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Soybean Oil Market Update

Prepared for



July 30, 2020

Soybean Oil Market Update

China buying feeds US soy export hopes

- > More reminders that the US is probably in for a high-yielding crop this year were offset by trade optimism following a series of sales to China.
- > US 'good/excellent' crops made up 69% of the total, reinforcing the USDA's forecast of a 5% jump in yields on this year's 10% larger area. The USDA forecasts 16 million MT more soybeans than last year, most of the extra going to exports.
- > China has already bought at least 14% more than at this time last year, before adding more big purchases in the past week.
- > US sales to some other destinations have been less impressive, especially Latin America where resurgent regional crops have taken a larger share.
- > That trend may continue into 2020/21 as Brazil's crop is forecast to increase, some analysts say as much as 132 million MT versus this year's 126 million MT.
- > The CBOT complex also had a little help this week from firmer soybean oil futures, led by gains in energy markets amid the latest wave of Covid-19 vaccine optimism.
- > *The front futures month was trading some of its best levels since February, aided by strength in palm oil, soy's chief rival for foreign trade.*

Supply fears favor palm bulls

- > Fears that extreme weather, too much rain in origin as well as some destination markets, will cut supplies helped palm oil futures extend gains.
- > With additional help from ideas demand was might pick up too, the Bursa exchange traded its highest in five-months before profit-taking clipped some of the gains.
- > Origin traders were concerned that flooding and labor shortages, the latter in part due to coronavirus lockdowns, could take the seasonal top off output in both Malaysia and Indonesia.
- > Traders also took note of sharply rising rapeseed oil markets in China, which might point to a need for more vegetable oil imports.
- > *The Malay Palm Oil Association said annual production could lose as much as 25% of its potential this year.*

Soybean Oil Market Update

Rapeseed price near 18-month highs

- > Winnipeg rapeseed futures edged up within striking distance of 18-month as traders continued to weigh the lack of supply slack in this market and support from other sectors of the oil complex.
- > Dealers might have been influenced too by news of rocketing prices for rapeseed oil in China, a situation exacerbated by the latter's cutting off whole rapeseed imports from Canada over a political row.
- > China consumes about 8 million MT of rapeseed oil a year, about 20% of its total vegetable oil use and is expected by USDA to import about 1.7 million MT in the season ahead as well as 2.5 million MT of rapeseed.
- > China's own production is estimated this year at 13.3 million MT of seed and almost 6 million MT of oil.
- > *As of yet, there is no sign of a breakthrough in the relationship between Canada and China that might lead to more normal rapeseed trade.*

Low expectations loom over EU rapeseed harvest

- > Rapeseed harvesting has started across the EU after the crops endured several setbacks throughout the growing season.
- > Just as in 2018, early sowings of the oilseed were heavily disrupted by the effects of drought during summer last year. Afterwards, the plants suffered heavy rains in autumn, insect attacks fueled by a mild winter, and unusual dryness in spring.
- > *Due to these adverse conditions, analysts of the European Commission and markets consultancies have forecast the EU's rapeseed production to be in line with last year's disaster crop of around 17 million MT, which was the smallest volume observed since 2006.*

Soybean Oil Market Update

Argentina's crush sector underperforms expectations (IEG Vantage)

- > US soybean crush pace typically begins to slow with the start of Argentina's March/February marketing year and added export competition from the world's largest soybean crush product exporter.
- > That has not occurred to the extent anticipated, despite a normal production season in Argentina. Argentina's government data for June showed a 10% crush decline from May and a 15% reduction compared with a year ago.
- > US meal and oil exports have benefitted, which has been a contributing factor for recent upward projections for US soybean meal and oil exports.
- > *The slowdown in Argentina can be explained by local soybean crush margins that have come under pressure because of multiple factors.*
- > *A historical drought that reduced water levels on the Paraná river is limiting cargo volumes as vessels are required to operate at less than full cargo capacity—a scenario that is increasing costs and reducing crush product competitiveness.*
- > *Argentina's new government increased export taxes for soybean products to the same rate in place for soybean exports, which eliminated the historical benefit of lower product taxes that the country's crush industry flourished under.*
- > *Since March 2020, all components of the soybean complex have the same 33% export tax applied to FOB prices.*
- > *Government imposed restrictions on transactions conducted with foreign currency also have increased pressure on crushers.*

