



# Soybean Oil Market Update

Prepared for



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# Soybean Oil Market Update

## Weak oil again weighs on soy complex

- > Soy oil prices slumped close to their mid-March, multi-year lows the week ending April 24<sup>th</sup> as concern deepened about lost demand from the food and biodiesel sectors.
- > Global soybean production is down about 20 million MT this season but large stocks were carried in from 2018/19, keeping the complex overall in a large surplus position.
- > Large stocks has allowed soybean oil production to continue growing while consumption is below expectations.
- > China returned to buy some US soybeans after months of ignoring its once major supplier.
- > *Soybean prices approached the \$8.00/USD level as a result of poor demand, which has served as a market floor for the past decade.*

## Palm waits on Indian developments

- > Fears that India's coronavirus lockdowns will damage demand from the largest palm importer kept the Malaysian futures market for the oil on the back foot this week.
- > India imports almost 10 million MT of palm oil a year, nearly a fifth of the world total. Producers had been hoping that a recent thawing of political relations with India might help revive ailing Malaysian exports.
- > News of declining crude oil consumption has caused pessimism regarding palm oil for biodiesel demand despite an increase from a 20 percent blend ratio in Indonesia to 30 percent.
- > *A low price palm oil environment may shift buying habits of vegetable oil importers to substitute other oils for palm oil.*

# Soybean Oil Market Update

## Brazilian association reduces soy estimate

- > Brazil is expected to harvest 120 million MT of soy in the 2019/2020 season, according to Aprosoja Brasil (Brazilian Association of Soy Producers), compared to March's estimate of 120.6 million MT.
- > Brazilian production should be higher than the US, with 97 million MT and Argentina, with 65 million MT. Together the three countries make up 81% of global soy production.
- > On average, 50% of Brazil's soy is destined for export and 25% of the world's soybean meal exports come from Brazil.
- > China is expected to maintain its purchasing power despite Covid-19. China imported 82 million MT of soy in 2019 and is expected to import 85 million MT this year.
- > As China recovers from the coronavirus pandemic and ASF (African Swine Fever), the country continues to import soy and meat from the international market and with the resumption of its domestic animal protein production, this should also increase the consumption of soy.
- > *Despite an initial phase one trade agreement between the US and China, Brazil remains a favored exporter of soy into China.*

## Rapeseed wilts with oil trend

- > Canola futures came under downward pressure from several directions this week – collapsing energy markets, weaker soy and palm and, in Canada, an expected flush of late old-crop supplies from the delayed 2019 harvest.
- > Canada's own consumption has been strong recently but exports have slowed, allowing the higher commercial deliveries to weigh on the domestic price.
- > European markets also wilted with one eye on the Canadian trend.
- > *The weakness of other vegetable oil markets affects canola – dependent for crush profitability on its high oil content - more than most other oilseeds.*

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## China has a growing appetite for olive oil from Spain

- > A growing number of countries are joining the competition in China's olive oil market. Spain remains strong while Chile outpaced others.
- > Some agricultural products such as olive oil, avocado, kiwi fruits and asparagus are known as Chinese middle-class treats for health. Post Covid-19, Chinese consumers will pay even more attention to products with perceived health claims. The growth in demand is expected to continue regardless of the current depressed economy.
- > China has very limited planted areas for olives, which are dedicated for crushing to oil and relies on imports.
- > *China imported 40% more olive oil in 2019 as compared to 2018 with imports reaching 50,420 MT. The quantities of imported olive oil pale in comparison to the quantities of cheaper oils such as soybean oil, but as vegetable oil prices are depressed across the board, there is greater incentive to use more expensive, higher quality oils such as olive oil for food use.*

## Feed demand fears take on more substance for soy

- > Fears that meal demand would take a bigger hit from corona lockdowns and broader recessionary factors appeared to be taking on more substance in mid-April as several big US meat packers closed or slowed production.
- > The US livestock and poultry industries had been expected to consume about 33.7 million MT of soy meal this season, up from 32.7 million MT in 2018/19. Globally, soy meal consumption was expected to expand from 230 million MT to over 236 million MT.
- > The CBOT meal price has eroded by almost 10% from its late March levels but is down by only some 4% or so for the year to date – unlike soybean oil, which has lost 22% of value under pressure from weak palm oil and fears of sliding demand from closed restaurants.
- > *While meat production supply chains have been disrupted by Covid-19, retail demand for meat products remains strong although food service purchases have declined significantly amid restaurant closures.*

