

# Soybean Oil Market Update



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## China opens soymeal market to No. 1 exporter Argentina in 'historic' deal

- China will allow the import of soybean meal livestock feed from Argentina for the first time under a deal announced by Buenos Aires on Tuesday September 10th, an agreement that will link the world's top exporter of the feed with the top global consumer.
- Chinese officials inspected Argentine soybean meal factories in August prior to signing the pact.
- Argentina had tried for years to break into the Chinese market, the biggest consumer of the meal it uses to feed its massive hog herd. China, with its own crushing industry to protect, had steadfastly resisted.
- *China has typically imported soybeans in raw commodity form and crushed domestically. This agreement indicates that China will be more willing to source refined products directly, which may provide an opportunity for increased imports of soybean meal and soybean oil from other countries, including South Korea.*

## Argentine political changes may favor soybean planting

- Soybeans may be a less risky planting choice than corn for Argentine producers facing a likely change of political leadership later this year.
- Corn production costs are about USD500 per hectare, about 70% higher than soybean costs, as corn needs more investment in fertilizer and new seeds each season.
- Current pro-market Argentine president Mauricio Macri was largely defeated in the primary elections on August 11<sup>th</sup> by rival Alberto Fernandez.
- Soybean area is expected to rise to 17.7 million hectares while planted corn area is expected to decline by 200,000 hectares to 6 million hectares.
- *Argentine farmers fear a return to less favorable export policies under new leadership and the reduced costs associated with soybeans as compared to corn provides less uncertainty for farmers who are not sure if they will be able to export their crops.*

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## USDA trims 2019 corn, soy production forecasts

- In the wake of the most recent USDA WASDE report, US corn and soybean production for 2019 remain at levels above what have been expected by the trade and keeping the focus on the demand side of the equation.
- US soybean production is forecast at 3.633 billion bushels, down one percent from August and 20 percent from 2018. The national average yield was lowered to 47.9 bushels per acre, down 0.6 bushel from the August forecast.
- Forecast soybean carryover levels for both 2018/19 and 2019/20 were lowered compared to August primarily on increased usage.
- For 2019/20 soybeans, the combination of a lower carry-in from 2018/19, smaller crop and slight uptick in residual use trimmed carryover to 640 million bushels, down from the August forecast of 755 million bushels.
- For 2018/19, the adjustments were all on the usage side, with increases for exports of 45 million bushels and a 20 million increase for crush.
- *Soybean futures jumped up approximately 20 cents/bushel across the board in the immediate aftermath of the report as increased usage indicates higher demand, which is correlated with higher prices.*

## EU warns Indonesia against retaliatory tariffs on dairy

- EU officials have warned that Indonesia's plan to impose tariffs on European dairy goods, in reaction to the bloc's recent duties on palm biodiesel, would violate World Trade Organisation (WTO) rules.
- Indonesia's Trade Minister Enggartiasto Lukita announced on August 9<sup>th</sup> that he seeks to impose a 20%-25% tariff on EU dairy products, up from around 5% for most of these goods now.
- The tariffs were retaliatory after the EU instituted duties on Indonesian biodiesel imports of 8% to 18% as an anti-subsidy investigation showed that the Indonesia biodiesel producers have been benefitting from unfair subsidies such as export financing and tax breaks.
- *Trade tensions continue between the EU and palm oil producing nations and increasing anti palm-oil sentiment in Europe combined with trade barriers will lead to greater use of substitute vegetable oils like soybean oil and canola oil.*

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## Palm rally foiled by slowing export data

- The Malay Bursa palm futures' recent surge to six-month highs ran into headwinds as the country's exports turned out lower than expected in August.
- Shipments to all destinations in total were still up by 15.6% on the month, according to cargo surveyors, but that was faded from a near 20% gain in the first 25 days of the month.
- Bullish sentiment that drove palm prices to a near 7% improvement last month won't have been encouraged by news that total palm oil imports from all suppliers into second-largest customer Europe fell last month by 24% to 794,000 MT.
- *Palm oil prices have been hurt by low vegetable oil prices in general, and because palm oil has generally been considered a "value" oil due to its lower relative price, palm oil prices are heavily influenced by the prices of competing oils.*

