



Soybean Oil Market Update

Prepared for



January 15, 2020

Soybean Oil Market Update

USDA ups 2019 US corn, soybean production

- > US corn and soybean production for 2019 is now even larger than the prior survey-based update in November with a portion of the crop still standing in fields in certain states.
- > US soybean production was increased slightly from 3.550 billion bushels to 3.558 billion bushels.
- > Planted acres decreased slightly from 76.5 million acres to 76.1 million acres while harvested acreage declined from 75.6 million acres to 75.0 million acres.
- > Yields per acre were increased from 46.9 bushels per acre to 47.4 bushels per acres.
- > *Soybean futures prices were not altered in any meaningful way as a response to the newly reported numbers as they were generally in line with industry expectations.*

Brazil set for agricultural production record

- > Brazil's total agricultural production in 2019/20 will be a new record and 2.5% above the prior season, according to the latest estimate from Brazil's National Supply Company (Conab).
- > Soybean production has accounted for most of the increase in total agricultural production as soybeans represent 49% of total agricultural production in Brazil and production is expected to reach 122.2 million MT in 2019/20, a 6.3% increase from 2018/19.
- > *Brazil is currently the largest exporter of soybeans, but exports are expected to decline as the US regains market share in China amid easing tensions, thus domestic use is expected to increase as well as an increase in stocks accumulation.*

Five years on, FGV still falls short on labor practices

- > Malaysian palm oil giant FGV has again been sanctioned by the Roundtable on Sustainable Palm Oil (RSPO) for failing to meet the watchdog's standards on labor practices in an ongoing investigation triggered by a Wall Street Journal article in 2015.
- > Among the concerns are FGV using undocumented workers and failing to provide suitable working conditions to employees.
- > *Concerns over treatment of workers in the palm oil industry provides additional hesitation to importers of palm oil in addition to environmental concerns.*

Soybean Oil Market Update

Crop concerns and firm soy boosting rapeseed prices

- > Canola futures edged up to new multi-month highs this week as tighter supplies and support from the soy complex led fundamentals.
- > The Winnipeg market took additional support from strong margins encouraging crusher demand and from a backtracking Canadian dollar, supporting both crush and export trade, the nearby month trading some of its best levels since January last year.
- > Paris futures hit their highest level since 2017 as weather challenges present challenges to an already low 2020 planted area of canola in Europe.
- > *Canola price rises have been lagging behind soy price rises amid large Canadian stocks but difficulties in Europe and Australia (drought/wildfires) are expected to put upward pressure on prices.*

Soybeans lower as favorable South America weather pressures

- > Soybean futures ended lower Monday January 13th as recent rainfall in Brazil and Argentina weighed on the market.
- > Crop conditions point to a record soybean crop in Brazil.
- > US Treasury Secretary Steven Mnuchin said Sunday that earlier discussions of annual purchases of \$40 billion to \$50 billion in US agricultural goods were still a part of the Phase One deal to be signed January 15th at the White House.
- > *The prospect of strong Chinese demand after the Phase One trade deal has been the strongest influencer of soybean futures in recent weeks as soybean futures trade comfortably above the \$9/bushel mark after straggling below for some time.*

MPOB Confirms Lower Palm Oil Production, Stocks Decline with Steady Exports (IEG Vantage)

- > The Malaysian Palm Oil Board (MPOB) reported that the country's palm oil stocks declined 11 percent during December as a decline in production of 13.3 percent only was partially offset by a less-than-one percent decline in exports.
- > The stocks declined at faster rate than the market anticipated.
- > *Prices moved up amid the release of the data and sentiment in the palm oil markets is bullish amid low production and stocks.*