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## China Purchases US Soybeans For 2020/21 Delivery (IEG Vantage)

- > During the week ending August 24<sup>th</sup>, USDA, via its daily reporting system, announced three separate soybean sales to China that totaled 606,000 MT for delivery during the 2019/20 marketing year.
- > Purchase commitments from other key regions, including Europe, also are lagging, which increases the importance of additional sales to China.
- > *As of April 16, total US export commitments were 82 percent of IEG Vantage's projection for 2019/20 US exports, which is 80 million bushels below USDA's. This represents the slowest commitments pace during the past five years.*

## Currency movements boost Brazilian soy prices

- > The sharp rise in the exchange rate drove Brazilian soy prices up the last week in April.
- > Brazilian soy prices rose sharply to BRL96.00 per 60 kilos bag last Friday (April 24<sup>th</sup>), in the Mato Grosso state, from BRL92.00 per 60 kilos bag a week earlier and BRL88.00 a month ago.
- > Port premiums also increased; in Paranaguá port to 65 US cents per bushel for the May contract and up to 90¢/bushel for the August contract.
- > However, in US dollar terms, prices fell to USD7.68/bushel, compared to USD7.97/bushel a week earlier and from USD7.93/bushel a month ago. The US dollar closed at BRL/USD5.668 on Friday.
- > *Brazil's currency has been losing value amid political instability including potential impeachment of President Jair Bolsonaro.*

## Argentina exits Mercosur talks

- > Argentina has announced it will no longer participate in Mercosur trade negotiations and instead focus on domestic policies amidst the Covid-19 pandemic.
- > The Argentinean government disagrees with the idea of opening up the economy further in this time of crisis.
- > *Potential new markets for Argentina's soy are not imminent given the shift of focus to domestic affairs.*

# 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	363
Rest of Asia/Oceania	28	23	35	35
Africa	61	28	17	110
Colombia	122	108	67	104
Dominican Republic	150	152	139	136
Mexico	265	167	126	113
Other West Hemis.	194	327	192	272
<b>Total</b>	<b>1,159</b>	<b>1,108</b>	<b>881</b>	<b>1,134</b>

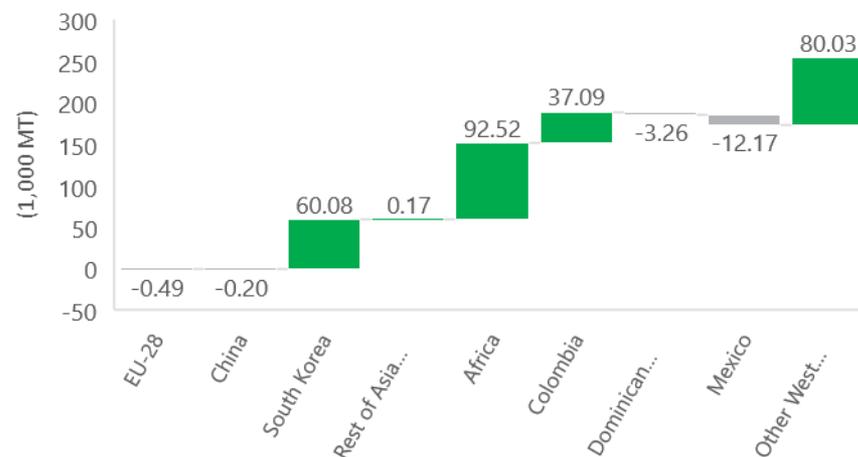
(F) = IEG Vantage Forecast

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

## US Monthly Soybean Oil Exports

	(MT)				
	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
EU-28	18	158	0	20	9
China	58	17	92	32	27
South Korea	55,984	43,951	10,017	40	41,710
Rest of Asia/Oceania	11,294	2,825	1,483	1,555	2,434
Africa	3	15,062	0	21,003	50,000
Colombia	2,516	37	39,091	5,460	18,002
Dominican Republic	18,470	7,689	3,634	2,955	10,682
Mexico	8,777	12,964	17,805	14,525	12,247
Other West Hemis.	17,430	29,498	11,457	11,154	44,624
<b>Total</b>	<b>114,550</b>	<b>112,201</b>	<b>83,579</b>	<b>56,744</b>	<b>179,735</b>