Indian 2019/20 oilseed exports sluggish, imports settled higher

- > Oilseed exports stagnated in the 2019/20 season reaching over 1 million MT, while imports, of mainly soybeans, grew rapidly fueled by demand from African countries, said the Solvent Extractors' Association of India (SEA).
- > During the 2019-20 (April-March) crop-year, India exported over 1.0 million MT of oilseeds, up 2% on the previous season.
- > *India is a large importer of palm oil but the country has been importing more soybeans and crushing them domestically in recent times.*

Soybean Oil Market Update

Corn, soybean ratings post big rise

- > Soybeans in the 18 major US states are now 72% in good/excellent condition, up from 69% the prior week and substantially above the year-ago mark of 54%. Traders expected ratings to be steady for the reporting week.
- > The level of soybeans rated poor/very poor fell to 6% after being at 7% the prior week. One year ago, USDA said that 13% earned the bottom marks.
- > As with corn, ratings improved in most states during the prior week. Only North Carolina (16%) and Ohio (13%) have 10% or more of their crop rated poor/very poor.
- > USDA said that 76% of soybeans are now blooming, ahead of the year-ago pace of 52% and the five-year average of 72%.
- > There are now 43% of fields setting pods, substantially above year ago when only 17% were at that stage.
- > The five-year average is for 36% of soybeans to be setting pods at this stage.
- > *Soybean prices have shifted downwards as the good progress in the crop raises the available supply.*

Argentina and Brazil decline to show Covid-19 free certificates for soybeans to China

- > The Argentine Grain Exporters Association and the Oilseed Crusher Chamber CIARA-CEC stated that it is "inappropriate" for Chinese soybean buyers to require exporters to ensure that South American cargo does not contain Covid-19.
- > Brazil has also declined to show the Covid-19 free certificate. It is reported that Brazil has strengthened the processing to ensure the safety of goods. In the year to June 2020, China's soybean imports reached 45 million MY, up by 17% compared with the year before. Brazil accounted for 73% of total volume, up by 19% over last year.
- > According to Reuters (July 28), COFCO has temporarily suspended operations at its Timbues grains plant after 12 employees tested positive for Covid-19 in Argentina.
- > *Chinese media reported that Brazil has been the biggest winner amid the China/US trade war. Brazil has replaced the US as China's go-to soybean provider and other areas of agricultural trade in Brazil such as proteins (meat) have benefitted as well.*

United States: Soybean Oil Exports

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

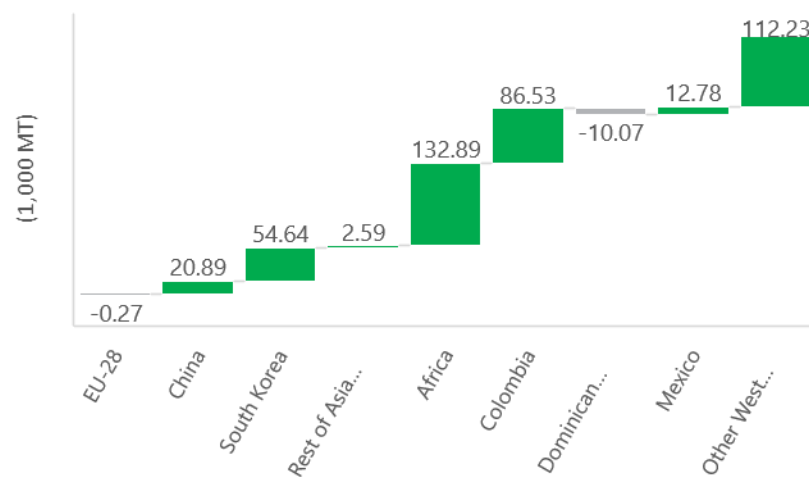
US Annual Soybean Oil Exports

	(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	154
Dominican Republic	150	152	139	129
Mexico	265	167	126	138
Other West Hemis.	194	327	192	304
Total	1,159	1,108	881	1,293