Soybean Oil Market Update

Malaysia ponders Indian palm import curb

- > While palm oil prices in 2019 have recovered significantly, prices are expected to pullback as India plans to reduce imports from Malaysia amid tensions over Malaysia's stance on the disputed region of Kashmir.
- > Malaysian Prime Minister claimed that India had invaded and occupied Kashmir, a Muslim-majority region also claimed by Pakistan.
- > The curbs in Indian imports of palm oil are expected to boost India's domestic oil refiners.
- > In the first 11 months of 2019, after a cut in Indian import duties, India's total palm intake from Malaysia almost doubled to 4.27 million MT, accounting for a quarter of the latter's exports.
- > Palm oil exporters also face pressure from potential shipping disruptions as a result of escalating Middle East tensions.
- > *Amid a reduction in palm oil exports from India to Malaysia, palm oil exports from Indonesia to India would increase. Malaysia would need to find alternative trade partners, however Indonesia faces its own political tensions with the EU.*

Indonesia says WTO process against EU palm oil curb to start soon

- > Indonesia's government said that it expects to begin a World Trade Organization (WTO) process to resolve a dispute with the European Union over palm oil by the end of January 2020.
- > The EU aims to phase out the use of palm oil in biodiesel under its Renewable Energy Directive II amid environmental concerns over deforestation associated with palm oil cultivation.
- > Indonesian officials have repeatedly threatened to bring the palm oil dispute to WTO last year, but only finally lodged a formal lawsuit to the WTO on December 9th, 2019.
- > *While the resolution to the dispute is unknown at this time, it appears the European Union is well within its rights to ban palm oil for transportation fuel usage.*

United States: Soybean Oil Exports

US Annual Soybean Oil Exports

	(1,000 MT)			
	16/17	17/18	18/19	19/20 (F)
EU-28	1	1	1	0
China	133	1	0	0
South Korea	206	301	303	318
Rest of Asia/Oceania	28	23	35	38
Africa	61	28	17	42
Colombia	122	108	67	95
Dominican Republic	150	152	139	113
Mexico	265	167	126	113
Other West Hemis.	194	327	192	231
Total	1,159	1,108	881	952

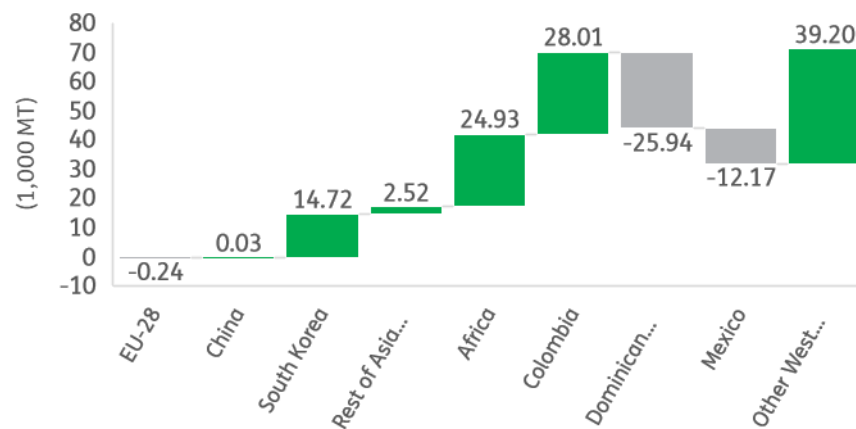
(F) = Informa Economics IEG Forecast

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

US Monthly Soybean Oil Exports

	(MT)				
	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19
EU-28	20	187	18	18	158
China	36	14	63	58	17
South Korea	38,752	23,888	10	55,984	43,951
Rest of Asia/Oceania	1,602	1,884	1,780	11,294	2,825
Africa	3	3	0	3	15,062
Colombia	26	6,465	2	2,516	37
Dominican Republic	7,519	11,541	26	18,470	7,689
Mexico	9,503	9,795	7,658	8,777	12,964
Other West Hemis.	21,609	21,329	12,431	17,430	29,498
Total	79,070	75,106	21,986	114,550	112,201

YTD Change in Exports (18/19 to 19/20)



