



Soybean Oil Market Update

Prepared for



July 15, 2020

Soybean Oil Market Update

Soy trading five-month highs

- > Potentially stressful US crop weather over the next week or two had traders questioning recent bumper yield forecasts for a US crop that has so far shown high condition ratings.
- > Along with some further Chinese buying (264,000 MT of old crop beans on Monday) it spurred short-covering that pushed CBOT prices to their best since late January, as well as some fresh speculative bets on values rising further.
- > Support also came from a Brazilian Conab (government) estimate of the 2019/20 crop at 120.9 million MT versus the USDA's recent 124 million MT. Conab also had last season's harvest at only 115.1 million MT versus the USDA's 119 million MT.
- > Expectations that the US stock carryover will decline by about one third in the coming season have so far had little impact on forward prices which USDA sees lower than last season's for farmers and the futures markets a meager 4% higher.
- > *Breaking the psychological USD9/bushel barrier, nearby soy has advanced a whole dollar per bushel from its late April low. Oil and meal have also firmed up recently although weakening energy markets were negative for soy biodiesel, trimming some of the oil gains.*

Rapeseed firms with soy

- > Rapeseed markets edged up the week ending in July 10 with the firmer trend in CBOT soy futures and a lack of slack in the supply side of the market.
- > Globally, canola production is expected to rise by 2.0 to 2.5 million MT for the coming season (mainly in Ukraine, Australia and Canada) but at this stage, production and consumption of the oil itself is not seen advancing much from last season's multi-year low point.
- > Mixed messages from the crude oil/energy markets continued to cloud the outlook for biodiesel demand which has plateaued in Europe.
- > Traders are also awaiting crop updates from largest supplier Canada, where some regions have had flood alerts in the past week after heavy rains.
- > Droughts and heatwave impacts on cereal crops in Europe have also questioned whether rapeseed harvest estimates might have to be scaled back too.
- > *The USDA had been predicting a 16.8 million MT for the EU but the Commission and some trade sources have been lower.*

Soybean Oil Market Update

Palm still missing Indian trade

- > A key factor remains lost Indian demand as the largest importer continues to struggle with the new realities of Covid-19 lockdowns demolishing demand in commercial outlets.
- > Reports indicate some of the consequent shift in edible oil consumption to home use (which is not filling the commercial gap) is benefiting rival oils too. After new barriers to olein imports were imposed earlier in the year, palm appears to be suffering more.
- > An official monthly Malay Palm Oil Board report due shortly was expected to shed more light on demand which has also been hurt by a reduction in EU needs, slow Chinese demand and a biodiesel sector still hemmed in by struggling crude oil prices
- > Some support was offered by firmer Latin American soy oil prices and by reports that hot, dry weather might curb production in largest palm supplier Indonesia.
- > *One step forward, one back seems to characterize the palm oil market's recent attempts to raise its value.*

Chinese soy demand boosts Brazilian agri-exports

- > Brazilian exports of all agricultural products increased in both volume and revenue in June, driven by China's rapid recovery and its increase of soy purchases, according to the Foreign Trade Secretariat (Secex), part of the country's Ministry of Economy.
- > Revenue from agri-exports in June increased by 43.3% year-on-year yielding USD5.3 billion, while volumes rose by 43.5%, totaling 14.6 million MT.
- > The rise was mostly backed by a surge in soy volumes, particularly by China. Brazilian exports of soy totaled 13.8 million MT in June, an increase of 60.8% y-o-y; its highest on record for the month.
- > The revenue generated by soy shipments totaled USD4.7 billion, an increase of 62.2% in relation to June 2019. The average price increased significantly to USD339.5/MT, compared to USD337.2/MT in June 2019.
- > *Brazil was a large benefactor from trade tensions between China and the US, as soy exports typically originating from the US were instead imported by China from Brazil. If the US and China continue to move forward with trade agreements, China may choose to import more soybeans from the US and less from Brazil and Argentina.*

