

Soybean Oil Market Update



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ASA slams trade policy in marking anniversary of China soybean tariffs

- With one year passing since China first imposed retaliatory tariffs on imports of US soybeans, the American Soybean Association (ASA) highlighted export numbers and stock carry-over to underscore the building negative impacts the duties are having on US soybean growers.
- Prior to the trade war, soybean prices were well over \$10/bushel, but have been in the \$8-\$9 range frequently since the 25% tariff on US soybeans was imposed by China.
- The ASA urges both countries to rescind the tariffs.
- *US soybean stocks have reached historic levels, with stocks 47% higher in June 2019 than a year ago. High stocks of a commodity are associated with low prices.*

Will weather rescue surplus soy outlook?

- US soybean crop estimates appear to be eroding fast, promising to relieve at least some of the price-depressing pressure from massive old crop stocks.
- If the USDA's July planting estimate is accurate, given a yield of 48.5 bushels/acre, this year's US crop would be under 100 million MT, well below last year's record of 123.7 million MT.
- *If this year's crop is significantly smaller than last year, large stocks which were previously burdensome will prove vital in meeting soybean demand.*

EU rapeseed still set for worst harvest in 13 years

- Recent hot weather has diminished analysts' hopes for a late recovery in EU rapeseed yields.
- Rapeseed across the EU also faced a heatwave in late June, but traders say the damage was limited because crops were already close to maturity before summer harvesting.
- Estimates for the European rapeseed crop are at 17.8 million MT, 11% below last year and the lowest in 13 years if realized.
- *In order to compensate for lower domestic production, the EU has relied on imports and EU rapeseed imports for the 2019/20 season are forecast at a record 5.8 million MT, an increase from the estimated 4.2 million MT of imports in 2018/19.*

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USDA July soy data: Lower production and carryover

- US soybean production is down from the expectation in June and that is translated through to lower expectations for 2019/20 carryover, with a similar trend on the global stage.
- USDA's expectation for US soybean production is now at 3.845 billion bushels, down from 4.15 billion bushels in June, according to USDA's WASDE report.
- The reduction came as USDA's lower acreage level of 80 million planted acres and harvested area of 79.3 bushels per acre as released in the June Acreage report.
- Yield estimates have declined by 1 bushel per acre from 49.5 bushels per acre to 48.5 bushels per acre due to delayed planting progress in major producing states.
- There was also a downward reduction in exports of 75 million bushels to 1.875 billion bushels.
- *The 2019/20 season-average price for soybeans is forecast at \$8.40 per bushel, up 15 cents from last month, but still on the lower end of price ranges over the past few years.*

Weekly Review: Soy still factoring in bullish US crop outcome

- Lower ratings for the late-sown US crop capped by a widely expected cut in the USDA's production forecast ensured a firmer week for soy futures.
- The 8.3 million MT drop in production was less than some expected but values still lifted amid strength spilling over from the grain futures markets.
- Analysts are bearish on Chinese soybean meal consumption and soybean imports amid the loss of a large quantity of pigs as a result of African Swine Fever.
- *The declining production forecast from the USDA favors prices shifting higher, thus the report is "bullish" on prices.*

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Weekly Review: Palm surplus weighs against positive Indian news

- Bursa palm oil futures continued to flirt with new multi-month lows as weak June data from the official Malay body MPOB weighed against more positive news from top customer India.
- India did not raise import duties on refined palm oil to protect its own oil processors from a flush of imports.
- June production of palm oil was up 14% in June 2019 versus June 2018 and first half of 2019 outputs are 10% higher than a year ago.
- *Given the high seasonal production expected, more palm oil exports will be needed to contain stocks.*

EU-Mercosur deal agreed despite agri-food concerns

- After 20 years of negotiations, the European Union and Mercosur group of Latin American countries on June 29th finally reached a political agreement on a trade deal that will create the world's biggest market for goods and services by population size.
- European Commission President Jean-Claude Juncker hailed the deal as “a strong signal with our Mercosur partners that we stand for rules-based trade.”
- The agreement, which will eliminate around €4 billion worth of duties each year, will see farmers in Brazil, Argentina, Uruguay and Paraguay gain considerable access to the European market for agri-food goods.
- *The trade deal should present a favorable opportunity for South American soybean farmers to export soybeans to the EU at a more cost-competitive rate.*