## Malaysian supermarket bans products labelled "palm oil free"

- Mydin, the largest hypermarket chain in Malaysia, has removed products marked as "palm oil free" from its stores in a bid to counter anti-palm oil sentiment in number two palm producer Malaysia.
- Mydin's decision comes amidst the "Love MY Palm Oil" campaign in Malaysia, a marketing drive backed by the government to improve consumers' attitudes towards palm oil.
- *Concerns over deforestation associated with palm oil production has created negativity towards the palm oil industry and these efforts to conserve the reputation of palm oil among domestic consumers is needed to diversify uses of a palm oil in order to stimulate demand and support prices.*

## EU farmers shy away from rapeseed

- Despite attractive prices, EU farmers are doubting whether to keep producing rapeseed as the new planting period begins.
- Dry weather in 2018 made rapeseed sowings more difficult, leading to a reduction in planted area.
- Efforts from the European Union government to reduce palm oil imports is expected to provide additional support to rapeseed demand and prices.
- *Dry weather and flea beetle losses have kept rapeseed harvests lower in the EU than market conditions would have otherwise dictated.*

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## Record US Crush in July, 2018/19 Crush Projected at 2,080 Million Bushels (IEG Vantage)

- USDA NASS reported a July crush of 179.5 million bushels, a record for the month of July.
- The soybean meal yield sharply declined to 46.64 pounds per bushel in July, which was 0.13 pound below NOPA's reported meal yield and matched the marketing-year low set in January.
- NASS reported July soybean oil production of 2.09 billion pounds, which was an increase of 279 million pounds from June's total and implied a yield of 11.64 pounds per bushel that was 0.09 pound below NOPA's yield.
- *End-of-July soybean oil stocks of 2.04 billion pounds were larger than expected, which may weigh on recent strength in the soybean oil market.*

## Russia aims to double Far East soybean exports by 2024

- Russia expects to more than double the value of its soybean exports out of its Far Eastern district by 2024, according to deputy ministry of agriculture Sergey Levin.
- Russia aims to increase USD242.8 million worth of soybean exports to USD600 million by 2024 as part of a wider initiative to increase food exports out of the region.
- China and Russia signed a plan to increase cooperation for soybean trading between the two nations, which have been backed by infrastructure projects to increase export capacity in Russia's Far Eastern District.
- *If China and other Asian nations (including South Korea) can increase the quantity of soybeans sourced from closer locations, it will reduce transportation costs and leave Asian soybean complex markets less susceptible to influence from global trade tensions.*

## Late frost may rescue US soy crop

- Soy, like corn, could be promised a better than expected crop as weather turns highly favorable at the tail end of a challenging season.
- Warmer weather forecasts have reduced the threat of frost damage for the late-developing soy crop.
- *The market is expected to remain well stocked for the 2019/20 crop year.*

# 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	0
South Korea	92	206	301	332
Rest of Asia/Oceania	55	28	23	33
Africa	136	61	29	20
Colombia	51	122	108	70
Dominican Republic	119	150	152	127
Mexico	235	265	168	136
Other West Hemis.	271	194	327	186
<b>Total</b>	<b>1,016</b>	<b>1,159</b>	<b>1,110</b>	<b>906</b>

