



Soybean Oil Market Update

Prepared for



March 15, 2020

Soybean Oil Market Update

Argentina confirms soy export tax increase

- > The Argentine government officially announced a change in its export tax policy imposed on agricultural products on March 5th.
- > In a decree signed by Argentine President Alberto Fernández, the key change concerned soy exports and its by-products, which moved from the current rate of 30% to 33%.
- > However small producers, with a production rate of up to 500 MT per year, will pay an export tax between 24% and 30%, while medium-sized producers, with production levels ranging from 501-1,000 MT per year, will be tariffed at 30%.
- > The measures have angered the country's producers who claim that increasing taxes will lead to losses in Argentina's competitiveness within the international market. Argentina farm groups are expected to hold a four-day sales strike next week as a result.
- > *Argentina's prominence in the global soybean market makes it a favored target of the government when it needs to raise revenues, so future increases in export tax rates are likely.*

Brazil's soy export estimate raised on Chinese demand

- > IEG Vu has increased its estimate for Brazil soybean exports owed to already completed Chinese purchases.
- > For the current 2019/20 season Brazilian soy exports are pegged at 78 million MT, a 5% year-on-year increase, however, this will still be a decrease over 2018's record 83.2 million MT.
- > *Factors which should impact Brazilian exports favorably are; exchange rates, Argentina's pending soy tax and the 27% Chinese import duty on US soybean.*

Rapeseed follows the herd

- > Rapeseed markets predictably joined the bearish trend driven by the Coronavirus impact on markets in general.
- > While the Winnipeg market was more erratic, reflecting volatility in the much larger soy complex, Paris futures saw a more emphatic drop amid the uncertainty over future energy demand – a major factor in European rapeseed oil consumption.
- > *Declines in both markets were moderated to some extent by the need to continue factoring in this season's weaker rapeseed supply and expected global stock drawdowns.*

Soybean Oil Market Update

USDA March Update: Steady US balance sheets for key crops

- > USDA analysts made few changes to their US crop balance sheet outlooks for 2019/20, with global adjustments where more movement took place. But even those adjustments were not significant.
- > USDA maintained its balance sheet for soybeans from February, not adjusting usage or supply categories. The only shift was a decline in the forecast season average price to \$8.70 per bushel, down five cents from February.
- > Global soybean production is up on increases for Argentina and Brazil. USDA raised Argentina's crop to 54 million MT, up 1 million MT, while Brazil's crop is now pegged at 126 million MT, also up 1 million MT.
- > "Argentina's larger crop is due to overall favorable conditions in higher yielding central and northwestern farming areas," USDA said.
- > *Increased production forecasts for Brazil and Argentina in today's USDA March WASDE report weren't enough to keep the soybean complex markets from trading higher while most markets were in recovery mode after losses on March 9th.*

Soybeans futures plunge along with most markets (Monday March 9th)

- > Soybean futures traded sharply lower on Monday March 9th along with most markets after a selloff started in crude oil futures caused spill over pressure.
- > May soybean futures lost 21 1/4 cents to end the day at USD8.70.
- > The big decline in crude oil and equities to open the week provided much of the pressure on soybean futures as it sparked concern about the strength of the general US economy.
- > *In terms of the soy complex, soybean oil suffered the most severe declines after a historical drop in crude oil futures undermined most markets.*

Soybean Oil Market Update

Brazilian soy producers hold early sales on good harvest and high prices

- > Soy producers in Brazil took advantage of the good harvest pace and high prices to make early sales.
- > Early March saw the Brazilian soy market moved forward its sales of the 2019/20 season, which totaled more than two-thirds of the estimated production in the Midwest and Mapitoba.
- > The early sales were made given the sharp increase in the exchange rate and port premiums, at USD0.45/bushel on April contract in Paranguá port.
- > *Good demand from the biofuel and animal protein sectors, encouraged soy purchases by crushers, despite decreasing operational margins.*

