

Soybean Oil Market Update



Soybean Oil Market Update

Soy's turn to fret about US weather

- Soybean prices have seen a rally in recent weeks driven by trader speculation that rains that have delayed corn planting may not divert a lot of unsown acreage to soybeans after all and might also adversely impact soybean yields.
- USDA expectations for this year's soybean crop is production were at 84.6 million acres prior to the June Acreage report. The June report's 80 million acre total would be 9.2 million acres less than last year's total soy planted acres.
- *The advance in soy prices has been slower than for corn, partly because soy can be planted later, partly because of the burdensome stockpile held in the US from past heavily surplus crops. Price increases have also been tempered by lower than expected US crush numbers and slow export trading.*

Palm needs evidence of export recovery

- Concerns over lackluster exports of palm oil have palm futures struggling under the USD500 equivalent level.
- May data from the MPOB indicated an increase in exports of 3.5% from April, with a 37% decline in exports to China with steady imports to India and a 43% increase in exports to the EU despite anti-palm sentiment in the EU due to environmental concerns.
- *While thus far in 2019, increased imports to China, India, and the EU have eroded large stocks carried into 2019 but prices are not expected to break through current trading ranges unless a more sustained pickup in demand occurs.*

Rapeseed firmer on the back of soy/Canadian weather

- Spot canola futures in Winnipeg traded 2½-month highs this week, at one stage 6.5% off last month's lows.
- Dry weather in the Western Canadian Prairies, as well as in Australia, have created concern over early crop development, and anticipated lower production has provided support for higher canola prices.
- Australia's crop is expected to recover by an additional 1.5 million MT after extremely dry weather lead to low production. Although there is some concern over dry weather, conditions are expected to be more favorable for canola growth this year.
- *Price gains in the rapeseed markets have lagged behind gains in the soy complex as Canada is expected to have large stocks on hand in the wake of trade tensions with their largest export destination China.*

Soybean Oil Market Update

High production estimate at end of Brazil soybean harvest

- Brazil's soybean harvest this season was 118.2 million MT, according to an estimate from Brazilian consultancy Safras & Mercados.
- The 118.2 million MT figure would be 3% higher than Conab's June estimate of 114.8 million MT, fueled by productivity gains in the South, Santa Catarina, and Rio Grande do Sul regions.
- Argentina's soybean harvest is nearly complete with 99.1% of total area having been harvested with a total projected production of 56 million MT.
- *Soybean harvests in South America have been relatively successful, and IEG Vantage estimates global production at 361 million MT for the 2018/19 crop year, which would be a record for global production and an increase of 20 million MT from the 2017/18 crop year. The difference in global production is heavily influenced by Argentina's recovery this year after a poor crop last year resulted in production of only 38 million MT.*

NOPA data shows sharp soybean crush decline in May (IEG Vantage)

- NOPA reported a May crush of 154.8 million bushels that was 7.7 million bushels below the average analyst estimate.
- NOPA's end-of-May soybean oil stocks estimate was 205 million pounds below the April estimate, which was the first monthly drawdown since November 2018 and anticipated because of a seasonal increase in biodiesel industry demand.
- *The recent rally in soybean futures has pressured board crush margins, only partially offset by a strengthening meal basis, which has weakened estimated cash crush margins.*

Brazilian soy and corn exports gain strength

- Soybean exports from Brazil in June 2019 are higher than last year (June 2018) and last month (May 2019).
- Average daily soybean exports were 516,000 MT over the first three weeks of June.
- Port premiums have remained firm in the face of strong Chinese demand, offering support to domestic prices.
- *Brazilian producers are expecting a stronger market to come because of weather problems on the US crop.*

Soybean Oil Market Update

Palm price still on the floor

- Disappointing export data and weaker signals from export trade rival soy oil saw Malay palm oil prices hit seven-month lows this week.
- Cargo surveyors estimates for exports in the June 1/25 period were down by 14% to almost 18% on the month, gainsaying earlier analysts' forecasts for better demand ahead.
- *Moving into the second half of the calendar year, exports will need to start rising emphatically to match seasonally increasing production which usually peaks in the late summer/early autumn months.*

Better weather & China worries halt soy's bull run

- Hopes that a drier spell will enable US farmers to complete delayed sowing saw soy futures take a breather from their stellar bull run prior to the release of the June Acreage report, which retriggered price increases.
- Yields remain a wild card with the crop's good/excellent rating languishing at 54%, rather worse than the average trade guess and well under the 73% seen this time last year.
- The US has been forecast to see a 20% drop in its soy export trade this season amid big gains in Latin American sales.
- *There is plenty of time for the crop to improve if forecast warmer drier stays 'normal' rather than going extreme.*