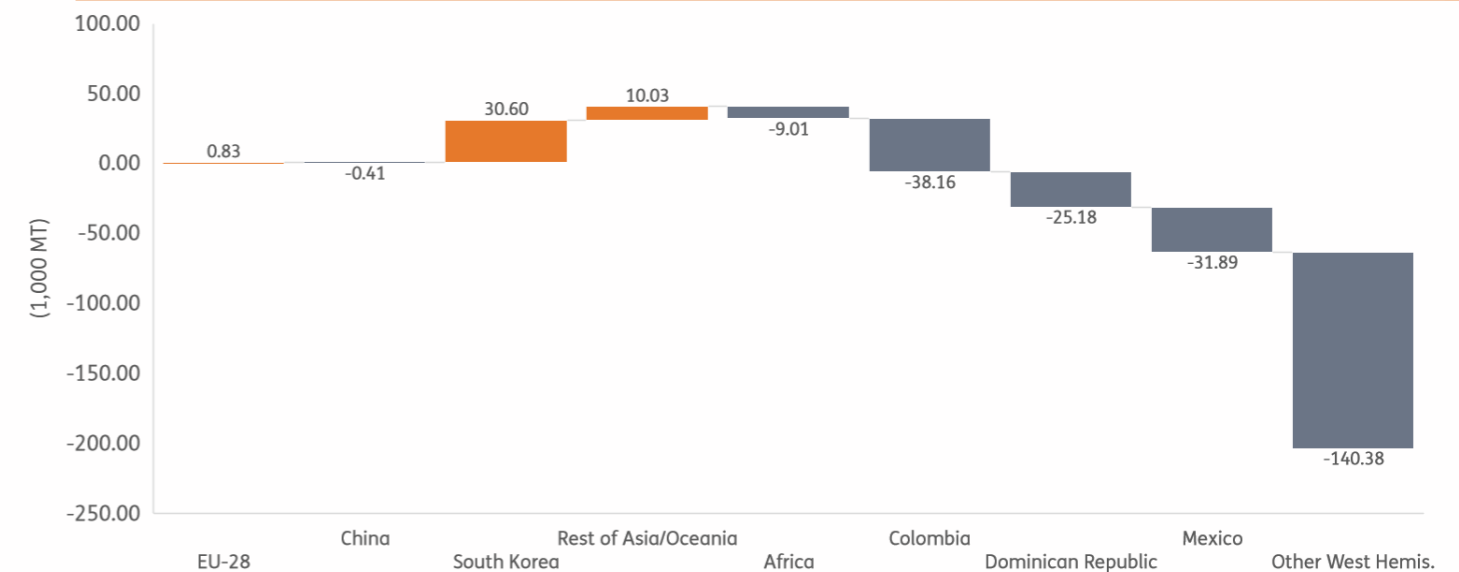
(F) = Informa Economics IEG Forecast

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

## US Monthly Soybean Oil Exports

	(MT)				
	Mar-19	Apr-19	May-19	Jun-19	Jul-19
EU-28	0	25	2	116	20
China	40	14	54	14	36
South Korea	76,134	17,091	46,662	0	38,752
Rest of Asia/Oceania	2,564	1,938	3,280	2,916	1,602
Africa	0	0	3	3	3
Colombia	3,780	6,676	1,692	79	26
Dominican Republic	12,867	22,015	4,749	15,745	7,519
Mexico	11,846	9,551	14,753	7,048	9,503
Other West Hemis.	16,075	9,916	22,126	17,350	21,609
<b>Total</b>	<b>123,305</b>	<b>67,224</b>	<b>93,320</b>	<b>43,269</b>	<b>79,070</b>

