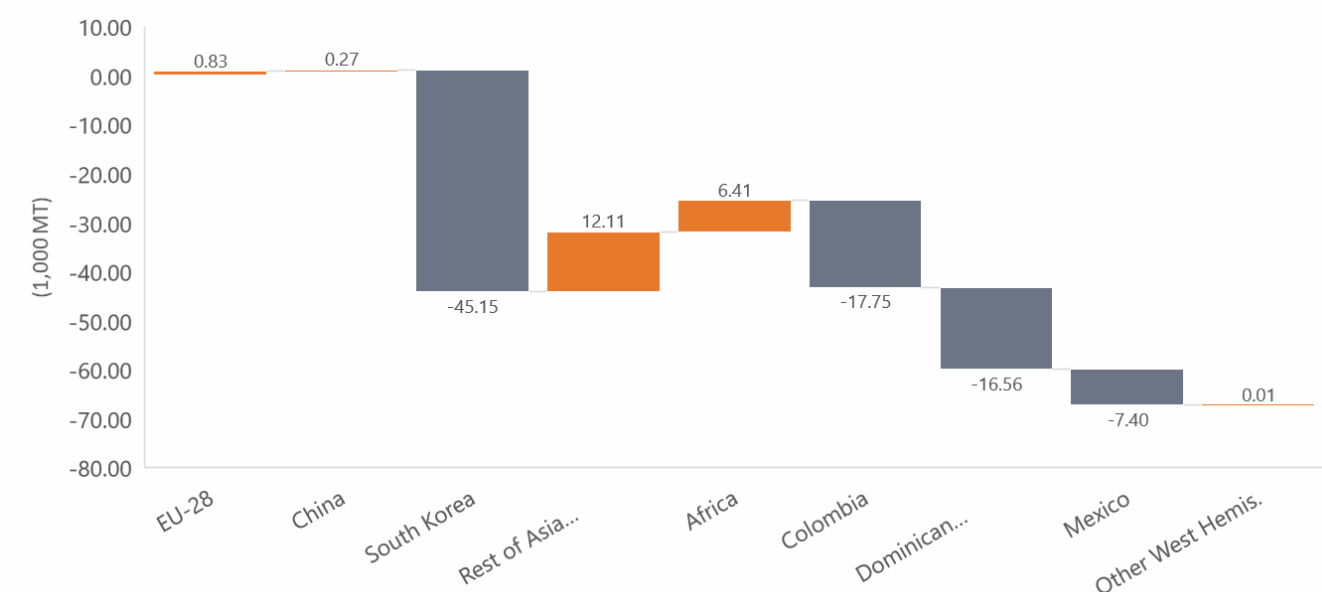
(F) = Informa Economics IEG Forecast

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

US Monthly Soybean Oil Exports

	(MT)				
	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19
EU-28	2	18	283	23	0
China	101	34	79	0	27
South Korea	8,679	15,592	32,930	14,075	44,292
Rest of Asia/Oceania	1,172	1,450	1,362	12,304	2,161
Africa	5,002	3	12,202	5,030	2
Colombia	6,573	6,963	13,213	13,160	12,554
Dominican Republic	12,213	14,443	13,876	12,155	12,964
Mexico	6,978	6,631	10,069	13,696	10,287
Other West Hemis.	14,466	21,135	13,894	6,897	17,983
Total	55,186	66,269	97,908	77,341	100,270