USDA shocks market with more corn, fewer soy acres than expected

- USDA provided a big surprise to markets with the June Acreage report coming in well above trade expectations on corn and well below expectations on soybeans relative to the level of those two crops to be planted and intended to be planted for the 2019 growing season.
- Planted acres for corn came in at 91.7 million acres, while trader expectations averaged 86.7 million acres.
- Planted acres for soybeans came in at 80.0 million acres, while trader expectations averaged 84.4 million acres.
- *The immediate market reaction in the wake of the report drove an increase in soybean futures prices and a decline in corn futures prices, with the magnitude of declining corn prices overshadowing gains in soybean prices.*

United States: Soybean Oil Exports

US Annual Soybean Oil Exports

	(1,000 MT)			
	15/16	16/17	17/18	18/19 (F)
EU-28	0	1	1	1
China	57	133	1	1
South Korea	92	206	301	268
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	314
Total	1,016	1,159	1,110	1,042

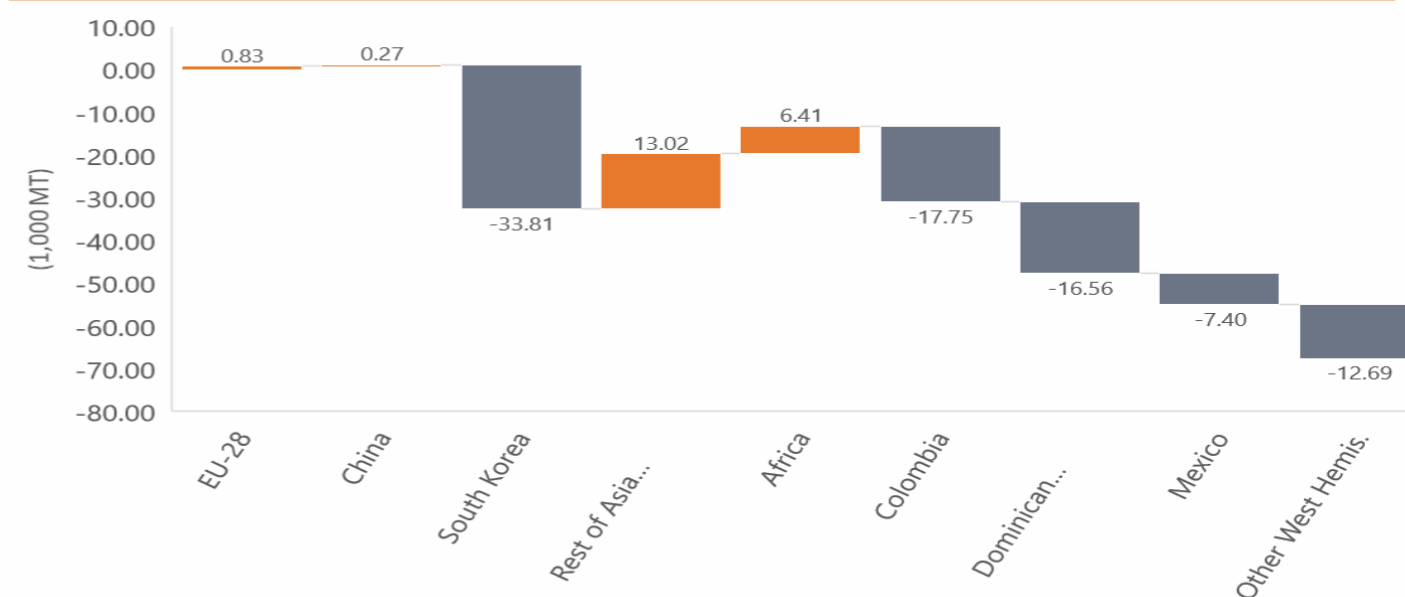
US Monthly Soybean Oil Exports

	(MT)				
	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
EU-28	23	0	0	0	25
China	0	27	54	40	14
South Korea	14,075	44,292	19	76,134	17,091
Rest of Asia/Oceania	12,304	2,161	1,866	2,564	1,938
Africa	5,030	2	4	0	0
Colombia	13,160	12,554	2,599	3,780	6,676
Dominican Republic	12,155	12,964	11,398	12,867	22,015
Mexico	13,696	10,287	14,308	11,846	9,551
Other West Hemis.	6,897	17,983	11,363	16,075	9,916
Total	77,341	100,270	41,611	123,305	67,224