USDA-NASS Reports Record January Crush; IEG Vantage Increases Forecast (IEG Vantage)

- > USDA-NASS reported a record high January crush of 188.8 million bushels, which was 2.5 million bushels above IEG Vantage's pre-report forecast.
- > IEG Vantage raised its 2019/20 crush forecast by five million bushels to 2,095 million bushels, which tightened projected endings stocks to 457 million bushels.
- > *IEG Vantage anticipates increased export market competition from South American suppliers despite recent assertions that Argentina's export tax policy may decrease the major crush product supplier's competitiveness. In recent weeks, a record US crush pace was driven by higher domestic usage.*

November Biodiesel Production Increases, Soybean oil Usage Below IEG Forecast (IEG Vantage)

- > November Biodiesel Production Increases, soybean oil Usage Below IEG Forecast The Energy Information Administration (EIA) estimated December biodiesel production at 133 million gallons, which was up six million gallons from November production but down 35 million gallons from production a year ago and 20 million gallons below IEG Vantage's forecast.
- > *IEG Vantage anticipated a greater impact from US Congress's reapproval of the \$1 per gallon blenders tax credit, but the impact was not seen in the short term.*

Soybean Oil Market Update

Biofuels “will drive massive increase” in palm and soy demand by 2030, warn NGOs

- > Current global biofuel policies are likely to lead to a massive increase in demand for palm oil and soy by 2030, bringing with it increased deforestation, Rainforest Foundation Norway has said in a report out this week.
- > Under a high demand scenario, total demand for palm oil may increase by 61 million MT, equal to 90% of current palm oil production, and demand for soy oil may increase by 41 million MT, almost 75% of current production, the NGO calculates in the report.
- > *Environmental concerns remain a significant challenge to the growth of biofuels, although reduced carbon emissions from the use of biofuels as opposed to fossil fuels present an environmental benefit.*

US soy near seven-month lows - but Brazil cheaper still

- > Fears that Coronavirus and other factors would slow US exporters' sales recovery under the Sino-US 'phase one deal' contributed to another sharp setback in prices early in the week.
- > Top importer China has remained a light buyer of US beans as questions persist over its oil and meal needs amid cutbacks in food oil and animal feed consumption – although Beijing did announce more tariff exemptions on US beans if its crushers want them.
- > *The overall economic downturn is expected to drive commodity prices lower across the board.*

Palm tries to rally amid mixed input

- > Hammered down to five-month lows on Monday by weak demand and collapsing energy markets, Malaysian Bursa palm oil futures were trying to claw back value mid-week, amid mixed input on the fundamental side.
- > February exports falling by almost 11% as less went to India, China and the EU.
- > Malaysian production meanwhile jumped 10% on the month but remained sharply down on the year, leaving January/February combined 25% lower.
- > The USDA update cut 1 million MT off current season's global palm oil consumption but this remains about 2% higher than in 2018/19.
- > *Weak energy markets will weigh on palm oil prices as biodiesel prices typically move with petroleum diesel prices.*

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	34
Africa	61	28	17	93
Colombia	122	108	67	73
Dominican Republic	150	152	139	113
Mexico	265	167	126	113
Other West Hemis.	194	327	192	243
Total	1,159	1,108	881	987