Soybean Oil Market Update

USDA July corn, soybean data puts focus back on weather

- > USDA slightly increased its projected 2020 soybean crop to 4.14 billion bushels compared with June, up 10 million on the rise in acreage signaled by the June Acreage report.
- > USDA analysts kept the soybean yield steady at 49.8 bushels per acre.
- > The U.S. season-average soybean price for 2020/21 is forecast at \$8.50 per bushel, up \$0.30 partly reflecting higher price expectations following the June Acreage report. The soybean meal price is projected at \$300.00 per short ton, up \$10.00 from last month. The soybean oil price forecast is unchanged at 29.0 cents per pound.
- > USDA trimmed global soybean production, reducing figures for Canada and Uruguay, resulting in lower 2020/21 exports for both countries.
- > For China, USDA increased 2019/20 soybean imports to 96 million MT, up from 2 million MT from June.
- > *The most significant revisions were for Brazil where the 2019/20 crop is increased 2 million MT to 126 million, reflecting higher yields. Exports are increased 4 million MT to 89 million, leading to a 2-million-MT reduction to ending stocks."*

Malaysian Palm Oil Board reports sharp rise in production (IEG Vantage)

- > The Malaysian Palm Oil Board reported that the country's palm oil stocks decreased 6.3% to 1.901 million MT in June.
- > Production of 1.886 million MT was up 14.2% from May, which was significantly above industry expectations and the highest monthly level since October 2018.
- > Exports surged to 1.71 million MT, an increase of 24.9% from May as major importers (EU, China, India) began to recover from COVID-19 restrictions.
- > Implied domestic usage increased to a record high monthly total. Imports extended a downward trend that has been in place during the entire marketing year to date.
- > *Going forward, today's production figure provides optimism Malaysia's sluggish production is behind them and significant year over year expansion is about to start. Market prices are now in a sideways pattern looking for fundamental direction.*

Soybean Oil Market Update

Cofco to track all soy purchased in Brazil by 2023

- > Cofco International has set a goal to track 100% of the soy it buys directly from farms in Brazil by 2023.
- > In the 2018/19 season, the company, one of the largest exporters of the oilseed in Brazil, purchased just over 6 million MT from the country's producers, 70% of which originated from direct suppliers in the states of Mato Grosso and in Matopiba region (Maranhão, Tocantins, Piauí, Bahia).
- > In the 2019/20 cycle, the volume decreased because of lower demand from China as a result of African Swine Fever (ASF), but the exact volume was not disclosed.
- > The company's soy traceability program is based on mapping carried out last year over 5.2 million hectares on farms in Brazil, Argentina and Paraguay.
- > Some activities are being financed by a USD2.3 billion sustainability-linked loan that Cofco International announced in 2019. The loan provides a discount on interest, based on the performance of the sustainability actions adopted.
- > *There have been a number of public and private initiatives pushing sustainability in the oilseed industry as environmental concerns have risen as well as fears that available supplies will decline if measures are not taken to ensure long term viability of oilseed production.*

India records sharp decline in oilmeal exports

- > Disparity of prices in oilmeal export markets reportedly took its toll on Indian shipments to third countries, according to the Solvent Extractors' Association of India (SEA).
- > A higher minimum support price (MSP) for soybean and rapeseed may further discourage exports in the coming month.
- > Soybean meal exports projected to drop severely by 49% to 692,883 MT in 2019/20 compared to 1.3 million MT exported during the previous season.
- > *South Korea cemented its position as the major importer of oilmeal from India, although quantities imported this season fell by 35% from 280,429 MT in April-June 2019 to 182,136 MT in April-June 2020.*

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	21
South Korea	206	301	303	357
Rest of Asia/Oceania	28	23	35	38
Africa	61	28	17	150
Colombia	122	108	67	136
Dominican Republic	150	152	139	129
Mexico	265	167	126	142
Other West Hemis.	194	327	192	291
Total	1,159	1,108	881	1,264