(F) = Informa Economics IEG Forecast

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

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



Argentina: Soybean Oil Exports Update

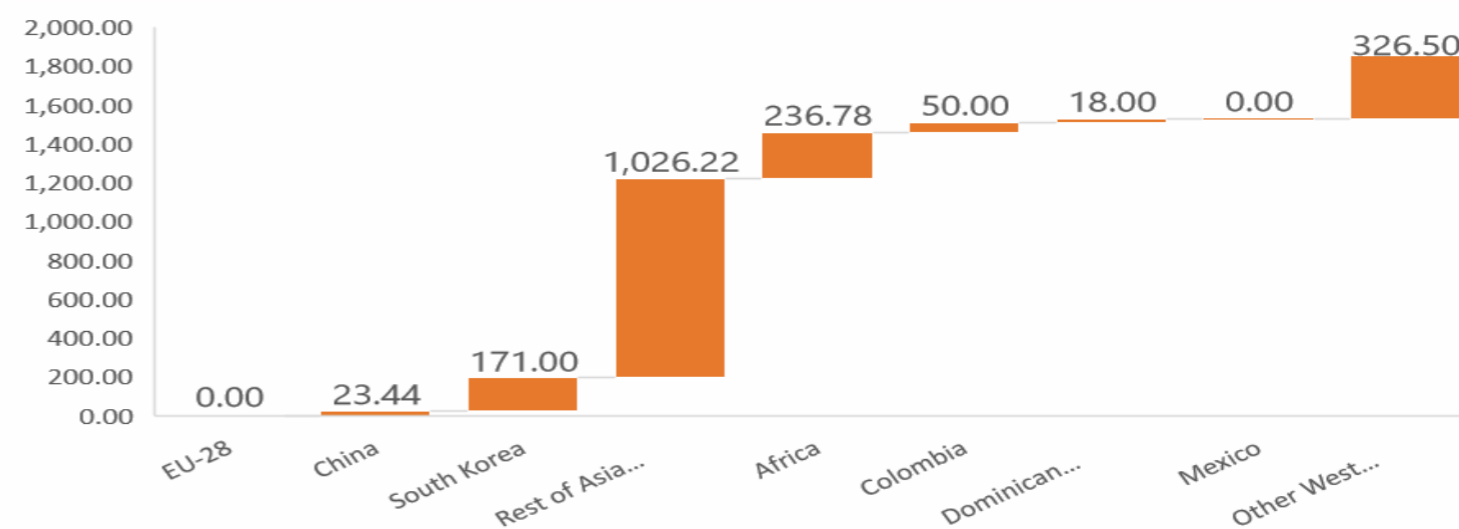
Argentina Annual Soybean Oil Exports				
	(1,000 MT)			
	15/16	16/17	17/18	18/19 (F)
EU-28	0	0	0	0
China	1	0	27	50
South Korea	185	138	4	175
Rest of Asia/Oceania	4,005	3,742	2,508	3,534
Africa	823	644	651	888
Colombia	17	32	0	50
Dominican Republic	55	14	2	20
Mexico	0	0	0	0
Other West Hemis.	613	818	513	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)	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
EU-28		0	0	0	0	0
China		63	0	0	0	0
South Korea		0	0	0	0	0
Rest of Asia/Oceania		106	288	325	348	216
Africa		1	0	0	0	0
Colombia		0	0	0	0	0
Dominican Republic		0	0	0	0	0
Mexico		0	0	0	0	0
Other West Hemis.		40	47	55	39	1
Total		209	334	381	387	218

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	11,095
Imports	120	130	145	152	191
Total Supply	10,311	10,928	10,945	11,709	12,188
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	803