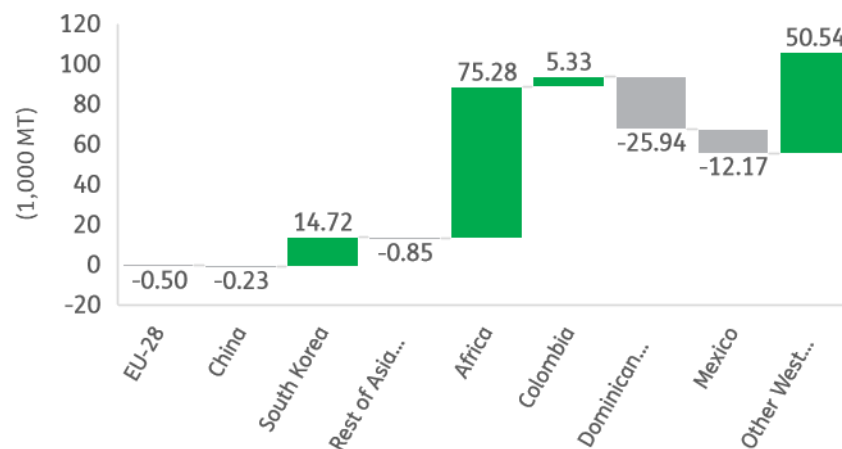
(F) = IEG Vantage Forecast

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

US Monthly Soybean Oil Exports

	(MT)				
	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20
EU-28	18	18	158	0	20
China	63	58	17	92	32
South Korea	10	55,984	43,951	10,017	40
Rest of Asia/Oceania	1,780	11,294	2,825	1,483	1,555
Africa	0	3	15,062	0	21,003
Colombia	2	2,516	37	39,091	5,460
Dominican Republic	26	18,470	7,689	3,634	2,955
Mexico	7,658	8,777	12,964	17,805	14,525
Other West Hemis.	12,431	17,430	29,498	11,457	11,154
Total	21,986	114,550	112,201	83,579	56,744

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



Argentina: Soybean Oil Exports Update

Argentina Annual Soybean Oil Exports

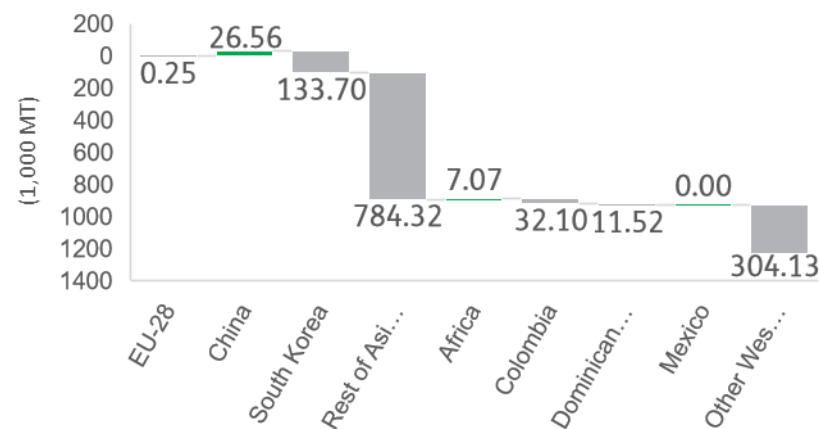
	(1,000 MT)			
	16/17	17/18	18/19	19/20 (F)
EU-28	0	0	0	0
China	558	1	0	27
South Korea	111	185	138	4
Rest of Asia/Oceania	3,188	4,005	3,742	2,958
Africa	401	823	644	651
Colombia	0	17	32	0
Dominican Republic	49	55	14	2
Mexico	0	0	0	0
Other West Hemis.	786	613	818	513
Total	5,094	5,698	5,387	4,155

(F) = IEG Vantage Forecast

Argentina Monthly Soybean Oil Exports

	(1,000 MT)	Aug-19	Sep-19	Oct-19	Nov-19	Dec-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		562	484	634	364	548
Africa		0	0	0	0	0
Colombia		2	2	2	1	1
Dominican Republic		0	0	0	0	0
Mexico		0	0	0	0	0
Other West Hemis.		8	148	102	50	77
Total		572	634	738	415	626

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)