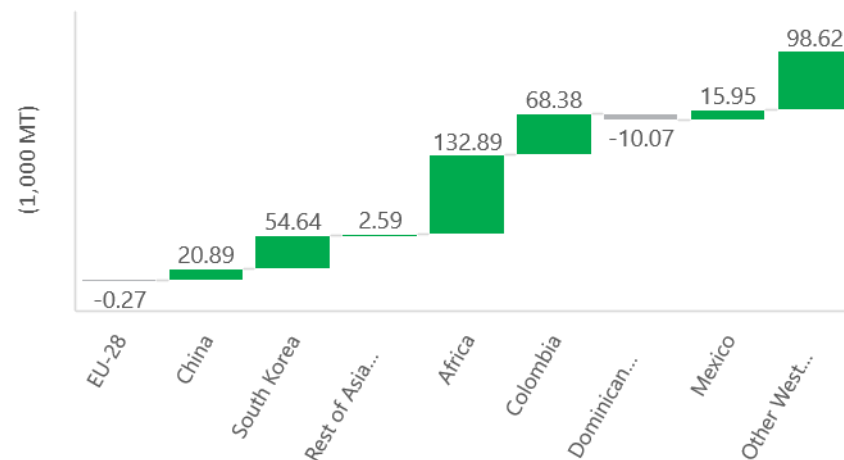
(F) = IEG Vantage Forecast

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

US Monthly Soybean Oil Exports

	(MT)				
	Jan-20	Feb-20	Mar-20	Apr-20	May-20
EU-28	20	9	0	164	54
China	32	27	18	0	43
South Korea	40	41,710	37,739	10,138	71,259
Rest of Asia/Oceania	1,555	2,434	1,805	3,111	412
Africa	21,003	50,000	20,005	12,881	21,782
Colombia	5,460	18,002	21,908	9,493	11,982
Dominican Republic	2,955	10,682	21,632	12,719	20,821
Mexico	14,525	12,247	14,394	21,177	9,121
Other West Hemis.	11,154	44,624	27,996	34,730	26,807
Total	56,744	179,735	145,498	104,412	162,281

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



Argentina: Soybean Oil Exports Update

Argentina Annual Soybean Oil Exports

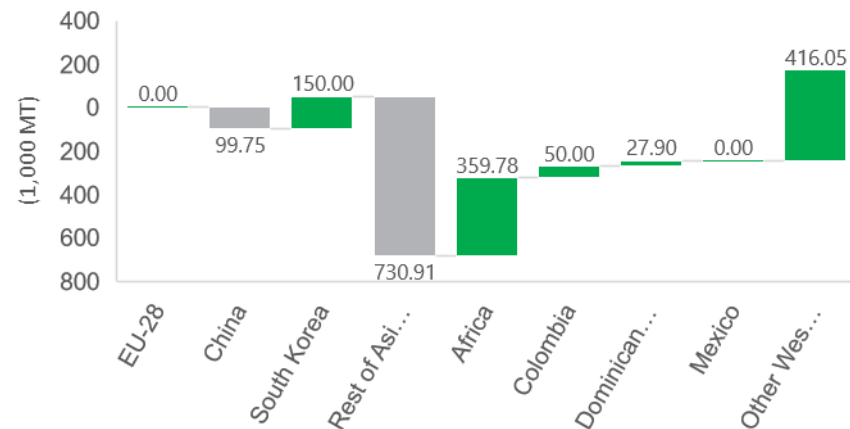
	(1,000 MT)			
	16/17	17/18	18/19	19/20 (F)
EU-28	0	0	0	0
China	0	27	175	75
South Korea	138	4	0	150
Rest of Asia/Oceania	3,742	2,958	4,162	3,431
Africa	644	651	420	780
Colombia	32	0	0	50
Dominican Republic	14	2	0	28
Mexico	0	0	0	0
Other West Hemis.	818	513	470	886
Total	5,387	4,155	5,227	5,400

