

# Soybean Oil Market Update

Prepared for



May 30, 2020

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## Soy builds export hopes

- > Ideas that Brazil's chronically weak Real currency might finally be bottoming out built US soy exporters hopes that business could enjoy better times ahead, especially to top customer China.
- > The US has lost most of an early-season sales recovery that was mainly down to resumed Chinese purchases when trade frictions between the two initially eased with their 'phase one' agreement.
- > Brazil's sales in the meantime roared away, farmers finding buyers for almost a third of their crop and likely to have cleared half by planting time this autumn.
- > On the other hand, Brazil's next door neighbor Argentina has seen its sales slowed markedly by new export tariffs coming into force.
- > *Surprisingly, China continued to take chunks of the US soy supply earlier in May amid President Trump's more abrasive rhetoric over China's role in the Covid-19 outbreak.*

## Palm demand drop bottoming out?

- > After its most difficult period in years, the palm market might be seeing the first signs of light at the end of the tunnel.
- > Better demand headlines included India resuming purchases of Malaysian oil, broken off after a political dispute between the two countries but now apparently enjoying some mending under Malaysia's new Prime Minister.
- > Producers may also have been encouraged by news that top palm origin Indonesia was planning government help for its ambitious program to use 30% palm oil in its biodiesel mix, threatened by collapsing energy markets.
- > *There are signs that a number of buyers globally are beginning to increase purchases of palm oil as a result of the low price environment.*

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## Mixed price trends in canola market

- > A dull week for fundamental news on rapeseed/canola markets did not stop the EU contract moving steadily higher.
- > The Paris market is more influenced by the EU's domestic supply/demand balance which is relatively tight this season after a series of shrinking crops, making it more dependent on imports from countries led by Ukraine.
- > Commission figures this week showed total EU canola intake was up 41% so far this season.
- > Winnipeg canola futures initially traded some of their best levels since early January, looking mainly to the soy market for support but aided too by reports of good demand from both domestic crushers and exporters at these prices.
- > *EU demand for canola oil, the primary crush product, has fallen with lower supplies and reduced demand from the industrial (mainly biofuel) sector.*

## 2019/20 US exports reduced; Brazil's exports, China's imports increased (IEG Vantage)

- > IHS Markit reduced forecast US 2019/20 soybean export by 50 million bushels this week based on a lackluster pace of export commitments. This week's USDA export sales report was strong, based largely on prior USDA daily sales announcements that were known to the market.
- > More significant, in our view, was the absence of new announcements during the current week.
- > US export sales underperformed earlier expectations primarily because of a record pace of exports from Brazil.
- > China's total import total, sourced from all exporters, is anticipated to rise during April through June, while averaging above 10 million MT during the period.
- > *Brazil's soybean industry made an unprecedented push to capitalize on the opportunity presented by weakness in the real relative to the US dollar, which was also motivated by incentive to avoid disruptions potentially caused by Brazil's developing COVID-19 spread*

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## Drought cuts yield expectations for EU crops

- > The yield forecasts for the 2020 harvest of nearly all EU crops have been reduced after two months of unusually hot and dry weather across the bloc.
- > Sowings of soybeans are still ongoing, but most of central Europe also needs more rainfall to ensure adequate emergence, especially in Hungary, north-western Austria, and eastern Poland. Output is forecast at 2.95 mt/ha, a 1.5% increase from the historical average but 0.4% lower than in 2019.
- > Due to the lack of rainfall, soil moisture levels are too low for the proper growth of winter and early planted spring crops in many of these regions, which is slowing down biomass accumulation in plants and thus reducing yield potentials.
- > *There has been no evidence that the Covid-19 pandemic was hampering the sowing of spring and summer cereals, despite farmers' concerns about labor shortages and disruptions in the supply of agri-chemicals.*

## Palm makes another stab at recovery

- > Palm oil futures made another attempt the last week of May to claw back some of the value shed in recent months of flat demand.
- > Fundamental support came from both directions – a forecast of falling rather than (as some earlier expected) rising Malay production and cargo surveyors estimating that exports are now starting to recover.
- > Production could be down by some 6%, relieving pressure from recently building origin stocks according to some sources but others expect a seasonal rise to kick in soon.
- > *Palm may continue to draw support from concerns that coronavirus lockdowns will interfere with production and supply flow to markets and export ports. However, constant retreats for the rallying crude oil market may continue to undermine profitability in the previously fast growing bio-diesel sector.*