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



Argentina: Soybean Oil Exports Update

Argentina Annual Soybean Oil Exports

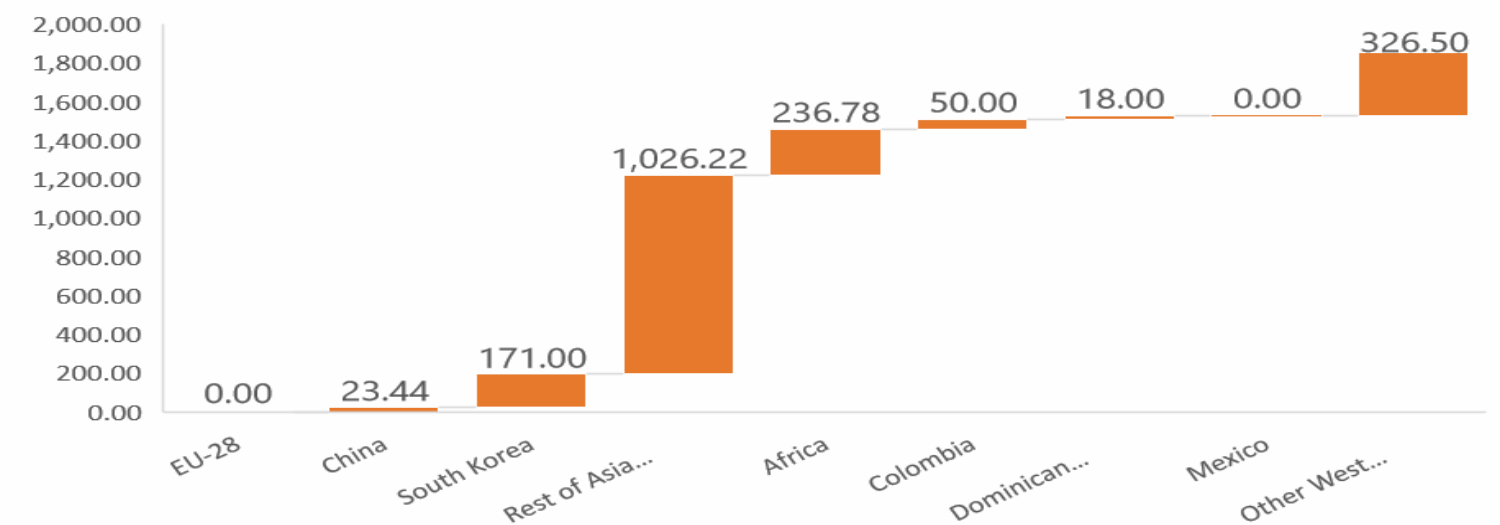
	(1,000 MT)			
	15/16	16/17	17/18	18/19
EU-28	0	0	0	0
China	1	0	27	50
South Korea	185	138	4	175
Rest of Asia/Oceania	4,005	3,742	2,508	3,534
Africa	823	644	651	888
Colombia	17	32	0	50
Dominican Republic	55	14	2	20
Mexico	0	0	0	0
Other West Hemis.	613	818	513	840
Total	5,698	5,387	3,705	5,557

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

Argentina Monthly Soybean Oil Exports

	(1,000 MT)	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19
EU-28		0	0	0	0	0
China		0	0	63	0	0
South Korea		0	0	0	0	0
Rest of Asia/Oceania		201	229	106	288	325
Africa		66	41	1	0	0
Colombia		0	0	0	0	0
Dominican Republic		0	0	0	0	0
Mexico		0	0	0	0	0
Other West Hemis.		84	61	40	47	55
Total		350	331	209	334	381

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	11,077
Imports	120	130	145	152	191
Total Supply	10,311	10,928	10,945	11,709	12,170
Domestic Use	8,556	9,147	9,009	9,696	10,342
Biodiesel	2,286	2,582	2,812	3,236	3,765
Non-Biodiesel	6,271	6,565	6,197	6,460	6,577
Exports	914	1,016	1,160	1,110	1,043
Total Use	9,470	10,163	10,169	10,806	11,385
Carryout (Sep 30)	841	765	776	903	785