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



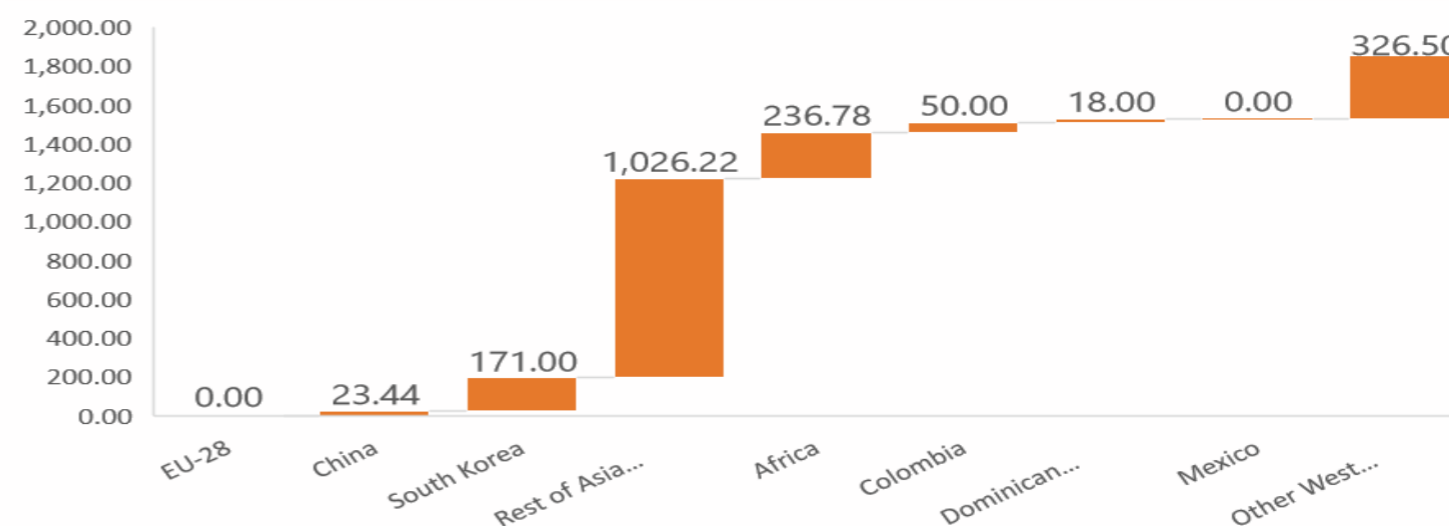
# Argentina: Soybean Oil Exports Update

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
<b>Total</b>	<b>5,698</b>	<b>5,387</b>	<b>3,705</b>	<b>5,557</b>

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

Argentina Monthly Soybean Oil Exports						
	(1,000 MT)	Feb-19	Mar-19	Apr-19	May-19	Jun-19
EU-28		0	0	0	0	0
China		0	0	54	26	0
South Korea		0	0	0	0	0
Rest of Asia/Oceania		348	216	128	293	637
Africa		0	0	67	80	0
Colombia		0	0	0	0	1
Dominican Republic		0	0	0	0	0
Mexico		0	0	0	0	0
Other West Hemis.		39	1	44	35	40
<b>Total</b>		<b>387</b>	<b>218</b>	<b>293</b>	<b>435</b>	<b>678</b>

## 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	10,911
Imports	120	130	145	152	175
<b>Total Supply</b>	10,311	10,928	10,945	11,709	11,988
<b>Domestic Use</b>	8,556	9,147	9,009	9,701	10,297
Biodiesel	2,286	2,582	2,812	3,236	3,720
Non-Biodiesel	6,271	6,565	6,197	6,465	6,577
Exports	914	1,016	1,160	1,105	907
<b>Total Use</b>	9,470	10,163	10,169	10,806	11,204
Carryout (Sep 30)	841	765	776	903	785