# Soybean Oil Market Update

## Soy ponders mixed messages from China, US crop progress

- > That China continues to buy some US soybeans amid the rising political tensions between the two could be seen as encouraging for the seller or a worrying reminder of what's at stake if things escalate further.
- > Despite the initial burst of Chinese buying after the turn-of-the-year 'phase one' pact, its demand has not lived up to expectations, underlined by reports this week that China's April intake included almost 6 million MT from Brazil and less than 700,000 from the US.
- > Recently Mexico has been a more important outlet for the US.
- > Mild support came from reports that Covid-19 might start to impact movement of this year's giant Brazilian crop.
- > The market also drew some support from reports of slower than expected US planting – 65% completed last weekend versus trade guesses averaging 70% but that was still 10 points ahead of normal, so promising for yields.
- > Traders also noted a spell of hotter, drier weather forecast which would be less favorable for newly sown/emerging crops.
- > *Soybean futures have traded between \$8.20 and \$8.50 per bushel over the last month, which is a low range reflecting the current supply and demand market in which supplies are exceeding demand.*

## US soy planting nearly 2/3 done

- > US corn and soybean planting has moved forward this season with most areas not seeing the troubles that plagued the 2019 growing season and the planting effort is moving into the final stages as May winds down.
- > Soybean plantings moved to 65% in the major 18 states, up from 53% the prior week and still well ahead of the average pace of 55% as of May 24.
- > *Traders looked for 69% to be planted, but this may not provide much sustained support for soybean futures as there is still a lot of time left for soybeans to be put in the ground.*

# 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	23
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	118
Mexico	265	167	126	109
Other West Hemis.	194	327	192	264
<b>Total</b>	<b>1,159</b>	<b>1,108</b>	<b>881</b>	<b>1,134</b>

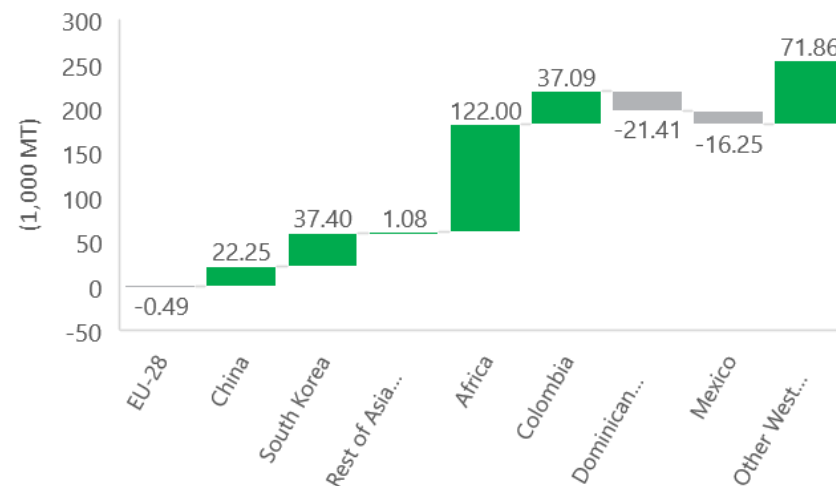
(F) = IEG Vantage Forecast

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

## US Monthly Soybean Oil Exports

	(MT)				
	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
<b>Total</b>	<b>112,201</b>	<b>83,579</b>	<b>56,744</b>	<b>179,735</b>	<b>145,498</b>

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



# Argentina: Soybean Oil Exports Update

## Argentina Annual Soybean Oil Exports

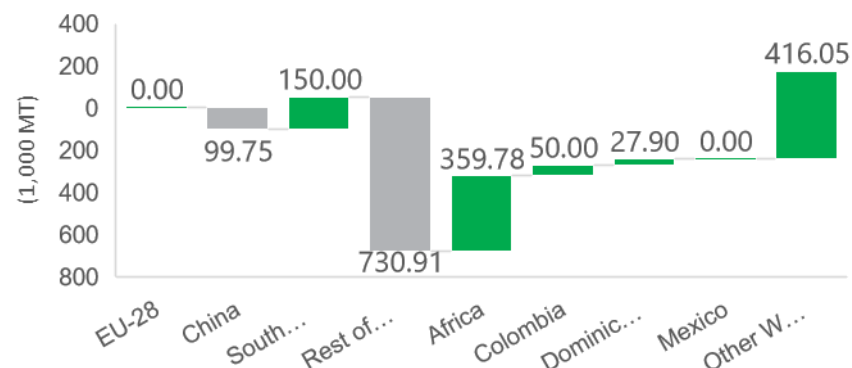
	(1,000 MT)			
	16/17	17/18	18/19	19/20 (F)
EU-28	0	0	0	0
China	0	27	175	75
South Korea	138	4	0	150
Rest of Asia/Oceania	3,742	2,958	4,162	3,431
Africa	644	651	420	780
Colombia	32	0	0	50
Dominican Republic	14	2	0	28
Mexico	0	0	0	0
Other West Hemis.	818	513	470	886
<b>Total</b>	<b>5,387</b>	<b>4,155</b>	<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	11,274
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	10,248
Biodiesel	2,582	2,812	3,236	3,567	3,390
Non-Biodiesel	6,564	6,196	6,462	6,808	6,858
Exports	1,017	1,160	1,108	881	1,134
Total Use	10,163	10,168	10,806	11,255	11,382
Carryout (Sep 30)	765	776	905	805	856

