

Soybean Oil Market Update

Prepared for



May 15, 2020

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Covid-19 underpins edible oil prices

- > Like most markets, the price of edible oil remains highly confused and volatile in the wake of Covid-19.
- > UK trader TM Duche noted: “With the effects of coronavirus on markets, demand has taken a very different direction, with a significant decrease in demand from the foodservice sector and a big increase in home consumption and therefore manufacturers have had to adjust very quickly, without their usual long term logistical planning processes in place.”
- > Crude coconut oil prices are presently tracking those of other edible oils but organic virgin oil, with its higher production costs and smaller manufacturing base, along with increasing fixed production costs is starting to push prices up, significantly.
- > *Uncertainty has caused buyers in the US and Europe to hold off on purchases as they try to calculate demand for later in the year.*

Fast planting and China jitters soy

- > CBOT soy futures failed to hold tentative rallies the week ending in May 8th as traders fretted over demand from top buyer China amid reports of fast US planting progress.
- > China has taken further US cargoes in the past week but the stepped-up rhetoric coming from the White House over coronavirus blame is worrying traders that a trade halt might be around the corner.
- > US planting achieved 23% completion the first week of May, a record for the date versus a normal 11%, under favorable conditions.
- > Usually planted a bit later than corn, beans are being sown at a rate that lends support to ideas of significantly larger acreage this year.
- > *If the weather holds, the US will need to revive its export trade more this year in order to find enough demand to meet large supplies.*

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Can weather or lockdowns rescue ailing palm price?

- > In dollar terms, the Malay Bursa palm price has now lost 40% of its peak (early January) 2020 value.
- > There is a question as to whether the decline in prices can stir up demand for palm oil.
- > India's total edible oil imports, led by palm, crashed 34% in April due to coronavirus disruptions.
- > Malaysian plantation chiefs have warned that coronavirus lockdowns may yet interfere with supply flows.
- > Indonesia's president has meanwhile suggested a more arid than usual dry season lies ahead.
- > Malaysia was reported to have complained about the World Health Organization advising consumers to use alternative oils to palm during the Covid-19 epidemic.
- > *The biggest factor in suppressing palm oil prices at the moment is the impact of collapsed energy market prices making Indonesia's 30% biodiesel blend mandate prohibitively expensive, which may lead to declining support for the measure.*

USDA 2020/21 corn, soy outlook: Big corn ending stocks, but tempered soy supplies

- > US corn supplies are expected to be their largest in decades while a rise in demand for soybeans will translate into smaller-than-expected supplies of the oilseed in 2020/21.
- > USDA expects a soybean crop of 4.125 billion bushels, up from year ago on higher harvested acres and yield. Soybean crush in 2020/21 is projected at 2.130 billion bushels, up from 2019/20, with higher soybean meal disappearance partly offset by lower soybean meal exports.
- > US soybean exports are forecast at 2.050 billion bushels, up 375 million from the revised forecast for 2019/20. "With higher global soybean import demand for 2020/21 led by expected gains for China, US export share is expected to rise to 34 percent from the 2019/20 record low of 30 percent," USDA said.
- > The 2020/21 US season-average soybean price is projected at \$8.20 per bushel, down 30 cents from 2019/20.
- > *Record global corn production might make planting corn less appealing for farmers as a glut has caused prices to drop dramatically, with soy becoming a more attractive option despite relatively low prices for oilseeds as well.*

Soybean Oil Market Update

China still holds the key to soy price

- > Soy continues to face unknowns on both supply and demand sides of the market.
- > The USDA this week attempted to shed more light on the next US crop with a lower than expected 112.3 million MT forecast based on 7.4 million MT extra planted acres and a yield bounce from last year's weather-stressed 47.4 bu/acre to a more normal 49.8. Some analysts had acreage higher, expecting a shift away from corn.
- > A 26.7 million MT increase forecast for the global 2020/21 crop lines up against an expected 10.8 million MT rise in the world crush but, including direct food use, it still leaves the world stock slightly lower at the end of next season than the start and about 16 million MT under the forecast 2018/19 ending stock.
- > The biggest factor is the expected shrinkage in US carryover from 24.7 million MT in 2018/19 to 15.8 million MT at the start of 2019/20 and just 11 million MT at the finish – less than the market expected
- > *Fulfilling that, depends heavily on whether China does help the US to export 10 million MT more beans next season than this. Chinese sources say they will honor pledges under the 'phase one' trade deal with the US and have been actively buying this week.*