(F) = IEG Vantage Forecast

Argentina Monthly Soybean Oil Exports

	(1,000 MT)	Dec-19	Jan-20	Feb-20	Mar-20	Apr-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		548	660	465	349	509
Africa		0	0	0	0	0
Colombia		1	1	0	0	1
Dominican Republic		0	0	0	0	0
Mexico		0	0	0	0	0
Other West Hemis.		77	71	29	1	102
Total		626	732	494	350	612

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	11,235
Imports	130	144	152	180	159
Total Supply	10,928	10,944	11,711	12,061	12,199
Domestic Use	9,146	9,009	9,698	10,375	10,176
Biodiesel	2,582	2,812	3,236	3,567	3,417
Non-Biodiesel	6,564	6,196	6,462	6,808	6,759
Exports	1,017	1,160	1,108	881	1,270
Total Use	10,163	10,168	10,806	11,255	11,446
Carryout (Sep 30)	765	776	905	805	753

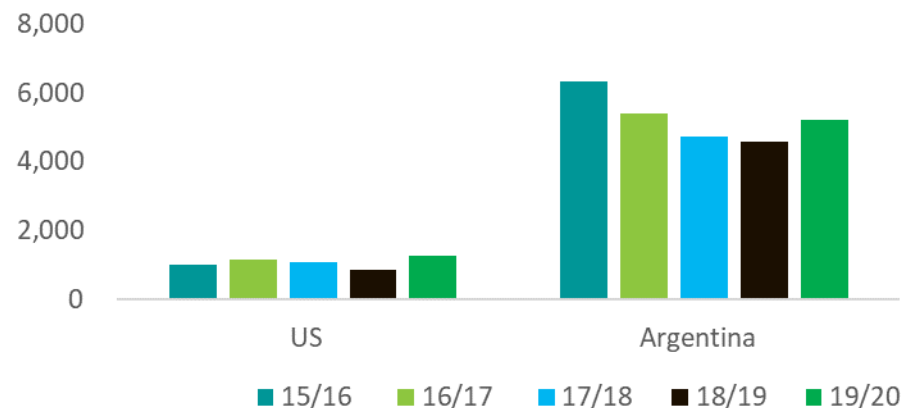
(F) = IEG Vantage Forecast

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

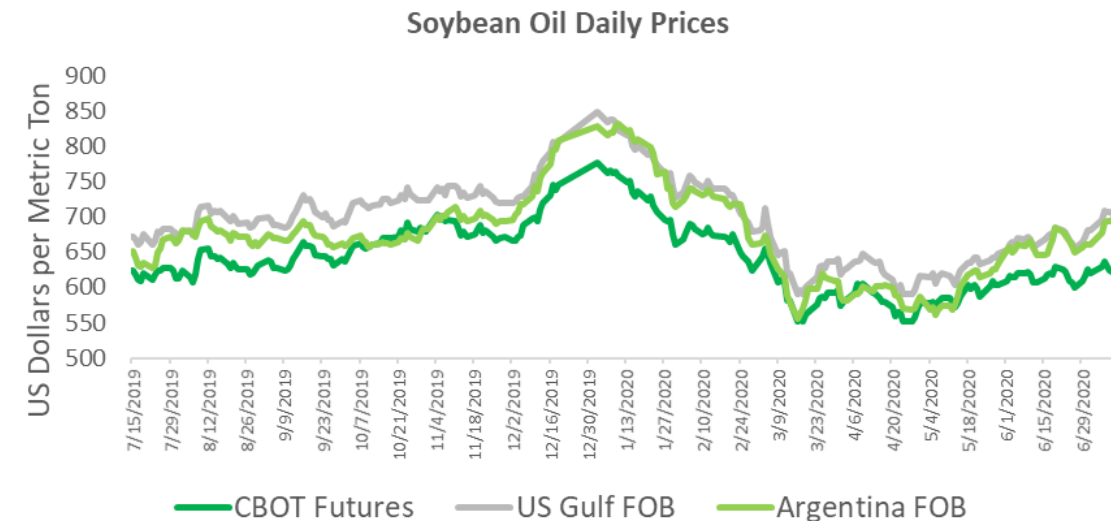