Argentina: Soybean Oil Exports Update

Argentina Annual Soybean Oil Exports

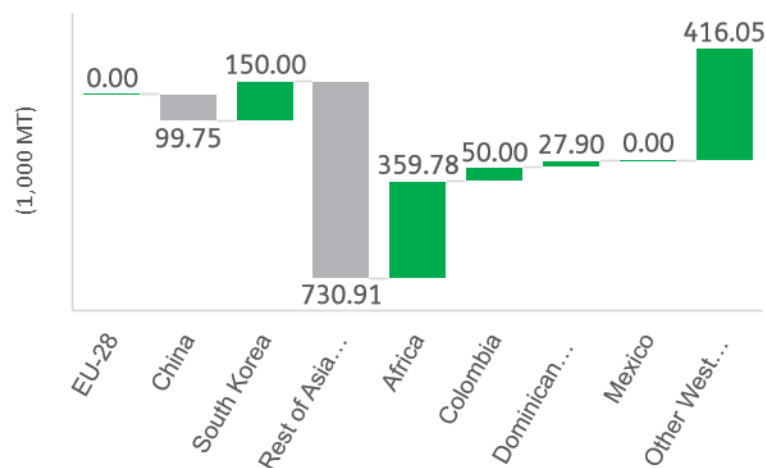
	(1,000 MT)			
	16/17	17/18	18/19	19/20 (F)
EU-28	0	0	0	0
China	0	27	175	75
South Korea	138	4	0	150
Rest of Asia/Oceania	3,742	2,958	4,162	3,431
Africa	644	651	420	780
Colombia	32	0	0	50
Dominican Republic	14	2	0	28
Mexico	0	0	0	0
Other West Hemis.	818	513	470	886
Total	5,387	4,155	5,227	5,400

(F) = Informa Economics IEG Forecast

Argentina Monthly Soybean Oil Exports

(1,000 MT)	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19
EU-28	0	0	0	0	0
China	0	0	0	0	0
South Korea	0	0	0	0	0
Rest of Asia/Oceania	655	562	484	634	364
Africa	0	0	0	0	0
Colombia	2	2	2	2	1
Dominican Republic	0	0	0	0	0
Mexico	0	0	0	0	0
Other West Hemis.	92	8	148	102	50
Total	749	572	634	738	415

YTD Change in Exports (18/19 to 19/20)



Soybean Oil Balance Tables for US and Argentina

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

	15/16	16/17	17/18	18/19	19/20 (F)
Carryin (Oct 1)	841	765	776	903	805
Production	9,956	10,035	10,783	10,975	10,947
Imports	130	145	152	180	204
Total Supply	10,928	10,945	11,711	12,058	11,957
Domestic Use	9,146	9,009	9,700	10,372	10,319
Biodiesel	2,582	2,812	3,236	3,567	3,629
Non-Biodiesel	6,564	6,197	6,464	6,805	6,690
Exports	1,017	1,160	1,108	881	953
Total Use	10,163	10,169	10,808	11,253	11,272
Carryout (Sep 30)	765	776	903	805	685