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



# Argentina: Soybean Oil Exports Update

## Argentina Annual Soybean Oil Exports

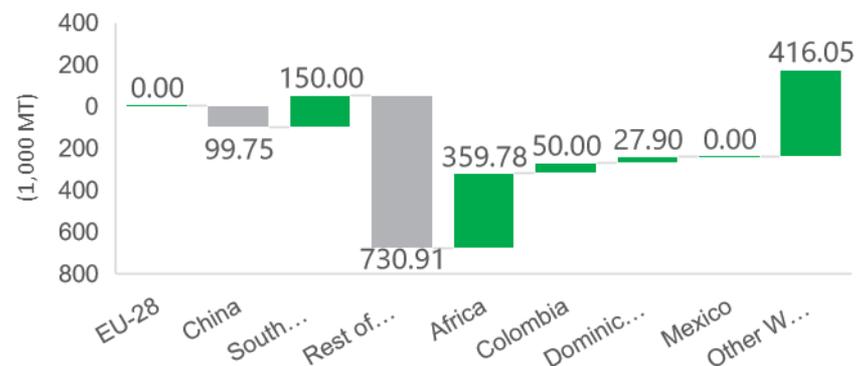
	(1,000 MT)			
	16/17	17/18	18/19	19/20 (F)
EU-28	0	0	0	0
China	0	27	175	75
South Korea	138	4	0	150
Rest of Asia/Oceania	3,742	2,958	4,162	3,431
Africa	644	651	420	780
Colombia	32	0	0	50
Dominican Republic	14	2	0	28
Mexico	0	0	0	0
Other West Hemis.	818	513	470	886
<b>Total</b>	<b>5,387</b>	<b>4,155</b>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

(F) = IEG Vantage Forecast

## Argentina Monthly Soybean Oil Exports

	(1,000 MT)	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
EU-28		0	0	0	0	0
China		0	0	0	0	0
South Korea		0	0	0	0	0
Rest of Asia/Oceania		634	364	548	660	465
Africa		0	0	0	0	0
Colombia		2	1	1	1	0
Dominican Republic		0	0	0	0	0
Mexico		0	0	0	0	0
Other West Hemis.		102	50	77	71	29
<b>Total</b>		<b>738</b>	<b>415</b>	<b>626</b>	<b>732</b>	<b>494</b>

## 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	11,278
Imports	130	144	152	180	159
<b>Total Supply</b>	10,928	10,944	11,711	12,061	12,242
Domestic Use	9,146	9,009	9,698	10,375	10,246
Biodiesel	2,582	2,812	3,236	3,567	3,352
Non-Biodiesel	6,564	6,196	6,462	6,808	6,895
Exports	1,017	1,160	1,108	881	1,134
<b>Total Use</b>	10,163	10,168	10,806	11,255	11,380
Carryout (Sep 30)	765	776	905	805	861