(F) = IEG Vantage Forecast

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

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



Argentina: Soybean Oil Exports Update

Argentina Annual Soybean Oil Exports

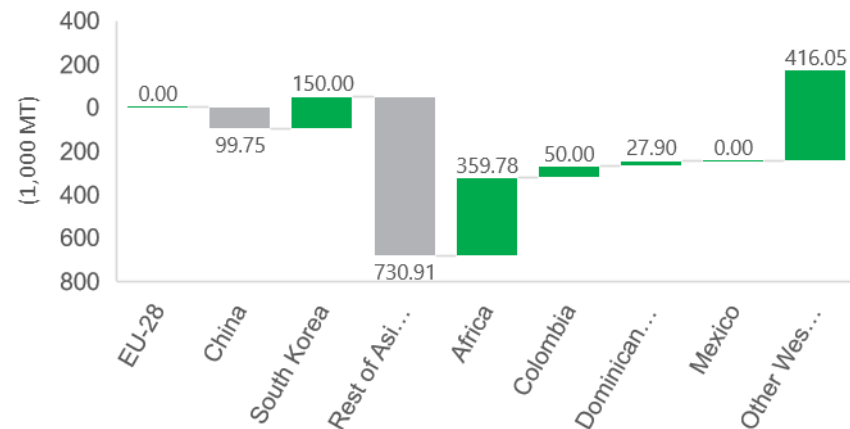
	(1,000 MT)			
	16/17	17/18	18/19	19/20 (F)
EU-28	0	0	0	0
China	0	27	175	75
South Korea	138	4	0	150
Rest of Asia/Oceania	3,742	2,958	4,162	3,431
Africa	644	651	420	780
Colombia	32	0	0	50
Dominican Republic	14	2	0	28
Mexico	0	0	0	0
Other West Hemis.	818	513	470	886
Total	5,387	4,155	5,227	5,400

(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

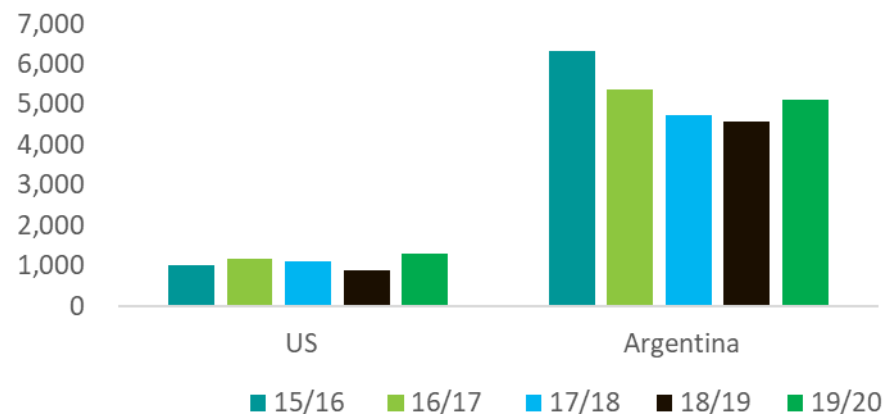
US Soybean Oil Supply and Demand (1,000 MT)					
	15/16	16/17	17/18	18/19	19/20 (F)
Carryin (Oct 1)	841	765	776	905	805
Production	9,956	10,035	10,783	10,975	11,233
Imports	130	144	152	180	159
Total Supply	10,928	10,944	11,711	12,061	12,197
Domestic Use	9,146	9,009	9,698	10,375	10,176
Biodiesel	2,582	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	1,293
Total Use	10,163	10,168	10,806	11,255	11,468
Carryout (Sep 30)	765	776	905	805	728