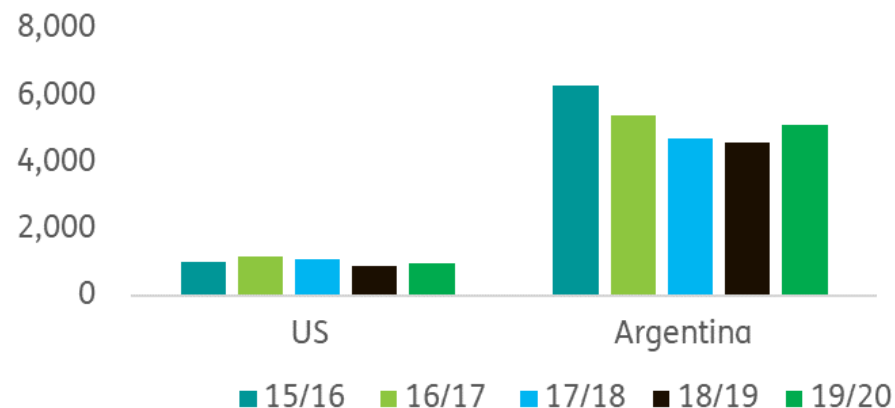
	15/16	16/17	17/18	18/19	19/20 (F)
Carryin (Oct 1)	841	765	776	905	805
Production	9,956	10,035	10,783	10,975	10,909
Imports	130	144	152	180	170
Total Supply	10,928	10,944	11,711	12,061	11,885
Domestic Use	9,146	9,009	9,698	10,374	10,206
Biodiesel	2,582	2,812	3,236	3,567	3,583
Non-Biodiesel	6,564	6,196	6,462	6,808	6,622
Exports	1,017	1,160	1,108	881	953
Total Use	10,163	10,168	10,806	11,255	11,158
Carryout (Sep 30)	765	776	905	805	726

(F) = IEG Vantage Forecast

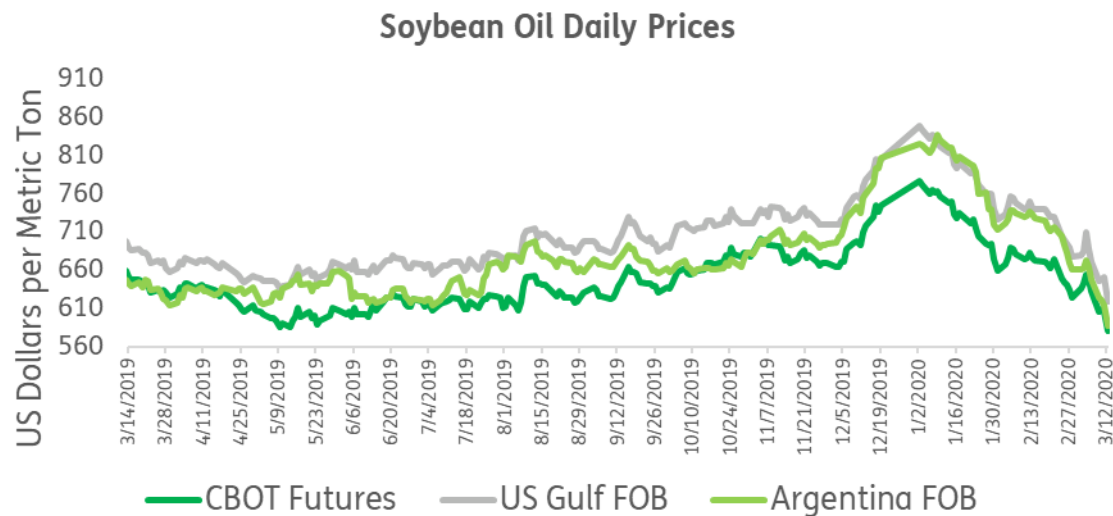
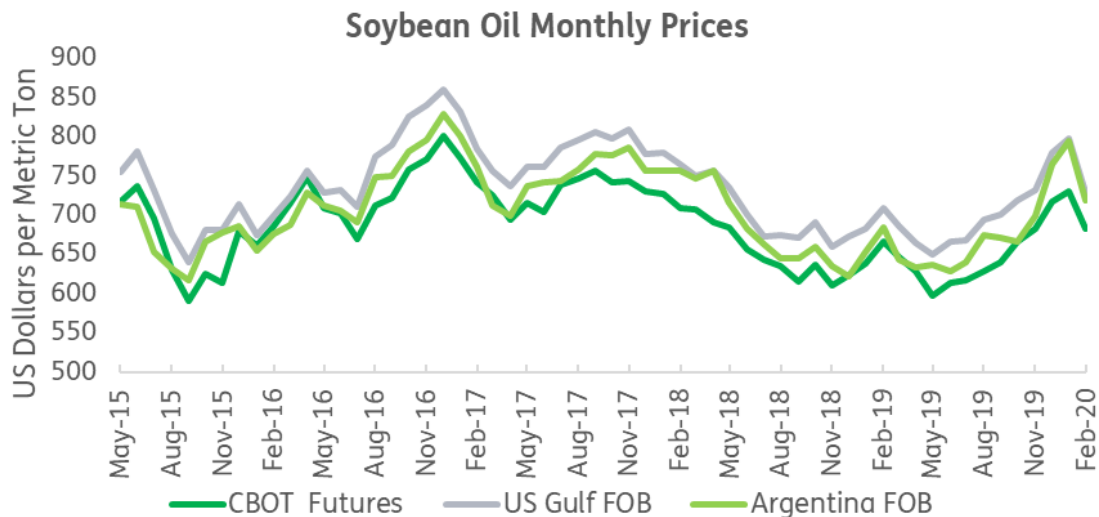
Argentina Soybean Oil Supply and Demand (1,000 MT)