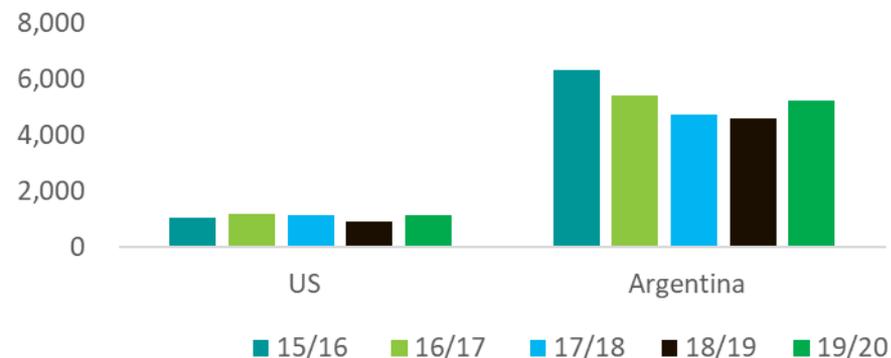
(F) = IEG Vantage Forecast

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

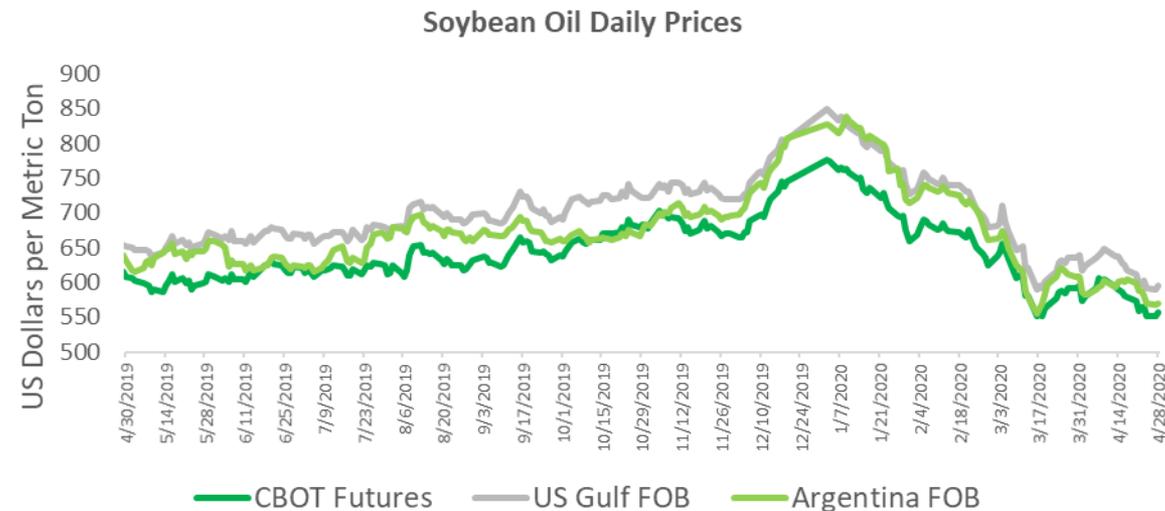
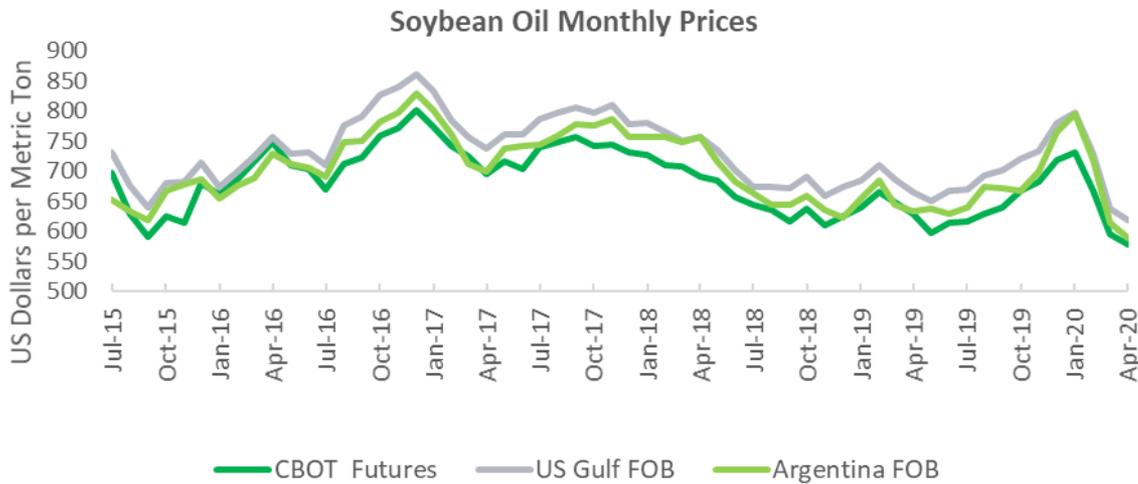
	15/16	16/17	17/18	18/19	19/20 (F)
Carryin (Apr 1)	196	337	259	310	170
Production	8,755	8,381	7,923	7,179	8,020
Imports	5	0	0	0	5
<b>Total Supply</b>	8,955	8,718	8,182	7,489	8,195
Domestic Use	2,448	2,995	3,202	2,613	2,825
Biodiesel	1,909	2,826	2,968	2,401	2,600
Non-Biodiesel	398	247	183	352	119
Exports	6,312	5,386	4,721	4,566	5,200
<b>Total Use</b>	8,619	8,459	7,872	7,319	7,920
Carryout (Mar 31)	337	259	310	170	275