(F) = Informa Economics IEG Forecast

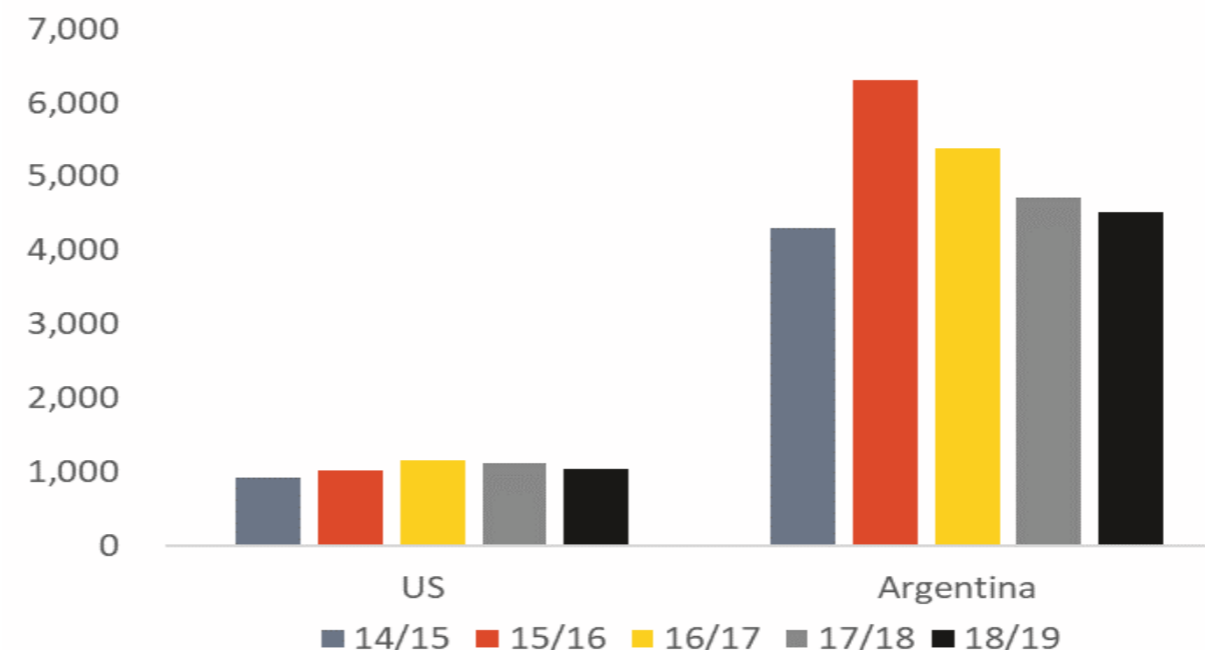
Argentina Soybean Oil Supply and Demand (1,000 MT)

	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	7,179
Imports	26	5	0	0	60
Total Supply	7,424	8,955	8,718	8,182	7,549
Domestic Use	2,921	2,448	2,995	3,202	2,714
Biodiesel	2,559	1,909	2,826	2,968	2,401
Non-Biodiesel	374	398	247	183	373
Exports	4,296	6,312	5,386	4,721	4,525
Total Use	7,228	8,619	8,459	7,872	7,299
Carryout (Mar 31)	196	337	259	310	250