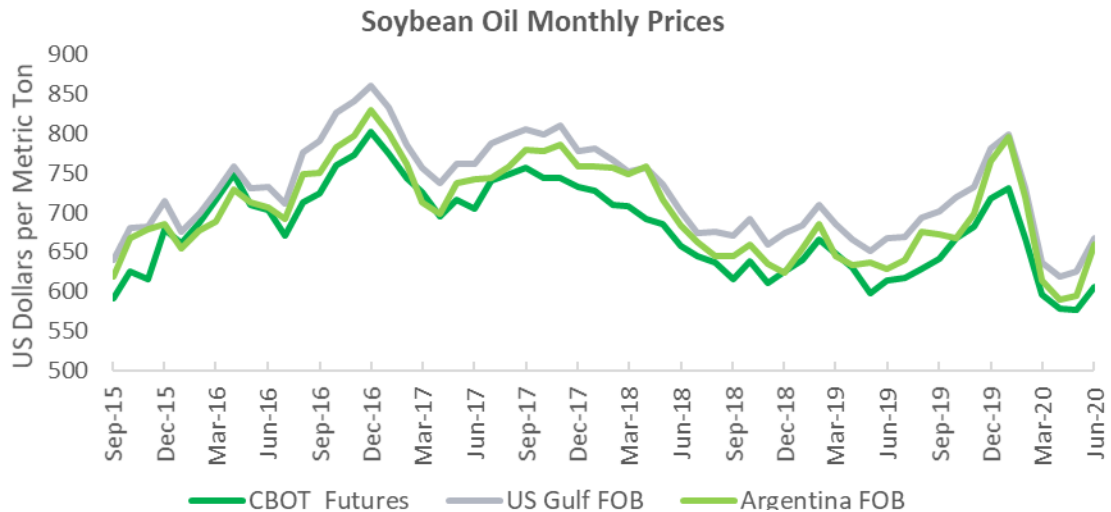
	15/16	16/17	17/18	18/19	19/20 (F)
Carryin (Apr 1)	196	337	259	310	170
Production	8,755	8,381	7,923	7,195	8,041
Imports	5	0	0	0	5
Total Supply	8,955	8,718	8,182	7,505	8,216
Domestic Use	2,448	2,995	3,202	2,628	2,741
Biodiesel	1,909	2,826	2,968	2,401	2,600
Non-Biodiesel	398	247	183	368	141
Exports	6,312	5,386	4,721	4,566	5,200
Total Use	8,619	8,459	7,872	7,335	7,941
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
6/12/2020	606	661	646
6/15/2020	612	667	646
6/16/2020	617	672	648
6/17/2020	619	675	658
6/18/2020	619	674	667
6/19/2020	629	684	684
6/22/2020	625	680	678
6/23/2020	621	676	674
6/24/2020	610	665	665
6/25/2020	607	662	658
6/26/2020	600	655	650
6/29/2020	609	664	657
7/1/2020	625	680	660
7/2/2020	619	680	661
7/6/2020	629	695	677
7/7/2020	636	708	692
7/9/2020	624	706	694
7/10/2020	622	705	695
7/13/2020	619	702	698