(F) = Informa Economics IEG Forecast

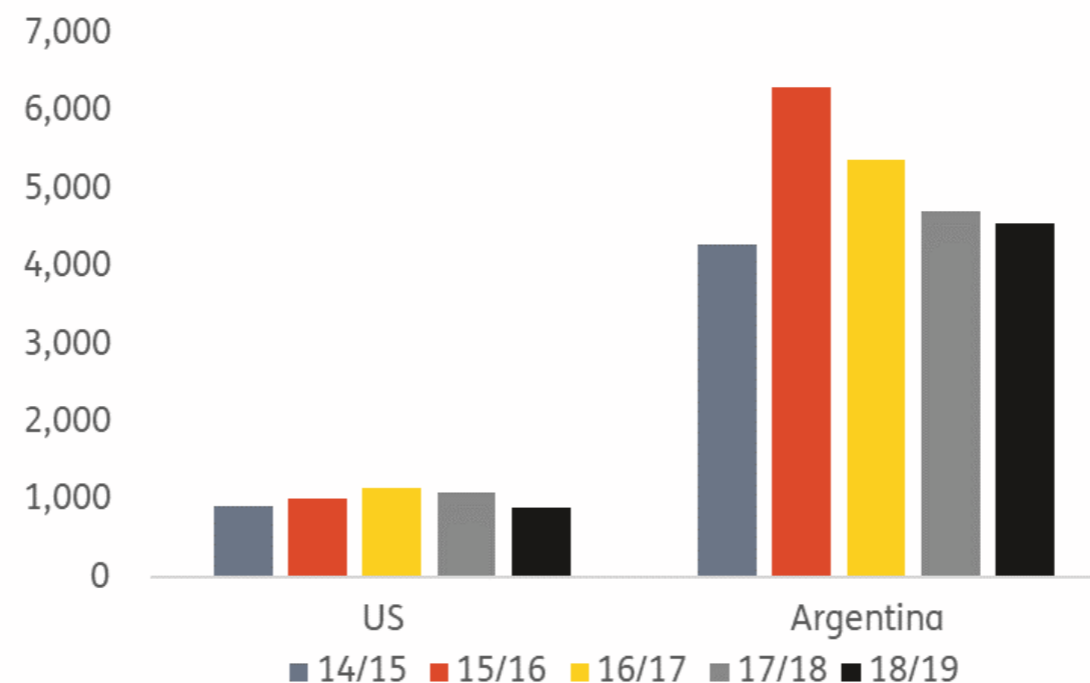
## Argentina Soybean Oil Supply and Demand (1,000 MT)

	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	0
<b>Total Supply</b>	7,424	8,955	8,718	8,182	7,489
<b>Domestic Use</b>	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
<b>Total Use</b>	7,228	8,619	8,459	7,872	7,319
Carryout (Mar 31)	196	337	259	310	170

(F) = Informa Economics IEG Forecast

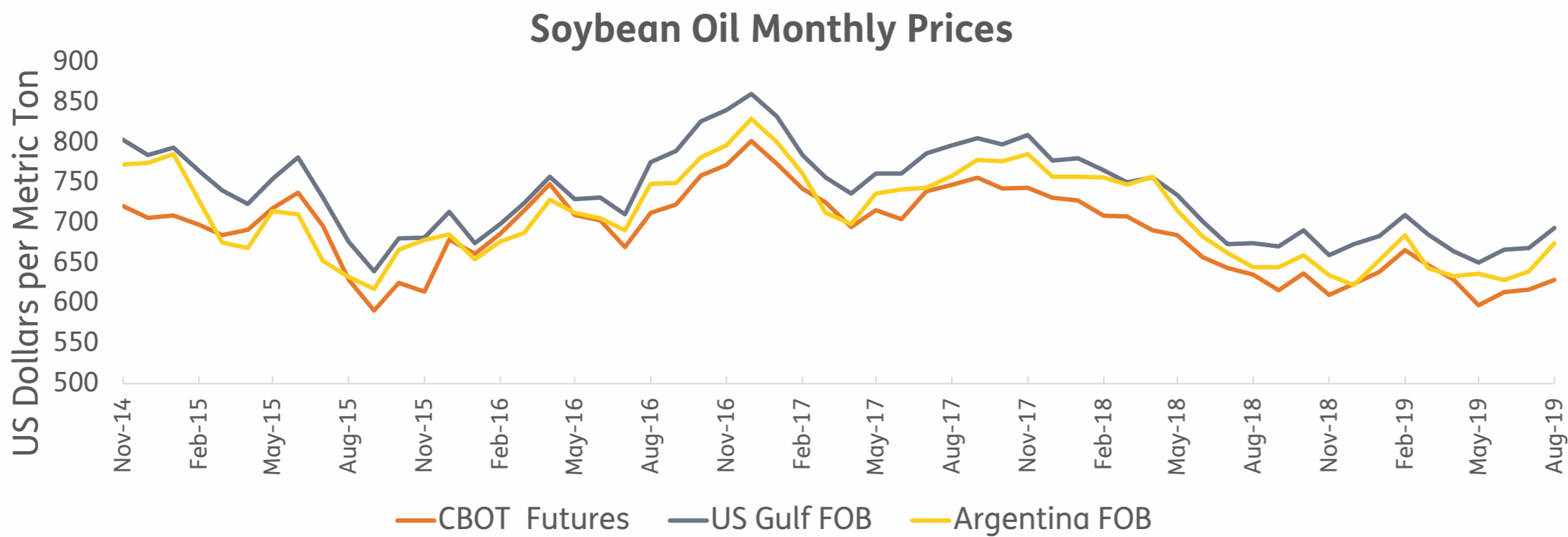
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## SBO Exports Trend (1,000 MT)