(F) = Informa Economics IEG Forecast

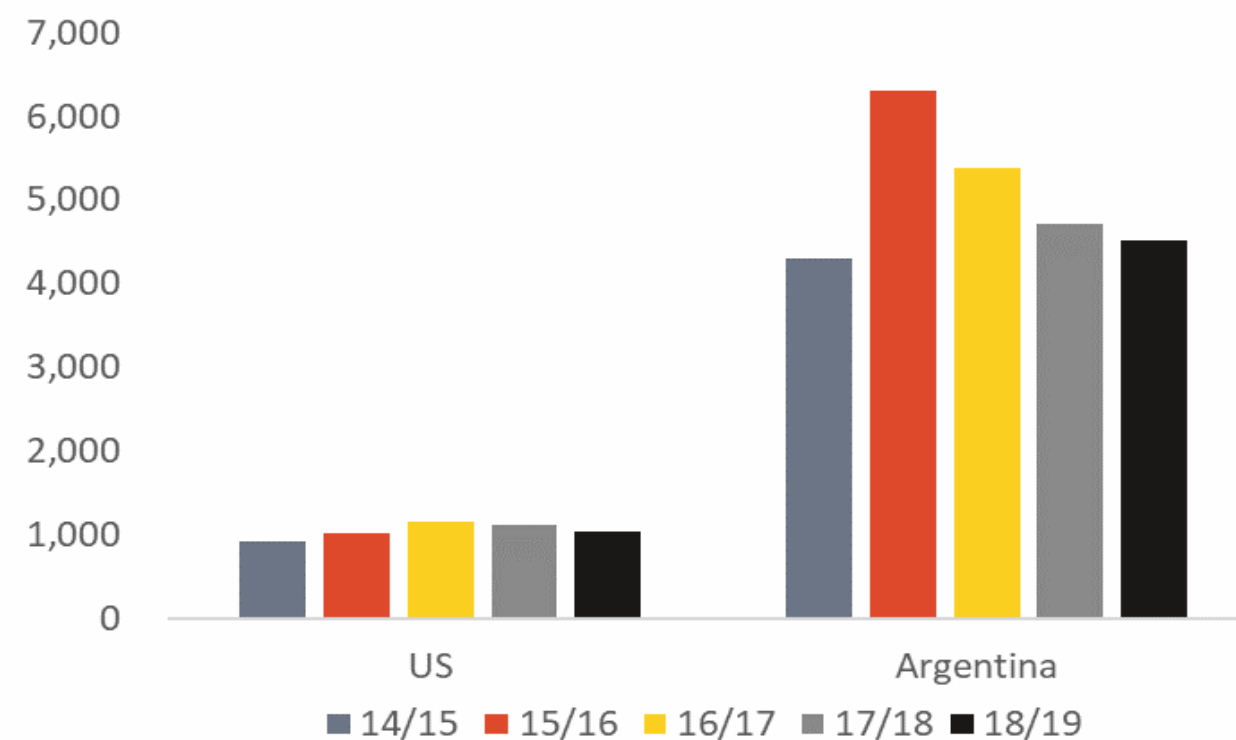
Note: Highlighted yellow references where changes have been made from previous report.

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	7,231
Imports	26	5	0	0	60
Total Supply	7,424	8,955	8,718	8,182	7,600
Domestic Use	2,921	2,448	2,995	3,202	2,766
Biodiesel	2,559	1,909	2,826	2,968	2,491
Non-Biodiesel	374	398	247	183	335
Exports	4,296	6,312	5,386	4,721	4,525
Total Use	7,228	8,619	8,459	7,872	7,350
Carryout (Mar 31)	196	337	259	310	250