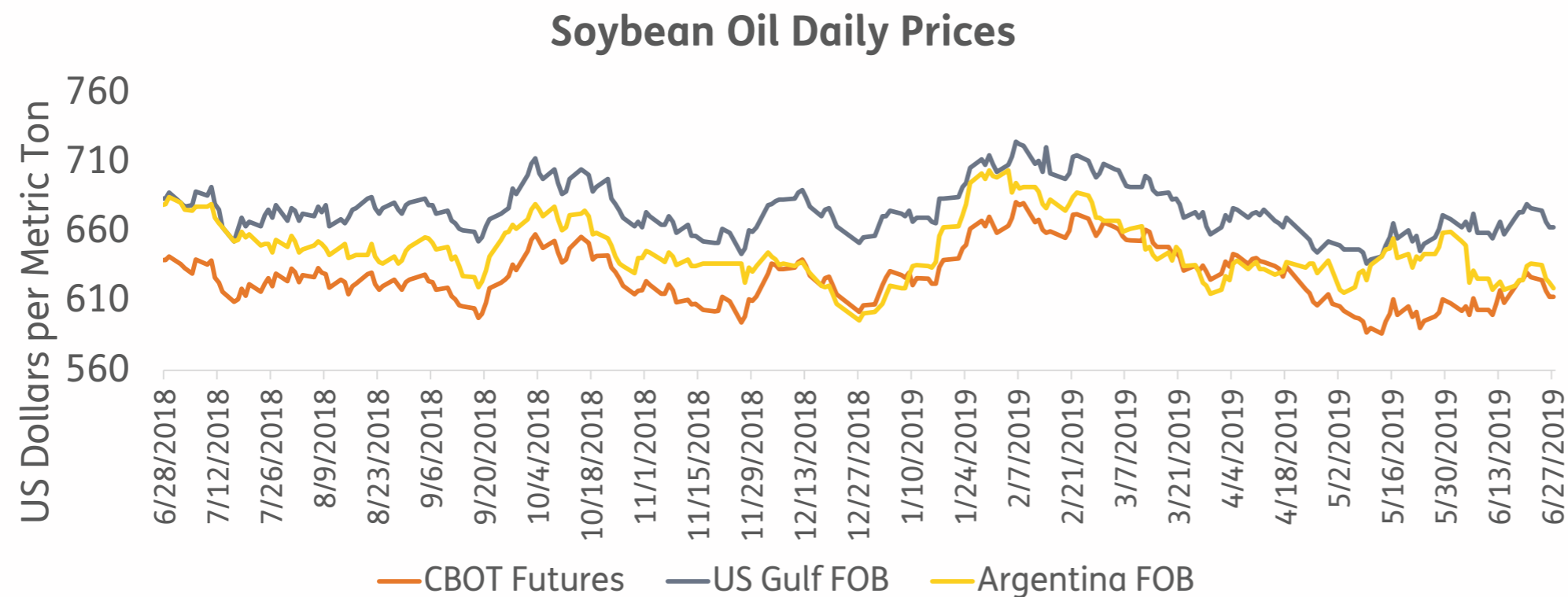
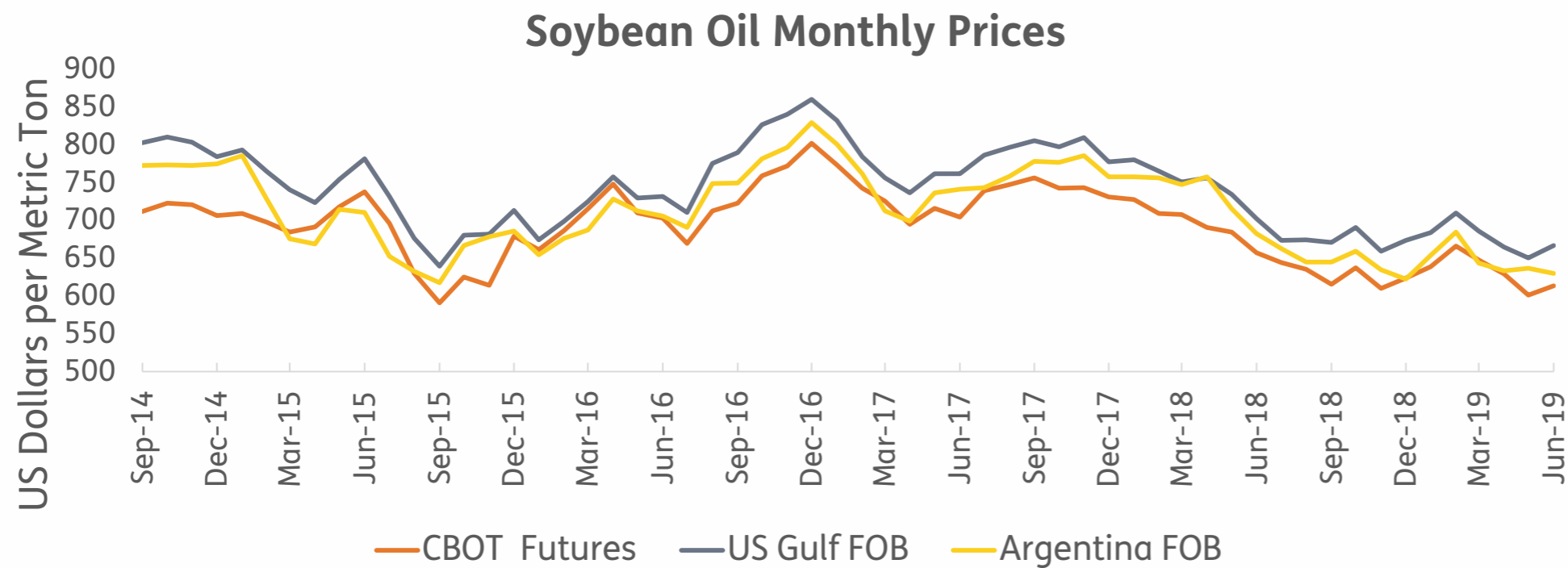
(F) = Informa Economics IEG Forecast