Soybean Complex Higher Following Supportive July WASDE (IEG Vantage)

- Stronger US soybean exports to China combined with lower acreage and smaller than anticipated June 1st soybean stocks (though still high) lifted soybean futures higher.
- *Soybeans, soybean meal, and soybean oil prices all shifted higher in the wake of the June 11th WASDE report release by the USDA.*

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USDA Soybean Product Balance Sheet Changes Resulting from Lower Crush (IEG Vantage)

- USDA's larger cut in projected US crush reduced its meal production forecast by 275,000 short tons, which was partially offset by a projected 25,000-short-ton increase to projected imports.
- These changes lowered available meal supply by 250,000 short tons, which was accounted for by a 150,000-short-ton reduction in domestic use and a 100,000-short-ton reduction to projected export 2018/19 meal exports.
- Lower crush meant 175,000 MT less oil supply in USDA's 2018/19 balance sheet, which was accounted for by a 100,000-tonne reduction to projected exports and tightening ending stocks by 75,000 MT.
- *USDA's 2018/19 soybean meal price forecast was raised \$5 per short ton to \$310 per ton. USDA forecast 2019/20 average soybean meal prices at \$300 per short ton, up \$5 from last month. USDA's 2019/20 soybean oil price forecast was unchanged at 29.5 cents per pound.*

EPA makes no major changes in proposed 2020, 2021 biodiesel levels

- EPA has released its proposed 2020 biofuel and 2021 biodiesel levels under the Renewable Fuel Standard (RFS), making only a small change to the level for cellulosic and thus advanced biofuel compared to the 2019 levels the agency finalized in November 2018.
- The biomass-based biodiesel (BBD) level is proposed at 2.43 billion gallons for 2021, unchanged from the level finalized for 2020. EPA is required to set the BBD level one year in advance.
- *Biodiesel usage is a major factor in the demand for vegetable oils, particularly soybean oil. Because the RFS biodiesel levels are not being adjusted in any significant way, biodiesel demand is expected to remain fairly constant over the next couple of years in the US.*

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	290
Rest of Asia/Oceania	55	28	23	36
Africa	136	61	29	35
Colombia	51	122	108	68
Dominican Republic	119	150	152	136
Mexico	235	265	168	160
Other West Hemis.	271	194	327	269
Total	1,016	1,159	1,110	997