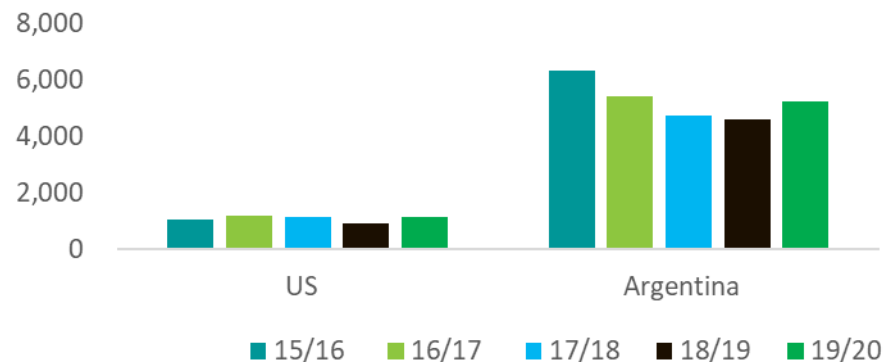
(F) = IEG Vantage Forecast

## 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

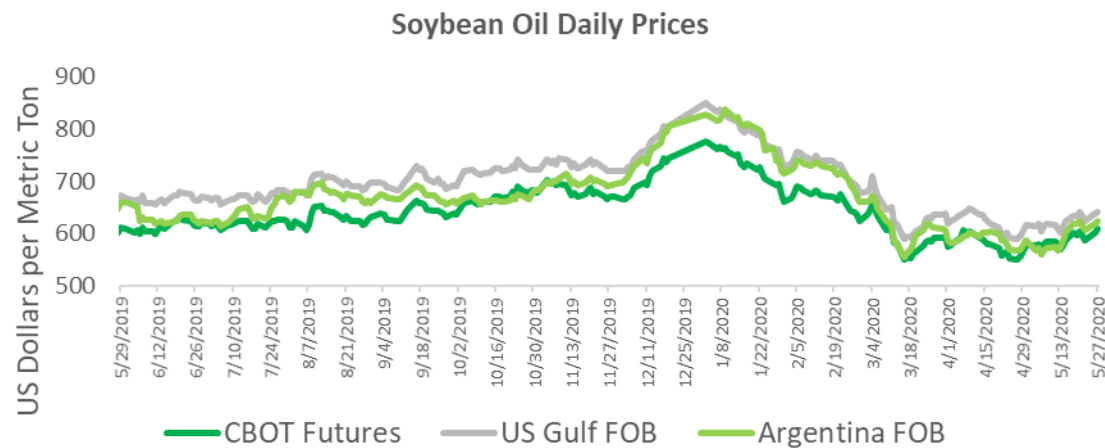
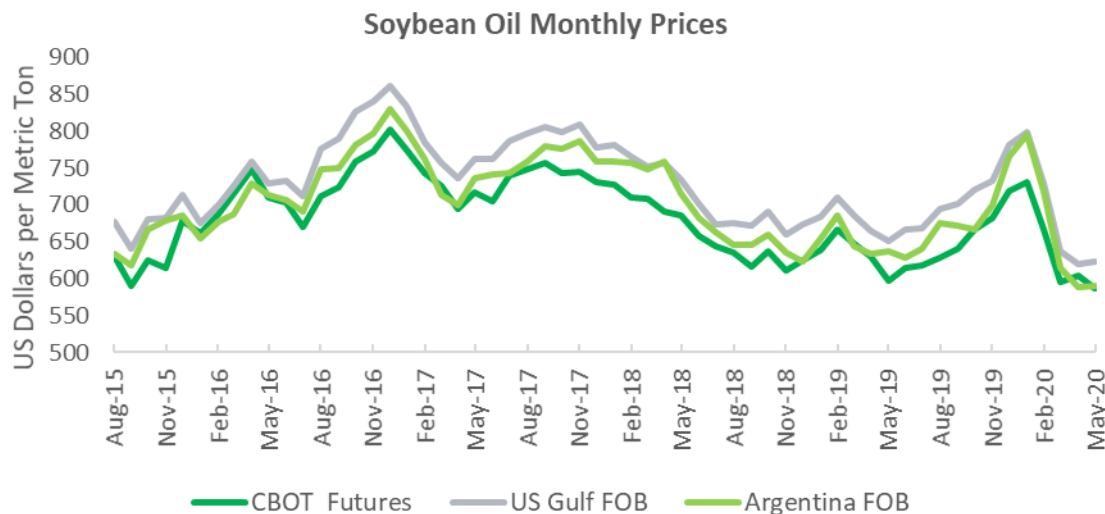
(F) = IEG Vantage Forecast