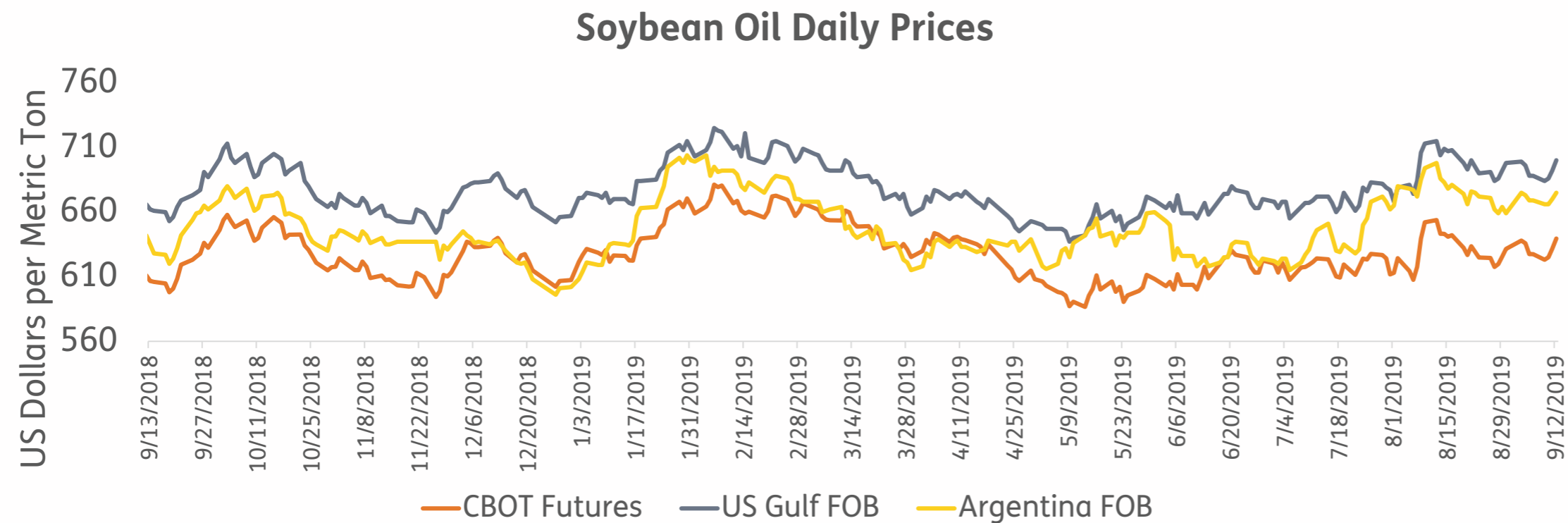




# Soybean Oil Prices Trends



	CBOT Futures	US Gulf FOB	Argentina FOB
8/15/2019	641	707	678
8/16/2019	642	708	681
8/19/2019	632	698	674
8/20/2019	627	693	666
8/21/2019	634	700	676
8/22/2019	629	695	675
8/23/2019	625	690	672
8/26/2019	625	691	671
8/27/2019	618	684	662
8/28/2019	620	686	659
8/29/2019	625	692	664
8/30/2019	631	698	659
9/3/2019	638	699	628
9/4/2019	636	696	673
9/5/2019	627	688	669
9/6/2019	627	688	669
9/9/2019	623	684	666
9/10/2019	625	686	666
9/11/2019	632	674	638
9/12/2019	640	700	675