US corn oversupply reduces Brazilian export estimates

- > The outlook for Brazilian corn exports has been lowered this month, owed to larger US supplies.
- > Estimates for Brazilian corn exports fell from a range of 34 to 35 million MT to a range of 31 to 32 million MT.
- > *It is not yet clear what effect the US scene will have on corn prices in Brazil, but there is some consensus that they may suffer downward pressure.*

Soybean Oil Market Update

Slow seeding & lower stocks firm canola

- > Winnipeg canola futures turned firmer in the past week, the spot month reaching its best level since late January as buyers responded to weather-delayed seeding and lower-than-expected official stock counts in Canada.
- > Statistics Canada had the total inventory March 31 at 8.92 million MT, the smallest for that date in three years and down about 12.3% on the year.
- > Despite the loss of trade to top customer China, Canada's seasonal exports to date are down only 1.2%, albeit still lowest since 2015.
- > *The USDA also offered preliminary forecasts for world rapeseed production of 70.8 million MT, up from last year's 68.2 million MT and 2018's 72.4 million MT.*

Lost Indian sales keep Malaysian palm oil under pressure

- > Hopes that a revival in top importer India's demand for Malaysian palm oil might be around the corner came to naught in April.
- > Palm oil trade with India shrank yet again to just 10,800 MT, leaving the Jan/April total of 96,145 a staggering 94% down on the year.
- > Latest official data from the Malaysian palm board (MPOB) did show a 35% improvement last month in demand from China (199,452 MT) and a 7.2% increase for the EU (208,140 MT). That still left China's year-to-date intake almost 12% down on the year although the EU's at least was stable.
- > Outside of these top three import markets, the response of customers to unusually cheap palm oil was not enough to lift total shipments more than a meager 4.4% on the month.
- > India was reported to have suspended import licenses on over 450,000 MT of refined palm oil following a surge in duty free purchases across neighboring borders.
- > *These factors have caused a bearish trend in palm oil prices.*

United States: Soybean Oil Exports

US Monthly Soybean Oil Exports

US Annual Soybean Oil Exports

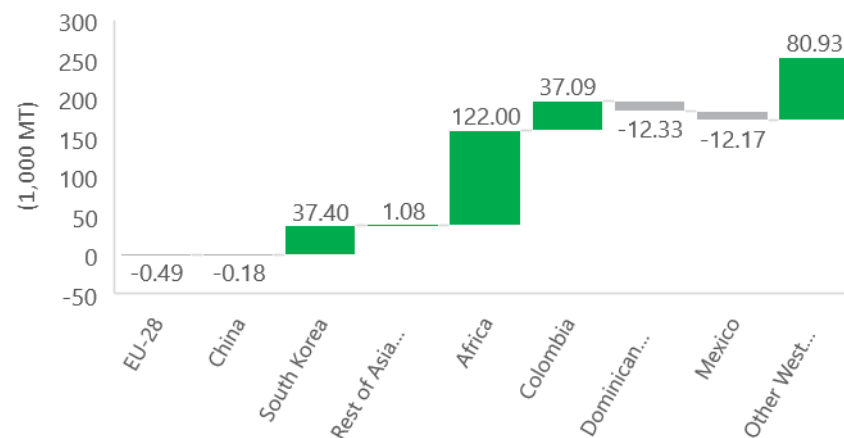
	(1,000 MT)			
	16/17	17/18	18/19	19/20 (F)
EU-28	1	1	1	0
China	133	1	0	0
South Korea	206	301	303	340
Rest of Asia/Oceania	28	23	35	36
Africa	61	28	17	139
Colombia	122	108	67	104
Dominican Republic	150	152	139	127
Mexico	265	167	126	113
Other West Hemis.	194	327	192	273
Total	1,159	1,108	881	1,134