Soybean Oil Lineup Data - Argentina

PORT	TERMINAL	VESSEL	Date	DATE	TONS	CARGO	SHIPPER AND/OR CHARTERER	DESTINATION
SAN LORENZO	RENOVA NORTH BERTH	ECO JOSHUA PARK	AT ROADS		32,000	SBO	GLENCORE	CHINA
SAN LORENZO	RENOVA NORTH BERTH	MAETIGA	AT REC	10-Jul	32,000	SBO	GLENCORE	CHINA
SAN LORENZO	RENOVA T.B.C./RENOVA NORTH/SO	SILVER MONIKA	ETA REC	14-Jul	4,300	SBO	BUNGE	INDIA
SAN LORENZO	RENOVA T.B.C./RENOVA NORTH/SO	YASA ALBATROSS	ETA REC	21-Jul	31,000	SBO	GLENCORE	INDIA
SAN LORENZO	DREYFUS TIMBUES	SILVER MONIKA	ETA REC	14-Jul	13,000	SBO	BUNGE	INDIA
SAN LORENZO	NOBLE)	SANDPIPER PACIFIC	AT COFCO PGSM		5,000	SBO	COFCO	INDIA
SAN LORENZO	NOBLE)	SILVER MONIKA	ETA REC	14-Jul	8,700	SBO	BUNGE	INDIA
SAN LORENZO	MINERA ALUMBRERA	ATLANTIC POLARIS	ETA REC	15-Jul	9,000	SBO	ADM	TUNISIA
SAN LORENZO	MINERA ALUMBRERA	ATLANTIC POLARIS	ETA REC	15-Jul	2,500	SBO	ADM	ALGERIA
SAN LORENZO	ARAUCO ARGENTINA (EX ALTO	XENA	ETR ROS	15-Jul	13,000	SBO	ADM	PERU
SAN LORENZO	ARAUCO ARGENTINA (EX ALTO	VARI TRADER	ETA REC	15-Jul	15,000	SBO	CARGILL	PERU
SAN LORENZO	(EX NIDERA FERTILIZANTES)	SANDPIPER PACIFIC	ETF	15-Jul	12,000	SBO	COFCO	INDIA
SAN LORENZO	COFCO INTL PGSM SOUTH BERTH	HARRISON BAY	AT ROADS		3,500	SBO	COFCO	INDIA
SAN LORENZO	TRANSITO (ADM AGRO)	ATLANTIC POLARIS	ETA REC	15-Jul	11,500	SBO (P)	ADM	TUNISIA
SAN LORENZO	DEMPA	FAIRCHEM VALOR	ETA REC	18-Jul	3,000	RSBO	WILMAR	SOUTH AFRICA
SAN LORENZO	VICENTIN	BUNGA LILY	AT ROADS		14,000	SBO	COFCO	INDIA
SAN LORENZO	SAN BENITO	CHELSEA PROVIDENCE	ETF	14-Jul	22,000	SBO	ADM	INDIA
SAN LORENZO	SAN BENITO	FAIRCHEM VALOR	ETA REC	20-Jul	15,000	RSBO	WILMAR	SOUTH AFRICA
ROSARIO	VILLA GOBERNADOR GALVEZ	PTI HERCULES	ETA REC	23-Jul	31,000	SBO	CARGILL	INDIA
ROSARIO	DREYFUS VEGOIL TERMINAL	ARDMORE ENDEAVOUR	ETF	15-Jul	7,000	SBO (P)	LDC	INDIA
ROSARIO	DREYFUS VEGOIL TERMINAL	ARDMORE ENDEAVOUR	ETF	15-Jul	5,000	SBO	LDC	INDIA
ROSARIO	DREYFUS VEGOIL TERMINAL	ARDMORE ENDEAVOUR	ETF	15-Jul	8,000	SBO	LDC	BANGLADESH
ROSARIO	DREYFUS VEGOIL TERMINAL	MAERSK TOKYO	ETA REC	24-Jul	21,000	SBO	LDC	CHINA
ROSARIO	DREYFUS VEGOIL TERMINAL	JOHNNY TRADER	ETA REC	4-Aug	20,000	SBO	LDC	CHINA

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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