(F) = IEG Vantage Forecast

## SBO Exports Trend (1,000 MT)



# Soybean Oil Prices Trends



	CBOT Futures	US Gulf FOB	Argentina FOB
3/30/2020	592	636	609
3/31/2020	595	640	608
4/1/2020	574	618	586
4/2/2020	578	623	582
4/3/2020	583	627	582
4/6/2020	591	636	590
4/7/2020	606	639	594
4/8/2020	599	643	596
4/9/2020	604	648	602
4/13/2020	593	637	594
4/14/2020	590	637	601
4/15/2020	585	629	602
4/16/2020	580	624	601
4/17/2020	580	618	604
4/20/2020	573	611	599
4/21/2020	559	597	588
4/22/2020	564	597	588
4/23/2020	565	603	581
4/24/2020	552	591	570
4/27/2020	551	590	568
4/28/2020	558	596	570

# Soybean Oil Lineup Data - Argentina

PORT	TERMINAL	VESSEL	STATUS	DATE	TONS	CARGO	SHIPPER AND/OR CHARTERER
RENOVA NORTH							
BERTH	FAIRCHEM FRIESIAN	AT REC	27-Apr	1/24/1941	SBO	CEVITAL	ALGERIA
DREYFUS TIMBUES	GLADYS W	ETF	29-Apr	10/21/1943	SBO	GLENCORE	INDIA
DREYFUS TIMBUES	ALESSANDRA BOTTIGLIERI	ETA REC	5-May	10/21/1943	SBO	LDC	MOROCCO
DREYFUS TIMBUES	ATLANTIC QUEEN	ETA REC	18-May	12/31/1939	SBO	LDC	
MINERA ALUMBRERA	ORIENT CHALLENGE	ETA SLZ	30-Apr	1/3/1926	SBO	ADM	MOROCCO
MINERA ALUMBRERA	MERONAS	AT REC	28-Apr	2/18/1982	SBO	AGD	IRAN
MINERA ALUMBRERA	NCC MEKKA	ETA REC	29-Apr	12/2/1973	SBO	AGD	
MINERA ALUMBRERA	NCC SUDAIR	ETA REC	1-May	2/18/1982	SBO	BUNGE	CHINA
MINERA ALUMBRERA	NAVIG8 AMBER	ETA REC	1-May	6/11/1968	SBO	BUNGE	INDIA
PARANA)	BOCHEM LUXEMBURG	AT REC	24-Apr	1/12/1932	SBO (B)	BUNGE	COLOMBIA
	CELSIUS MUMBAI	ETA REC	1-May	7/13/1920	SBO	CARGILL	INDIA
DEMPA	BOCHEM LUXEMBURG	AT REC	24-Apr	2/8/1904	SBO	BUNGE	COLOMBIA
DEMPA	NAVIG8 AMBER	ETA REC	1-May	12/13/1910	RSBO	BUNGE	SOUTH AFRICA
SAN BENITO	ORIENT CHALLENGE	ETA SLZ	30-Apr	6/8/1942	SBO	ADM	MOROCCO
SAN BENITO	MANUELA BOTTIGLIERI	AT REC	29-Apr	1/24/1941	SBO	AVERE	INDIA
SAN BENITO	TRK KIRKENES	AT REC	29-Apr	1/7/1952	SBO	LDC	INDIA
SAN BENITO	CONDOR TRADER	AT REC	28-Apr	10/1/1941	SBO	COFCO	INDIA
SAN BENITO	BOW CONDOR	ETA REC	14-May	5/18/1927	SBO	ADM	PERU
VILLA GOBERNADOR							
GALVEZ	MTM ROTTERDAM	AT REC		10/3/1954	SBO		INDIA
VILLA GOBERNADOR							
GALVEZ	TIGER GLORY	ETA ALV	7-May	10/16/1963	SBO	CARGILL	INDIA
DREYFUS VEGOIL							
TERMINAL	STAMATIA	ETF	30-Apr	8/21/1924	SBO	LDC	BANGLADESH
DREYFUS VEGOIL							
TERMINAL	STAMATIA	ETF	30-Apr	9/8/1913	SBO (P)	LDC	BANGLADESH
DREYFUS VEGOIL							
TERMINAL	STAMATIA	ETF	30-Apr	10/21/1943	SBO	LDC	INDIA
DREYFUS VEGOIL							
TERMINAL	TRF KIRKENES	AT REC		7/13/1920	SBO	LDC	INDIA
DREYFUS VEGOIL							
TERMINAL	ALESSANDRA BOTTIGLIERI	ETA REC	6-May	9/8/1913	SBO	LDC	MOROCCO
DREYFUS VEGOIL							
TERMINAL	ALESSANDRA BOTTIGLIERI	ETA REC	6-May	8/21/1924	SBO	LDC	ALGERIA

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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