(F) = IEG Vantage Forecast

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

	(MT)				
	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
EU-28	158	0	20	9	0
China	17	92	32	27	18
South Korea	43,951	10,017	40	41,710	37,739
Rest of Asia/Oceania	2,825	1,483	1,555	2,434	1,805
Africa	15,062	0	21,003	50,000	20,005
Colombia	37	39,091	5,460	18,002	21,908
Dominican Republic	7,689	3,634	2,955	10,682	21,632
Mexico	12,964	17,805	14,525	12,247	14,394
Other West Hemis.	29,498	11,457	11,154	44,624	27,996
Total	112,201	83,579	56,744	179,735	145,498

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



Argentina: Soybean Oil Exports Update

Argentina Annual Soybean Oil Exports

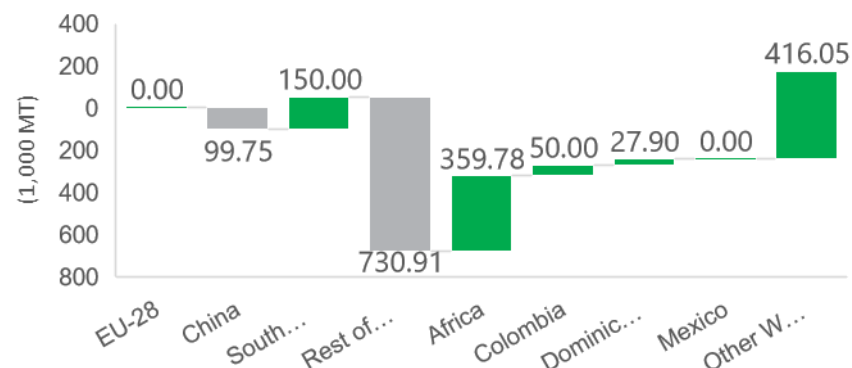
	(1,000 MT)			
	16/17	17/18	18/19	19/20 (F)
EU-28	0	0	0	0
China	0	27	175	75
South Korea	138	4	0	150
Rest of Asia/Oceania	3,742	2,958	4,162	3,431
Africa	644	651	420	780
Colombia	32	0	0	50
Dominican Republic	14	2	0	28
Mexico	0	0	0	0
Other West Hemis.	818	513	470	886
Total	5,387	4,155	5,227	5,400

(F) = 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
Total		738	415	626	732	494

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	11,274
Imports	130	144	152	180	159
Total Supply	10,928	10,944	11,711	12,061	12,238
Domestic Use	9,146	9,009	9,698	10,375	10,261
Biodiesel	2,582	2,812	3,236	3,567	3,367
Non-Biodiesel	6,564	6,196	6,462	6,808	6,895
Exports	1,017	1,160	1,108	881	1,134
Total Use	10,163	10,168	10,806	11,255	11,395
Carryout (Sep 30)	765	776	905	805	843

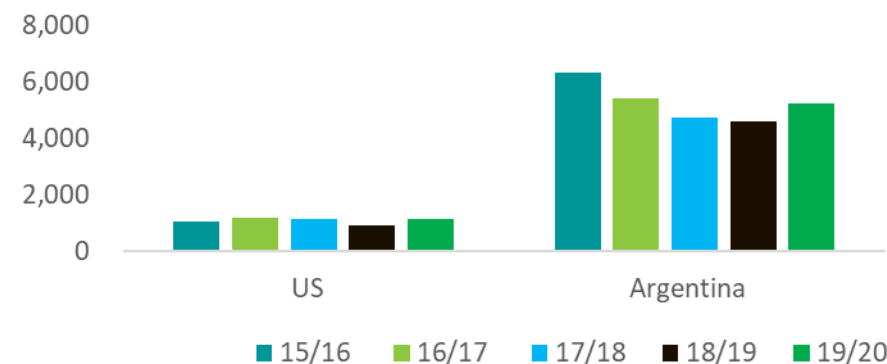
(F) = IEG Vantage Forecast

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
Total Supply	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
Total Use	8,619	8,459	7,872	7,319	7,920
Carryout (Mar 31)	337	259	310	170	275