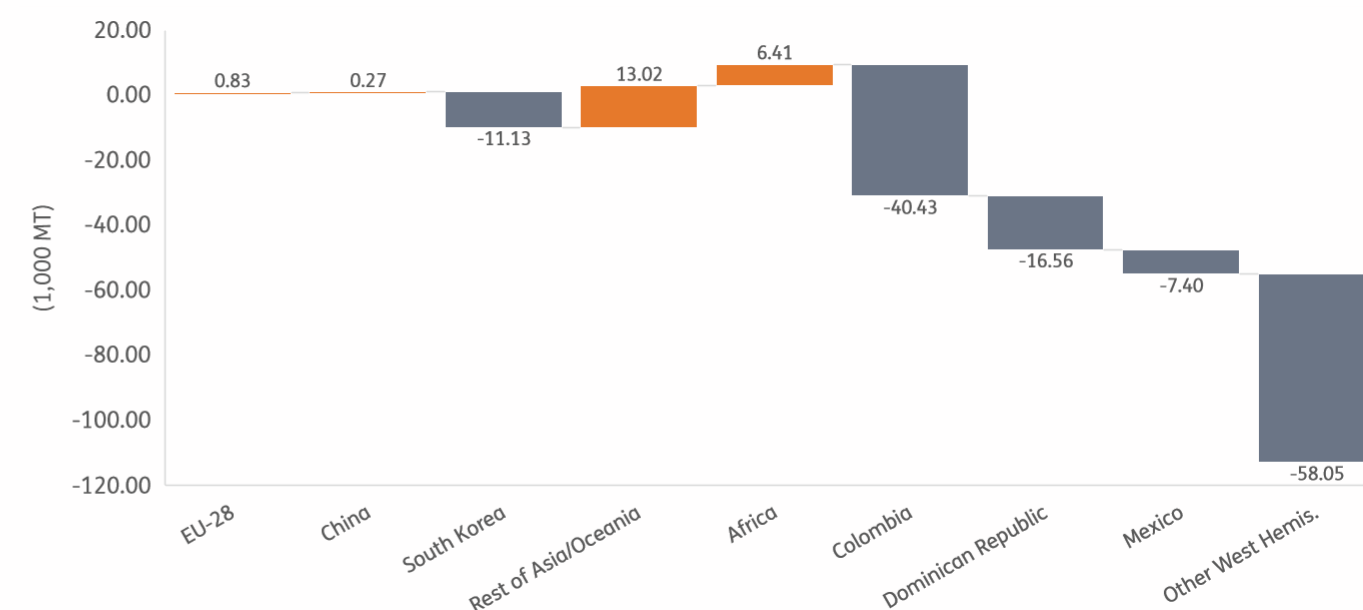
(F) = Informa Economics IEG Forecast

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

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

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



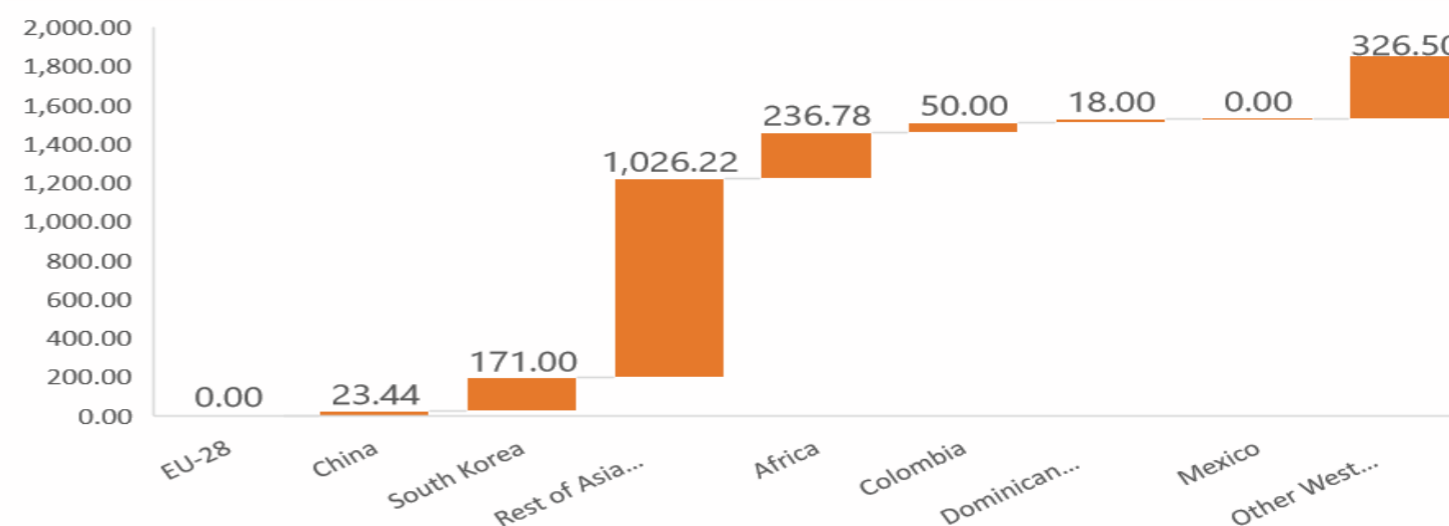
Argentina: Soybean Oil Exports Update

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	11,038
Imports	120	130	145	152	191
Total Supply	10,311	10,928	10,945	11,709	12,131
Domestic Use	8,556	9,147	9,009	9,701	10,342
Biodiesel	2,286	2,582	2,812	3,236	3,765
Non-Biodiesel	6,271	6,565	6,197	6,465	6,577
Exports	914	1,016	1,160	1,105	998
Total Use	9,470	10,163	10,169	10,806	11,340
Carryout (Sep 30)	841	765	776	903	791