# Soybean Oil Line up Data - Argentina

PORT	TERMINAL	VESSEL	STATUS	DATE	TONS	CARGO	SHIPPER AND/OR CHARTERER	DESTINATION
SAN LORENZO	RENOVA NORTH BERTH	SUNDORO	ETA REC	9/16/2019	30,000	SBO		EGYPT
SAN LORENZO	RENOVA SOUTH BERTH	STI GARNET	ETA SLZ	9/12/2019	18,000	SBO	LDC	INDIA
SAN LORENZO	RENOVA SOUTH BERTH	STI GARNET	ETA SLZ	9/12/2019	8,000	SBO	LDC	INDIA
SAN LORENZO	RENOVA TBC	LADY MALOU	ETA REC	9/20/2019	10,900	SBO	CARGILL	INDIA
SAN LORENZO	RENOVA TBC	CORONET	ETA REC	9/22/2019	21,000	SBO	LDC	INDIA
SAN LORENZO	RENOVA TBC	SONGA FORTUNE	ETA REC	9/23/2019	4,200	SBO	AGROGRAIN	EGYPT
SAN LORENZO	DREYFUS TIMBUES	STI GARNET	ETA SLZ	9/12/2019	5,000	SBO	LDC	BANGLADESH
SAN LORENZO	MINERA ALUMBRERA	FAIRCHEM STEED	ETA REC	9/17/2019	20,000	SBO	ADM	MOROCCO
SAN LORENZO	MINERA ALUMBRERA	CORONET	ETA REC	9/22/2019	16,000	SBO	LDC	INDIA
SAN LORENZO		MTM ROTTERDAM	AT ROADS		2,000	SBO (B)	CARGILL	ECUADOR
SAN LORENZO	ARAUCO ARGENTINA (EX ALTO	CELSIUS MALAGA	AT REC	9/11/2019	13,253	SBO	BUNGE	COLOMBIA
SAN LORENZO		SHANDONG ZIHE	ETA SLZ	9/16/2019	5,000	SBO (P)	CARGILL	PERU
SAN LORENZO	ARAUCO ARGENTINA (EX ALTO	SHANDONG ZIHE	ETA SLZ	9/16/2019	3,700	SBO (B)	CARGILL	COLOMBIA
SAN LORENZO	DEMPA	ALEJANDRA BOTTIGLIERI	ETA REC	9/25/2019	5,000	RSBO	BUNGE	SOUTH AFRICA
SAN LORENZO	AKZO NOBEL	GOLDENGATE PARK	ETF	9/12/2019	11,000	SBO	ADM	PERU
SAN LORENZO	AKZO NOBEL	STENA IMPORTANT	ETR CAMP	9/16/2019	30,000	SBO	PETROINEOS	EGYPT
SAN LORENZO	SAN BENITO	AGNES VICTORY	ETR SNIC	9/21/2019	15,000	SBO	COFCO	
SAN LORENZO	SAN BENITO	CORONET	ETA REC	9/22/2019	13,000	SBO	LDC	INDIA
SAN LORENZO	SAN BENITO	SONGA FORTUNE	ETA REC	9/24/2019	21,500	SBO	AGROGRAIN	EGYPT
ROSARIO	VILLA GOBERNADOR GALVEZ	LARGO MARINER	AT REC		25,000	SBO	CARGILL	INDIA
ROSARIO	VILLA GOBERNADOR GALVEZ	SHANDONG ZIHE	ETR	9/16/2019	22,000	SBO	CARGILL	
ROSARIO	DREYFUS VEGOIL TERMINAL	LARGO MARINER	AT REC	9/10/2019	8,000	SBO (P)	CARGILL	INDIA
RAMALLO	BUNGE TERMINAL	RT STAR	ETA RAM	9/17/2019	10,700	SBO	BUNGE	BRAZIL

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](mailto:juan.sacoto@informa.com)

[www.agribusinessintelligence.com](http://www.agribusinessintelligence.com)