	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	7,903
Imports	5	0	0	0	5
Total Supply	8,955	8,718	8,182	7,489	8,077
Domestic Use	2,307	3,073	3,151	2,753	2,702
Biodiesel	1,909	2,826	2,968	2,401	2,407
Non-Biodiesel	398	247	183	352	295
Exports	6,312	5,386	4,721	4,566	5,100
Total Use	8,619	8,459	7,872	7,319	7,802
Carryout (Mar 31)	337	259	310	170	275

SBO Exports Trend (1,000 MT)



Soybean Oil Prices Trends



	CBOT Futures	US Gulf FOB	Argentina FOB
2/12/2020	684	750	738
2/13/2020	677	743	734
2/14/2020	674	740	729
2/18/2020	672	740	725
2/19/2020	669	735	717
2/20/2020	664	730	713
2/21/2020	675	731	717
2/24/2020	650	705	NA
2/25/2020	644	700	NA
2/26/2020	641	696	683
2/27/2020	636	691	670
2/28/2020	624	679	661
3/2/2020	637	681	662
3/3/2020	643	685	628
3/4/2020	656	711	674
3/5/2020	648	689	666
3/6/2020	634	672	648
3/9/2020	607	646	629
3/10/2020	610	649	621
3/11/2020	607	651	615
3/12/2020	582	620	588