## SBO Exports Trend (1,000 MT)





# Soybean Oil Prices Trends



	CBOT Futures	US Gulf FOB	Argentina FOB
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
5/15/2020	586	623	601
5/18/2020	602	635	618
5/19/2020	597	635	619
5/20/2020	603	641	623
5/22/2020	587	625	607
5/26/2020	601	638	620
5/27/2020	608	641	625

# Soybean Oil Lineup Data - Argentina

PORT	TERMINAL	VESSEL	Date	DATE	TONS	CARGO	SHIPPER AND/OR CHARTERER	DESTINATION
SAN LORENZO	RENOVA NORTH BERTH	NORD SUSTAINABLE	ETR ROS	29-May	30,000	SBO	AVERE	EGYPT
SAN LORENZO	RENOVA SOUTH BERTH	STI MERAUX	ETF	28-May	32,000	SBO	GLENCORE	INDIA
SAN LORENZO	RENOVA T.B.C./RENOVA NORTH/SO	ATHINA M	ETA REC	30-May	30,000	SBO	HAKAN	IRAN
SAN LORENZO	RENOVA T.B.C./RENOVA NORTH/SO	AMFITRION	ETA REC	31-May	31,500	SBO	GLENCORE	IRAN
SAN LORENZO	RENOVA T.B.C./RENOVA NORTH/SO	STENA IMPERO	ETR ZTE	2-Jun	20,000	SBO	GLENCORE	INDIA
SAN LORENZO	RENOVA T.B.C./RENOVA NORTH/SO	STENA IMPERO	ETR ZTE	2-Jun	12,000	SBO	GLENCORE	BANGLADESH
SAN LORENZO	RENOVA T.B.C./RENOVA NORTH/SO	MARLIN MYTHIC	ETA REC	6-Jun	20,000	SBO	GLENCORE	INDIA
SAN LORENZO	RENOVA T.B.C./RENOVA NORTH/SO	MARLIN MYTHIC	ETA REC	6-Jun	12,000	SBO	GLENCORE	BANGLADESH
SAN LORENZO	DREYFUS TIMBUES	HENRY MAERSK	ETA REC	29-May	30,000	SBO	LDC	MOROCCO
SAN LORENZO	DREYFUS TIMBUES	NCC NAJEM	ETA REC	29-May	15,000	SBO	LDC	INDIA
SAN LORENZO	NOBLE)	NORD SUSTAINABLE	ETR ROS	29-May	1,700	SBO	AVERE	EGYPT
SAN LORENZO	MINERA ALUMBRERA	EVINOS	AT REC	17-May	30,000	SBO	AGD	TURKEY
SAN LORENZO	MINERA ALUMBRERA	BIRDIE TRADER	AT REC	19-May	1,200	SBO	ADM	ECUADOR
SAN LORENZO	MINERA ALUMBRERA	ATHINA M	ETA REC	30-May	3,990	SBO	AGD	IRAQ
SAN LORENZO	ARAUCO ARGENTINA (EX ALTO	MARLIN MAVERICK	ETF	28-May	29,000	SBO	BUNGE	INDIA
SAN LORENZO	DEMPA	ATLANTIC PRIDE	AT REC	19-May	9,000	SBO	BUNGE	INDIA
SAN LORENZO	SAN BENITO	MTM SAVANNAH	ETA REC	28-May	9,682	SBO	COFCO	INDIA
SAN LORENZO	SAN BENITO	TIGER JOY	ETR ZTE	29-May	17,000	SBO	ADM	INDIA
ROSARIO	VILLA GOBERNADOR GALVEZ	BIRDIE TRADER	ETA ALV	28-May	16,500	SBO		PERU
ROSARIO	VILLA GOBERNADOR GALVEZ	AYANE	ETA REC	1-Jun	18,000	SBO		ALGERIA
ROSARIO	DREYFUS DRY CARGO TERMINAL	MAERSK CAYMAN	ETA LAG	28-May	20,000	SBO	LDC	INDIA
ROSARIO	DREYFUS DRY CARGO TERMINAL	MAERSK CAYMAN	ETA LAG	28-May	8,000	SBO	LDC	BANGLADESH
ROSARIO	DREYFUS VEGOIL TERMINAL	NCC NAJEM	ETA REC	29-May	7,000	SBO (P)	LDC	BANGLADESH
ROSARIO	DREYFUS VEGOIL TERMINAL	NCC NAJEM	ETA REC	29-May	3,000	SBO	LDC	BANGLADESH
ROSARIO	DREYFUS VEGOIL TERMINAL	NCC NAJEM	ETA REC	29-May	5,000	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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