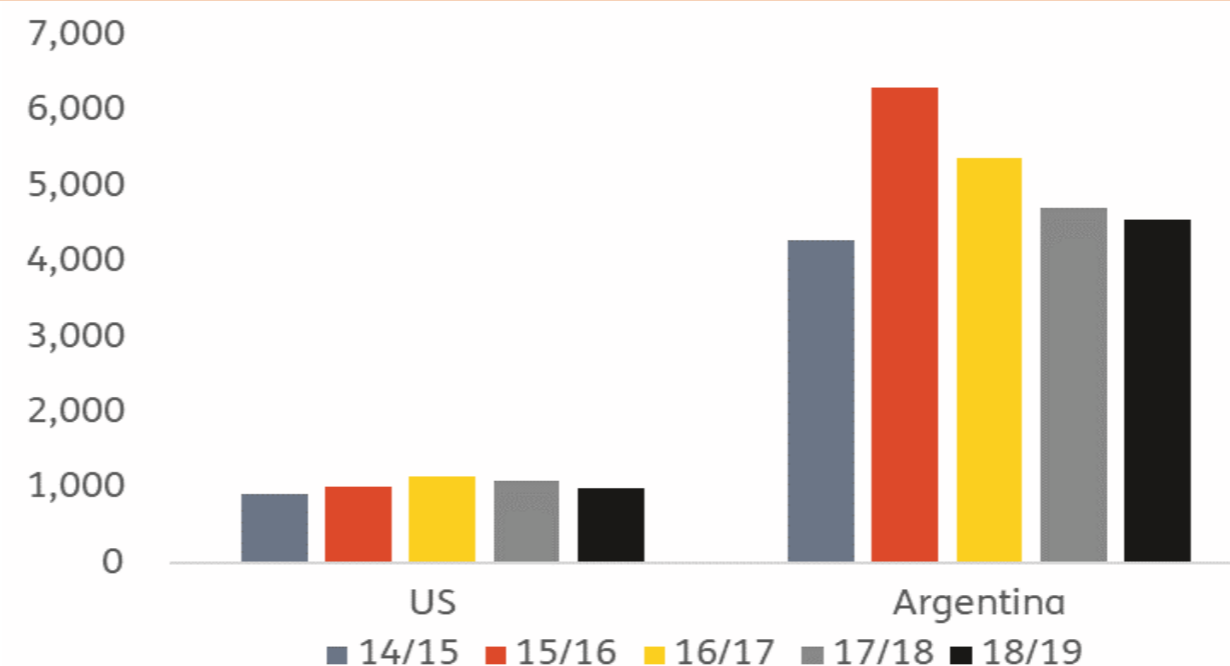
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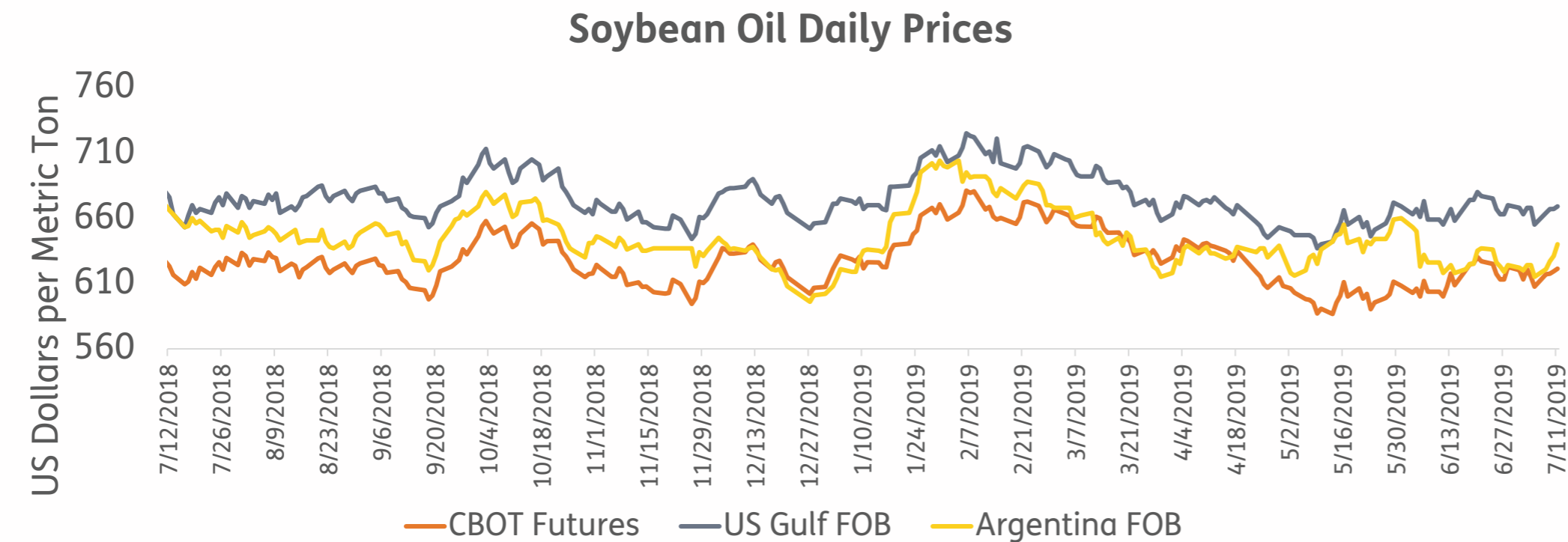
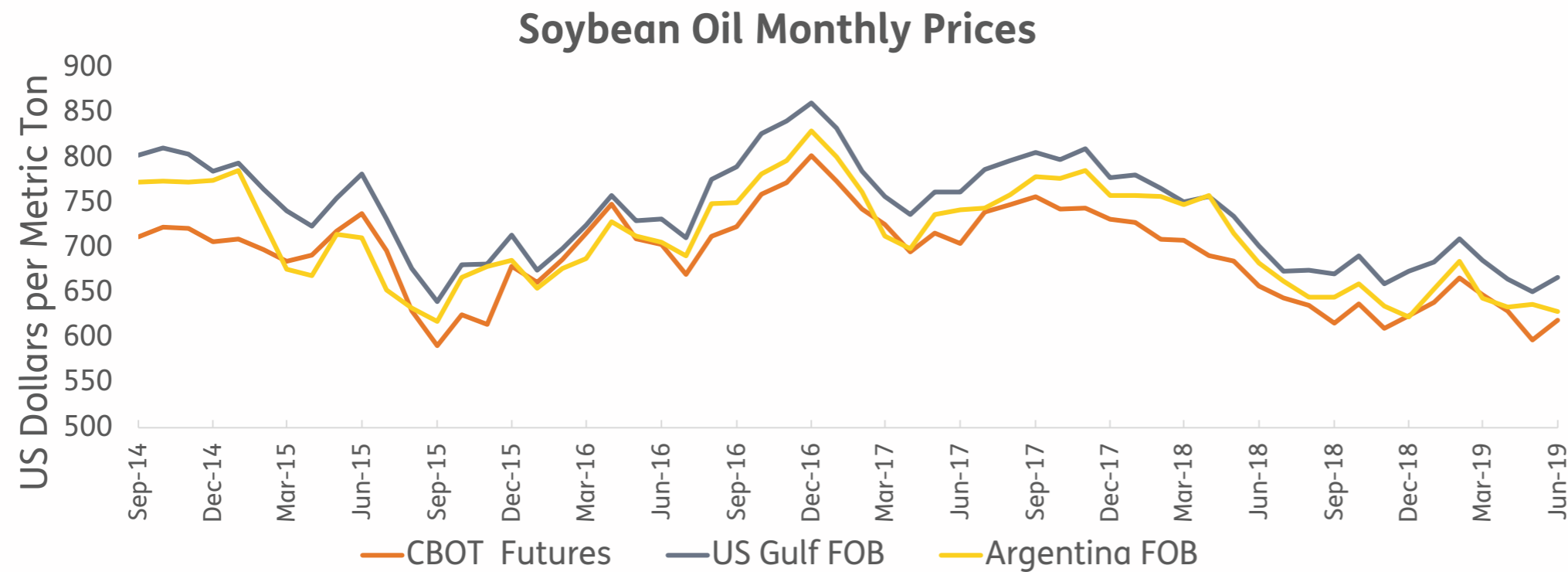
Argentina Soybean Oil Supply and Demand (1,000 MT)					
	14/15	15/16	16/17	17/18	18/19 (F)
Carryin (Apr 1)	207	196	337	259	310
Production	7,191	8,755	8,381	7,923	7,179
Imports	26	5	0	0	0
Total Supply	7,424	8,955	8,718	8,182	7,489
Domestic Use	2,921	2,448	2,995	3,202	2,613
Biodiesel	2,559	1,909	2,826	2,968	2,401
Non-Biodiesel	374	398	247	183	352
Exports	4,296	6,312	5,386	4,721	4,566
Total Use	7,228	8,619	8,459	7,872	7,319
Carryout (Mar 31)	196	337	259	310	170