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

SBO Exports Trend (1,000 MT)



Soybean Oil Prices Trends



	CBOT Futures	US Gulf FOB	Argentina FOB
5/31/2019	608	669	660
6/3/2019	603	663	653
6/4/2019	606	667	650
6/5/2019	600	661	623
6/6/2019	612	673	632
6/7/2019	604	659	626
6/10/2019	604	659	626
6/11/2019	600	655	618
6/12/2019	608	661	621
6/13/2019	618	667	624
6/14/2019	609	658	618
6/17/2019	620	670	621
6/18/2019	625	674	628
6/19/2019	625	674	625
6/20/2019	630	680	635
6/21/2019	627	677	637
6/24/2019	625	675	636
6/25/2019	617	667	626
6/26/2019	613	674	638
6/27/2019	613	663	619



Soybean Oil Line up Data - Argentina

PORT	TERMINAL	VESSEL	STATUS	DATE	TONS	CARGO	SHIPPER AND/OR CHARTERER	DESTINATION
SAN LORENZO	RENOVA SOUTH BERTH	MARIELA BOTTIGLIERI	ETF	6/27/2019	10,000	SBO	COFCO	KOREA
SAN LORENZO	RENOVA SOUTH BERTH	MARIELA BOTTIGLIERI	ETF	6/27/2019	5,000	SBO	COFCO	MALAYSIA
SAN LORENZO	RENOVA SOUTH BERTH	FG ROTTERDAM	ETA REC	6/30/2019	18,000	SBO	COFCO	ALGERIA
SAN LORENZO	RENOVA T.B.C.	STENAWECO ELEGANCE	ETA REC	6/29/2019	19,000	SBO	GLENCORE	INDIA
SAN LORENZO	RENOVA T.B.C.	STAR N	ETA REC	7/1/2019	29,500	SBO	GLENCORE	INDIA
SAN LORENZO	RENOVA T.B.C.	FAIRCHEM SABRE	ETA RAM	7/1/2019	18,360	SBO	CEVITAL	ALGERIA
SAN LORENZO	MINERA ALUMBRERA	RHINO	ETA REC	6/29/2019	15,000	SBO (P)	COFCO	BANGLADESH
SAN LORENZO	MINERA ALUMBRERA	RHINO	ETA REC	6/29/2019	24,500	SBO	COFCO	INDIA
SAN LORENZO	MINERA ALUMBRERA	TORM GYDA	ETA REC	7/2/2019	20,000	SBO	ADM	MOROCCO
SAN LORENZO	MINERA ALUMBRERA	SUMMER PLOEG	ETA REC	7/3/2019	4,000	SBO	ADM	TUNISIA
SAN LORENZO	MINERA ALUMBRERA	MAERSK TORSHAVN	ETA REC	7/7/2019	29,900	SBO	ADM	INDIA
SAN LORENZO	MINERA ALUMBRERA	ATLANTIC GRACE	ETA REC	7/10/2019	10,000	SBO	BUNGE	INDIA
SAN LORENZO	TRANSITO (ADM AGRO)	STENAWECO ELEGANCE	ETA REC	6/29/2019	12,000	SBO (P)	GLENCORE	INDIA
SAN LORENZO	TRANSITO (ADM AGRO)	TORM GYDA	ETA REC	7/2/2019	6,000	SBO (P)	ADM	SPAIN
SAN LORENZO	TRANSITO (ADM AGRO)	GHETTY BOTTIGLIERI	ETA REC	7/9/2019	12,500	SBO	ADM	INDIA
SAN LORENZO	AKZO NOBEL	ARDMORE EXPLORER	ETF	6/27/2019	33,000	SBO	LDC	INDIA
SAN LORENZO	AKZO NOBEL	ARDMORE SEAVALIANT	ETR ZTE	7/1/2019	15,000	SBO	COFCO	INDIA
SAN LORENZO	SAN BENITO	MAERSK BARRY	ETA REC	7/2/2019	5,000	SBO	CARGILL	PERU
SAN LORENZO	SAN BENITO	SUMMER PLOEG	ETA REC	7/3/2019	10,000	SBO	ADM	TUNISIA
SAN LORENZO	SAN BENITO	GHETTY BOTTIGLIERI	ETA REC	7/9/2019	20,000	SBO	ADM	INDIA
ROSARIO	VILLA GOBERNADOR GALVEZ	JBU OPAL	ETA REC	7/2/2019	11,000	SBO	CARGILL	

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