Soybean Oil Lineup Data - Argentina

PORT	TERMINAL	VESSEL	STATUS	DATE	TONS	CARGO	SHIPPER AND/OR CHARTERER	DESTINATION
SAN LORENZO	RENOVA NORTH BERTH	AQUADISIAC	ETR ZTE	17-Mar	14,500	SBO	ADM	INDIA
SAN LORENZO	RENOVA NORTH BERTH	AQUADISIAC	ETR ZTE	17-Mar	2,475	SBO	ADM	BANGLADESH
SAN LORENZO	DREYFUS TIMBUES	ATLANTIC LILY	ETR CAMP	15-Mar	6,010	SBO	LDC	INDIA
SAN LORENZO	DREYFUS TIMBUES	ATLANTIC LILY	ETR CAMP	15-Mar	7,000	SBO	LDC	INDIA
	COFCO INTL. NORTH BERTH EX	ATLANTIC LILY	ETR CAMP	15-Mar	5,000	SBO	LDC	INDIA
SAN LORENZO	MINERA ALUMBRERA	CELSIUS RANDERS	ETF	13-Mar	16,500	SBO	BUNGE	INDIA
SAN LORENZO	MINERA ALUMBRERA	ATLANTIC BREEZE	ETA REC	20-Mar	20,000	SBO	ADM	EGYPT
SAN LORENZO	PARANA)	SEA EAGLE	ETR KM 168	16-Mar	18,000	SBO	CARGILL	INDIA
SAN LORENZO	PARANA)	SHAMROCK JUPITER	ETA REC	23-Mar	10,000	SBO	CARGILL	PERU
SAN LORENZO	(EX NIDERA FERTILIZANTES)	BOW COMPASS	ETA REC	17-Mar	3,000	SBO		BRAZIL
SAN LORENZO	TRANSITO (ADM AGRO)	NAVE LUMINOSITY	ETF	13-Mar	15,000	SBO (P)	ADM	INDIA
SAN LORENZO	TRANSITO (ADM AGRO)	AQUADISIAC	ETR ZTE	17-Mar	12,000	SBO (P)	ADM	INDIA
SAN LORENZO	DEMPA	SHAMROCK JUPITER	ETA REC	23-Mar	3,500	RSBO	BUNGE	SOUTH AFRICA
SAN LORENZO	SAN BENITO	CTG MAGNESIUM	ETA SLZ	13-Mar	10,000	SBO	CARGILL	PERU
SAN LORENZO	SAN BENITO	THELMA VICTORY	ETA REC	14-Mar	8,000	SBO	COFCO	INDIA
SAN LORENZO	SAN BENITO	SEA EAGLE	ETR KM 168	16-Mar	4,000	SBO	CARGILL	INDIA
SAN LORENZO	SAN BENITO	ATLANTIC BREEZE	ETA REC	20-Mar	11,500	SBO	ADM AGRO	EGYPT
ROSARIO	VILLA GOBERNADOR GALVEZ	SHAMROCK JUPITER	ETA REC	23-Mar	10,000	SBO	BUNGE	PERU
ROSARIO	DREYFUS VEGOIL TERMINAL	ATLANTIC LILY	ETR ROS	13-Mar	7,000	SBO (P)	LDC	BANGLADESH

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@ihsmarkit.com
www.agribusinessintelligence.com

IHS Markit Customer Care

CustomerCare@ihsmarkit.com

Americas: +1 800 IHS CARE (+1 800 447 2273)

Europe, Middle East, and Africa: +44 (0) 1344 328 300

Asia and the Pacific Rim: +604 291 3600

Disclaimer

The information contained in this presentation is confidential. Any unauthorized use, disclosure, reproduction, or dissemination, in full or in part, in any media or by any means, without the prior written permission of IHS Markit or any of its affiliates ("IHS Markit") is strictly prohibited. IHS Markit owns all IHS Markit logos and trade names contained in this presentation that are subject to license. Opinions, statements, estimates, and projections in this presentation (including other media) are solely those of the individual author(s) at the time of writing and do not necessarily reflect the opinions of IHS Markit. Neither IHS Markit nor the author(s) has any obligation to update this presentation in the event that any content, opinion, statement, estimate, or projection (collectively, "information") changes or subsequently becomes inaccurate. IHS Markit makes no warranty, expressed or implied, as to the accuracy, completeness, or timeliness of any information in this presentation, and shall not in any way be liable to any recipient for any inaccuracies or omissions. Without limiting the foregoing, IHS Markit shall have no liability whatsoever to any recipient, whether in contract, in tort (including negligence), under warranty, under statute or otherwise, in respect of any loss or damage suffered by any recipient as a result of or in connection with any information provided, or any course of action determined, by it or any third party, whether or not based on any information provided. The inclusion of a link to an external website by IHS Markit should not be understood to be an endorsement of that website or the site's owners (or their products/services). IHS Markit is not responsible for either the content or output of external websites. Copyright © 2019, IHS Markit®. All rights reserved and all intellectual property rights are retained by IHS Markit.



IHS Markit®