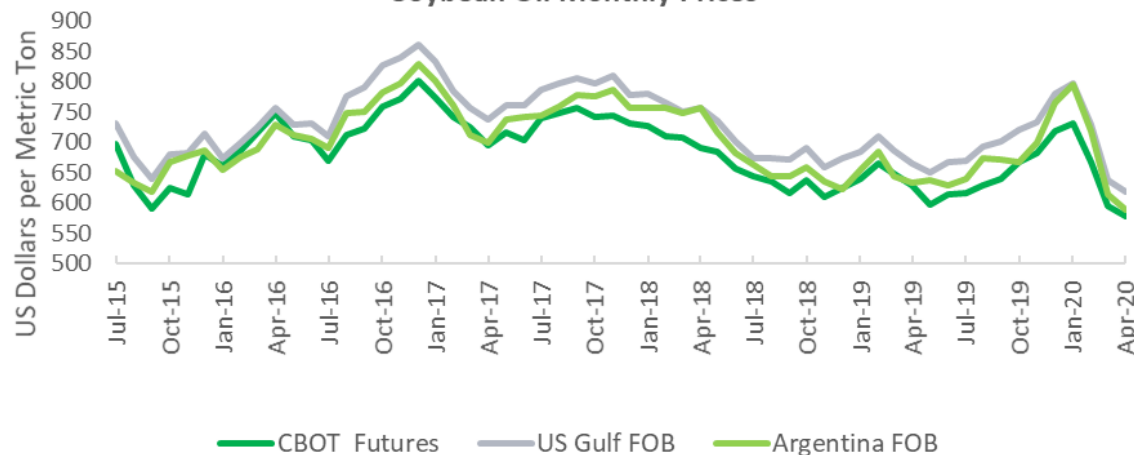
(F) = IEG Vantage Forecast

SBO Exports Trend (1,000 MT)

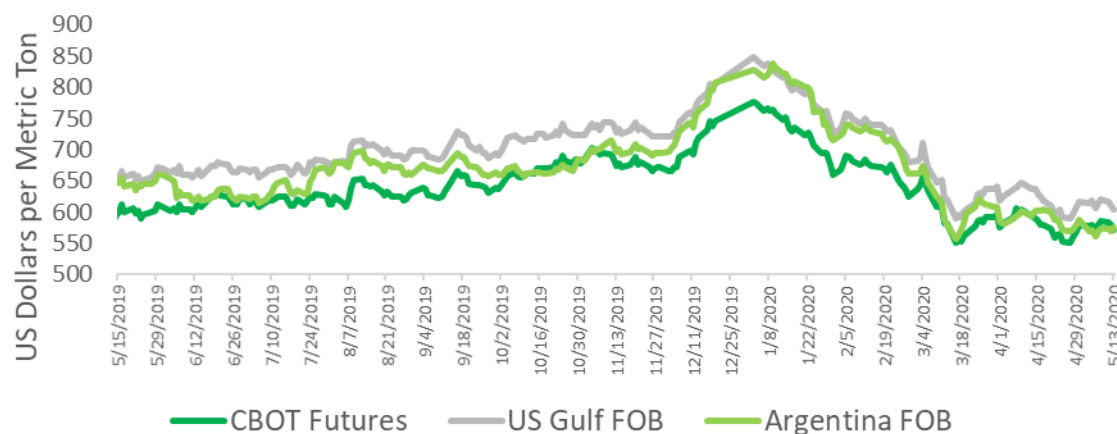


Soybean Oil Prices Trends

Soybean Oil Monthly Prices



Soybean Oil Daily Prices



	CBOT Futures	US Gulf FOB	Argentina FOB
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
4/29/2020	568	607	580
4/30/2020	578	617	587
5/4/2020	577	615	568
5/5/2020	580	619	572
5/6/2020	570	605	560
5/7/2020	579	614	568
5/8/2020	585	620	573
5/11/2020	584	617	574
5/12/2020	579	610	568
5/13/2020	571	603	576