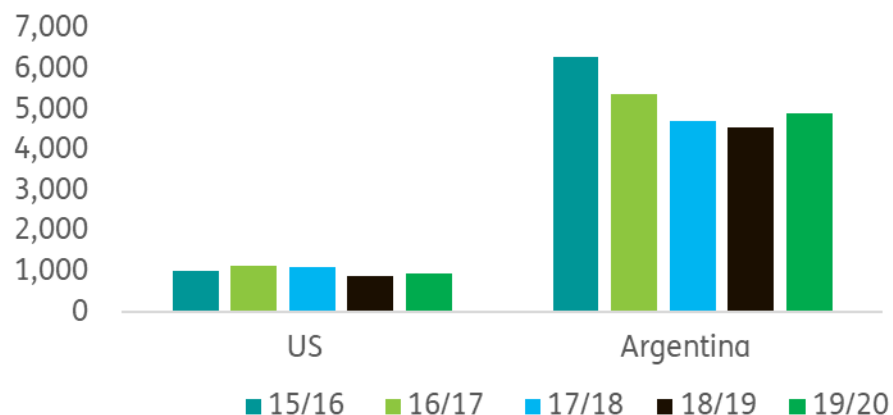
(F) = Informa Economics IEG Forecast

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

	15/16	16/17	17/18	18/19	19/20 (F)
Carryin (Apr 1)	196	337	259	310	170
Production	8,755	8,381	7,923	7,179	8,257
Imports	5	0	0	0	5
Total Supply	8,955	8,718	8,182	7,489	8,431
Domestic Use	2,448	2,995	3,202	2,613	3,362
Biodiesel	1,909	2,826	2,968	2,401	2,854
Non-Biodiesel	398	247	183	352	402
Exports	6,312	5,386	4,721	4,566	4,900
Total Use	8,619	8,459	7,872	7,319	8,156
Carryout (Mar 31)	337	259	310	170	275

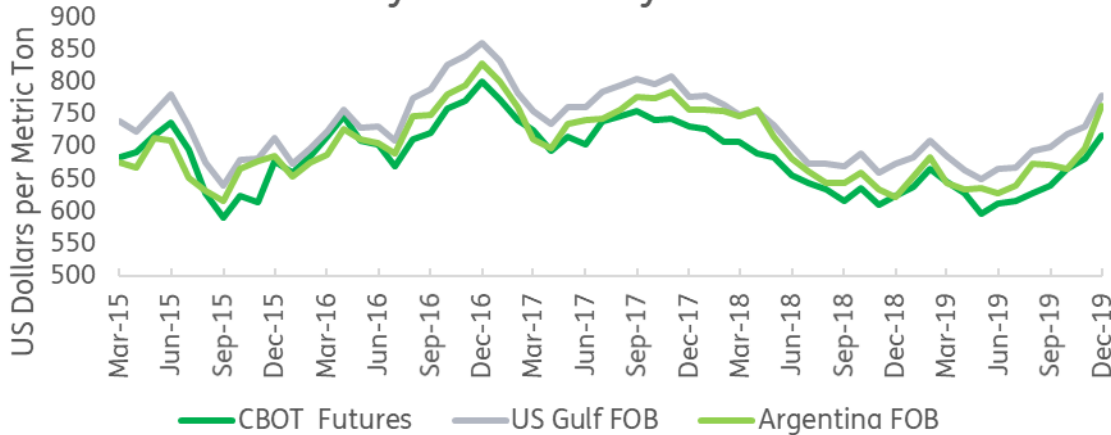
(F) = Informa Economics IEG Forecast

SBO Exports Trend (1,000 MT)