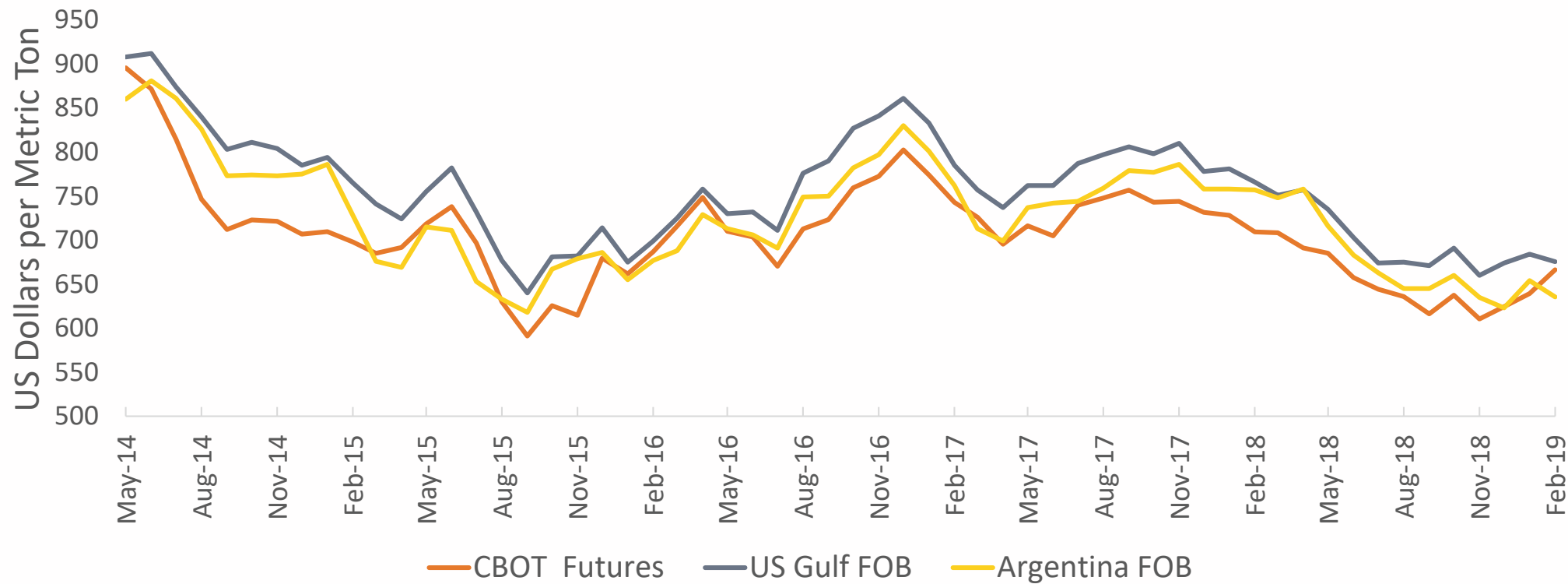
(F) = Informa Economics IEG Forecast

SBO Exports Trend (1,000 MT)