Soybean Oil Lineup Data - Argentina

PORT	TERMINAL	VESSEL	Date	DATE	TONS	CARGO	SHIPPER AND/OR CHARTERER	DESTINATION
SAN LORENZO	RENOVA NORTH BERTH	ATLANTIC QUEEN	AT REC	12-May	19,040	SBO	LDC	INDIA
SAN LORENZO	RENOVA NORTH BERTH	PIXIES MALOU	ETA REC	16-May	15,740	SBO	HAKAN	EGYPT
SAN LORENZO	RENOVA T.B.C./RENOVA NORTH/SO	SEA DOLPHIN	ETR ZTE	20-May	11,000	SBO	GLENCORE	INDIA
SAN LORENZO	RENOVA T.B.C./RENOVA NORTH/SO	SEA DOLPHIN	ETA REC	20-May	10,000	SBO	GLENCORE	BANGLADESH
SAN LORENZO	RENOVA T.B.C./RENOVA NORTH/SO	MARLIN MYTHIC	ETR ZTE	25-May	20,000	SBO	GLENCORE	INDIA
SAN LORENZO	RENOVA T.B.C./RENOVA NORTH/SO	MARLIN MYTHIC	ETR ZTE	25-May	12,000	SBO	GLENCORE	BANGLADESH
SAN LORENZO	DREYFUS TIMBUES	ALESSANDRA BOTTIGLIERI	ETF	16-May	30,000	SBO	LDC	MOROCCO
SAN LORENZO	COFCO INTL. NORTH BERTH EX	CHAMPION TIMUR	AT ROADS		15,000	SBO	COFCO	
SAN LORENZO	COFCO INTL. NORTH BERTH EX	PIXIES MALOU	ETA REC	16-May	5,000	SBO		EGYPT
SAN LORENZO	MINERA ALUMBRERA	NCC SUDAIR	ETF	14-May	30,000	SBO	BUNGE	CHINA
SAN LORENZO	MINERA ALUMBRERA	BOW HECTOR	ETA REC	14-May	25,000	SBO		INDIA
SAN LORENZO	MINERA ALUMBRERA	EVINOS	ETA REC	15-May	30,000	SBO	AGD	
SAN LORENZO	MINERA ALUMBRERA	BIRDIE TRADER	ETA REC	18-May	1,200	SBO	ADM	ECUADOR
SAN LORENZO	PARANA)	VENEZIA D	ETR ROS	16-May	7,000	SBO	CARGILL	SPAIN
SAN LORENZO	PARANA)	MARIN MAVERICK	ETA REC	16-May	8,600	SBO	BUNGE	INDIA
SAN LORENZO		BARBOUNI	ETA REC	19-May	9,000	SBO	CARGILL	COLOMBIA
SAN LORENZO	(EX NIDERA FERTILIZANTES)	CHEMSTAR RIVER	ETR ROS	15-May	13,300	SBO	COFCO	
SAN LORENZO	TRANSITO (ADM AGRO)	SILVER GWEN	ETA REC	15-May	10,500	SBO (P)	ADM	INDIA
SAN LORENZO	TRANSITO (ADM AGRO)	SEA DOLPHIN	ETR ZTE	20-May	10,000	SBO (P)	GLENCORE	INDIA
SAN LORENZO	DEMPA	BARBOUNI	ETA REC	19-May	2,000	RSBO	BUNGE	
SAN LORENZO	VICENTIN	BOW CONDOR	ETF	14-May	10,000	SBO	ADM	PERU
SAN LORENZO	SAN BENITO	ATLANTIC QUEEN	AT REC	12-May	10,000	SBO	LDC	INDIA
SAN LORENZO	SAN BENITO	SILVER GWEN	ETA REC	15-May	14,500	SBO	AGROGRAIN	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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