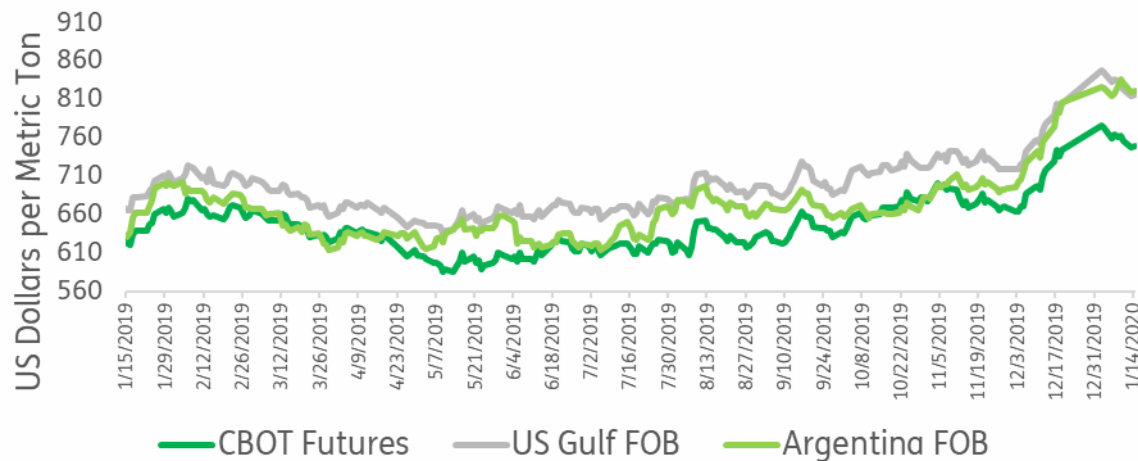


Soybean Oil Prices Trends

Soybean Oil Monthly Prices



Soybean Oil Daily Prices



	CBOT Futures	US Gulf FOB	Argentina FOB
12/6/2019	688	743	729
12/9/2019	696	757	741
12/10/2019	698	759	744
12/11/2019	693	754	735
12/12/2019	711	771	755
12/13/2019	719	779	761
12/16/2019	731	791	775
12/17/2019	746	806	794
12/18/2019	737	798	794
12/19/2019	745	806	807
12/18/2019	737	798	794
12/19/2019	745	806	807
1/2/2020	777	849	827
1/3/2020	773	845	628
1/6/2020	761	833	815
1/7/2020	766	838	819
1/9/2020	764	830	838
1/10/2020	757	823	832
1/13/2020	748	674	638
1/14/2020	751	817	822

Note: Prices were unavailable over the holidays.

Soybean Oil Line up Data - Argentina

PORT	TERMINAL	VESSEL	STATUS	DATE	TONS	CARGO	SHIPPER AND/OR CHARTERER	DESTINATION
SAN LORENZO	RENOVA NORTH BERTH	STAVANGER	ETA REC	14-Jan	28,100	SBO	BUNGE	INDIA
SAN LORENZO	RENOVA NORTH BERTH	ALPINE MATHILDE	ETA REC	19-Jan	28,000	SBO	CARGILL	INDIA
SAN LORENZO	RENOVA NORTH BERTH	MAERSK MEDITERRANEAN	ETA REC	20-Jan	33,000	SBO	GLENCORE	INDIA
SAN LORENZO	RENOVA NORTH BERTH	UACC RAS LAFFAN	ETA REC	21-Jan	1,800	SBO	ADM	INDIA
SAN LORENZO	COFCO INTL. NORTH BERTH EX	STENA PROVENCE	ETA REC	22-Jan	25,500	SBO	COFCO	INDIA
SAN LORENZO	MINERA ALUMBRERA	TORM TITAN	ETF	15-Jan	32,000	SBO	WILMAR	INDIA
SAN LORENZO	MINERA ALUMBRERA	UACC RAS LAFFAN	ETA REC	21-Jan	13,000	SBO	ADM	INDIA
SAN LORENZO	MINERA ALUMBRERA	STENA PROVENCE	ETA REC	21-Jan	9,000	SBO	COFCO	INDIA
SAN LORENZO		BATTERSEA PARK	ETA REC	21-Jan	23,000	SBO	CARGILL	PERU
SAN LORENZO		STENA PROVENCE	ETA REC	22-Jan	10,000	SBO	COFCO	INDIA
SAN LORENZO	DEMPEA	STAVANGER	ETA REC	14-Jan	4,100	RSBO	BUNGE	SOUTH AFRICA
SAN LORENZO	VICENTIN	RHL DRESDEN	ETA REC	23-Jan	6,500	RSBO	GLENCORE	
SAN LORENZO	SAN BENITO	LIBERTY	ETF	14-Jan	36,500	SBO	AVERE	INDIA
ROSARIO	VILLA GOBERNADOR GALVEZ	CHEMBULK SINGAPORE	AT ROADS		18,820	SBO	CARGILL	INDIA
ROSARIO	DREYFUS VEGOIL TERMINAL	ATHLOS	ETA REC	16-Jan	10,000	SBO (P)	LDC	BANGLADESH
ROSARIO	DREYFUS VEGOIL TERMINAL	ATHLOS	ETA REC	16-Jan	2,000	SBO	LDC	BANGLADESH
ROSARIO	DREYFUS VEGOIL TERMINAL	ATHLOS	ETA REC	16-Jan	20,000	SBO	LDC	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)

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