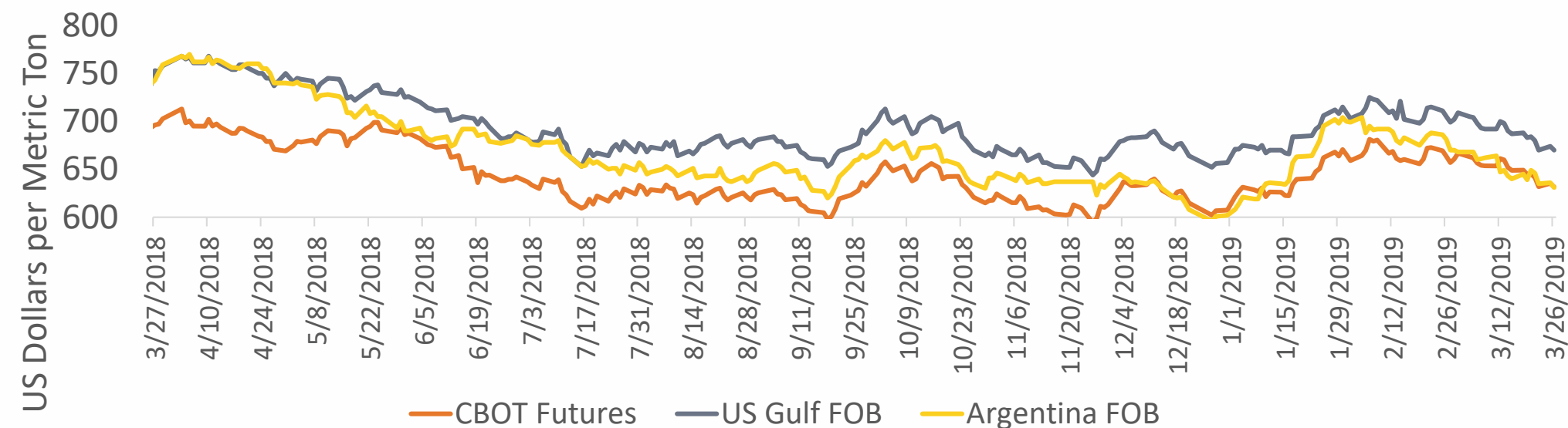


Soybean Oil Prices Trends

Soybean Oil Monthly Prices



Soybean Oil Daily Prices



	CBOT Futures	US Gulf FOB	Argentina FOB
2/26/2019	663	705	681
2/27/2019	657	699	670
2/28/2019	660	702	670
3/1/2019	667	709	668
3/4/2019	663	705	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
3/15/2019	649	687	640
3/18/2019	649	688	645
3/19/2019	645	683	639
3/20/2019	645	684	649
3/21/2019	642	680	646
3/22/2019	632	670	635
3/25/2019	635	674	636
3/26/2019	632	670	631



Soybean Oil Line up Data - Argentina

PORT	TERMINAL	VESSEL	STATUS	DATE	TONS	CARGO	SHIPPER AND/OR CHARTERER	DESTINATION
SAN LORENZO	RENOVA SOUTH BERTH	EVINOS	AT REC	3/21/2019	30,000	SBO	CASILLO	IRAN
SAN LORENZO	RENOVA SOUTH BERTH	HIGH JUPITER	ETA REC	3/29/2019	30,000	SBO	HAKAN	EGYPT
SAN LORENZO	RENOVA SOUTH BERTH	BARBOUNI	ETA REC	4/3/2019	8,000	SBO	CARGILL	PERU
SAN LORENZO	RENOVA SOUTH BERTH	BOW TONE	ETA REC	4/7/2019	4,000	SBO	CARGILL	PERU
SAN LORENZO	DREYFUS TIMBUES	BOW TRIDENT	ETR CAMP	3/28/2019	6,000	SBO	LDC	MOROCCO
SAN LORENZO	COFCO INTL. NORTH BERTH EX	MAERSK TRIESTE	AT REC	3/19/2019	15,000	SBO	COFCO	INDIA
SAN LORENZO	NOBLE)	MAERSK TRIESTE	AT REC	3/19/2019	500	SBO	COFCO	BANGLADESH
SAN LORENZO	MINERA ALUMBRERA	MTM SINGAPORE	AT REC	3/23/2019	10,000	SBO	ADM	MOROCCO
SAN LORENZO	MINERA ALUMBRERA	MTM SINGAPORE	AT REC	3/23/2019	9,000	SBO	ADM	TUNISIA
SAN LORENZO	MINERA ALUMBRERA	AYRTON II	ETA REC	4/5/2019	5,000	SBO	WILMAR	SOUTH AFRICA
SAN LORENZO		CHEMBULK TORTOLA	ETF	3/27/2019	5,500	SBO (P)	BUNGE	COLOMBIA
SAN LORENZO	ARAUCO ARGENTINA (EX ALTO	CHEMBULK TORTOLA	ETF	3/27/2019	2,000	SBO	BUNGE	PANAMA
SAN LORENZO		MAERSK TRIESTE	AT REC	3/19/2019	13,500	SBO	LDC	BANGLADESH
SAN LORENZO	PARANA)	CHEMBULK TORTOLA	ETR SLZ	3/27/2019	7,500	SBO	BUNGE	COLOMBIA
SAN LORENZO	PARANA)	CELSIUS MALAGA	ETA REC	4/10/2019	7,900	SBO	ADM	PERU
SAN LORENZO	SAN BENITO	BOW TRIDENT	ETA REC	3/28/2019	15,000	SBO	LDC	MOROCCO
SAN LORENZO	SAN BENITO	BARBAOUNI	ETA REC	4/3/2019	10,000	SBO	CARGILL	PERU

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

+1 901 766 4669

juan.sacoto@informa.com

www.agribusinessintelligence.com