(F) = Informa Economics IEG Forecast

SBO Exports Trend (1,000 MT)



Soybean Oil Prices Trends



	CBOT Futures	US Gulf FOB	Argentina FOB
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	625
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	663	623
6/27/2019	613	663	619
6/28/2019	623	670	624
7/1/2019	620	668	628
7/2/2019	613	663	620
7/3/2019	621	668	624
7/5/2019	608	655	615
7/8/2019	617	664	621
7/9/2019	618	667	627
7/10/2019	619	674	638
7/11/2019	621	669	640



Soybean Oil Line up Data - Argentina

PORT	TERMINAL	VESSEL	STATUS	DATE	TONS	CARGO	SHIPPER AND/OR CHARTERER	DESTINATION
SAN LORENZO	RENOVA NORTH BERTH	FAIRCHEM SABRE	ETF	7/12/2019	18,360	SBO	CEVITAL	ALGERIA
SAN LORENZO	RENOVA NORTH BERTH	STAR N	AT REC	7/7/2019	29,500	SBO	GLENCORE	INDIA
SAN LORENZO	RENOVA NORTH BERTH	SHAMROCK JUPITER	ETA REC	7/18/2019	5,000	SBO	ADM	PERU
SAN LORENZO	RENOVA NORTH BERTH	ALPINE MARINA	ETA REC	7/18/2019	7,000	SBO	AVERE	INDIA
SAN LORENZO	RENOVA NORTH BERTH	ANDES	ETA REC	7/20/2019	31,500	SBO	ASTON GROUP	EGYPT
SAN LORENZO	DREYFUS TIMBUES	STI FONTVIEILLE	AT REC	7/10/2019	4,000	SBO	WILMAR	INDIA
SAN LORENZO	DREYFUS TIMBUES	NORD MAGIC	ETR SLZ	7/18/2019	11,000	SBO	LDC	MOROCCO
SAN LORENZO	DREYFUS TIMBUES	MR ORESTES	ETA REC	7/22/2019	10,000	SBO	LDC	INDIA
SAN LORENZO	MINERA ALUMBRERA	STI FONTVIEILLE	ETA REC	7/15/2019	29,000	SBO	WILMAR	INDIA
SAN LORENZO	MINERA ALUMBRERA	ATLANTIC GRACE	ETA REC	7/15/2019	10,000	SBO	BUNGE	INDIA
SAN LORENZO	MINERA ALUMBRERA	POLARIS	ETR SNIC	7/17/2019	8,500	SBO	WILMAR	INDIA
SAN LORENZO	ARAUCO ARGENTINA (EX ALTO)	UACC RAS LAFFAN	ETA REC	7/12/2019	8,000	SBO (P)	CARGILL	COLOMBIA
SAN LORENZO	TRANSITO (ADM AGRO)	GHETTY BOTTIGLIERI	AT REC	7/10/2019	12,500	SBO	ADM	INDIA
SAN LORENZO	AKZO NOBEL	NAVIG8 SUCCESS	ETF	7/14/2019	22,500	SBO	COFCO	INDIA
SAN LORENZO	SAN BENITO	GHETTY BOTTIGLIERI	AT REC	7/10/2019	20,000	SBO	ADM	INDIA
SAN LORENZO	SAN BENITO	NORD MAGIC	ETR SLZ	7/18/2019	10,000	SBO	LDC	MOROCCO
ROSARIO	VILLA GOBERNADOR GALVEZ	UACC RAS LAFFAN	ETA REC	7/12/2019	25,000	SBO	CARGILL	
ROSARIO	DREYFUS VEGOIL TERMINAL	MR ORESTES	ETA REC	7/22/2019	6,000	SBO (P)		BANGLADESH
ROSARIO	DREYFUS VEGOIL TERMINAL	MR ORESTES	ETA REC	7/22/2019	8,000	SBO		BANGLADESH
ROSARIO	DREYFUS VEGOIL TERMINAL	MR ORESTES	ETA REC	7/22/2019	9,000	SBO		BANGLADESH
RAMALLO	BUNGE TERMINAL	ATLANTIC GRACE	ETA RAM	7/13/2019	10,000	SBO	BUNGE	INDIA

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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