(F) = IEG Vantage Forecast

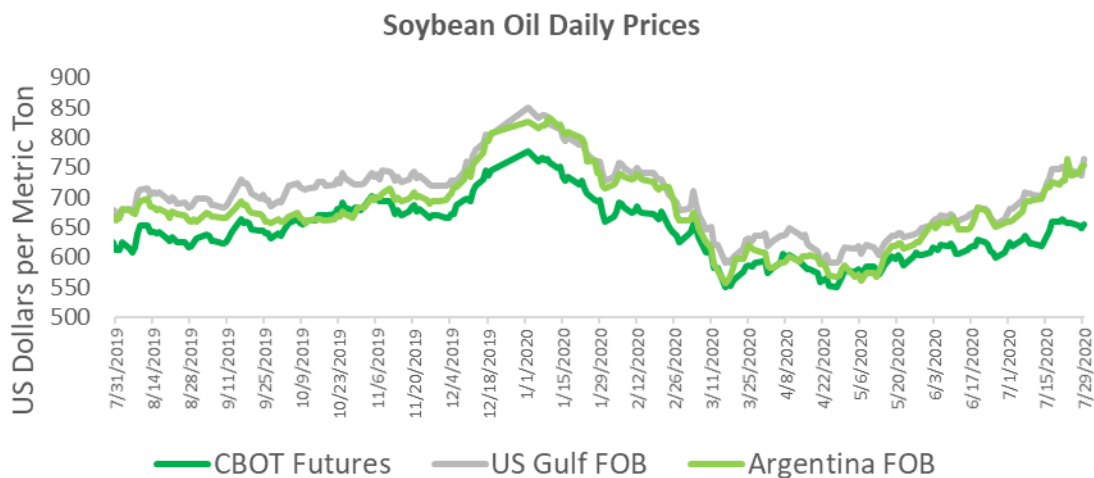
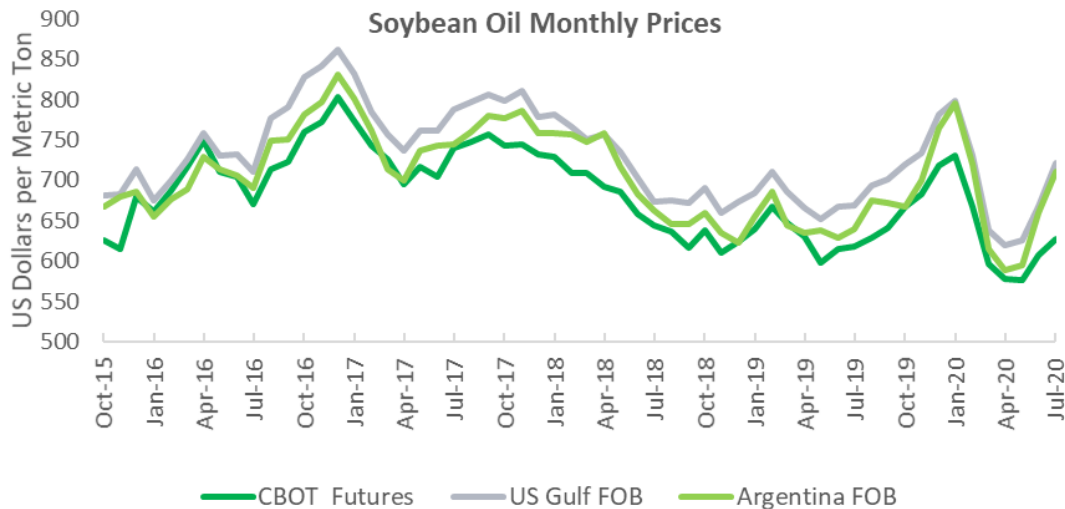
Argentina Soybean Oil Supply and Demand (1,000 MT)					
	15/16	16/17	17/18	18/19	19/20 (F)
Carryin (Apr 1)	196	337	259	310	170
Production	8,755	8,381	7,923	7,195	8,041
Imports	5	0	0	0	5
Total Supply	8,955	8,718	8,182	7,505	8,216
Domestic Use	2,448	2,995	3,202	2,628	2,828
Biodiesel	1,909	2,826	2,968	2,401	2,550
Non-Biodiesel	398	247	183	368	278
Exports	6,312	5,386	4,721	4,566	5,113
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
6/30/2020	617	672	660
7/1/2020	625	680	660
7/2/2020	619	680	661
7/6/2020	629	695	677
7/7/2020	636	708	692
7/8/2020	629	707	694
7/9/2020	624	706	694
7/10/2020	622	705	695
7/13/2020	619	702	698
7/14/2020	627	710	711
7/15/2020	635	723	717
7/16/2020	645	733	718
7/20/2020	660	748	722
7/21/2020	663	751	727
7/22/2020	660	748	728
7/23/2020	657	745	765
7/27/2020	653	741	741
7/28/2020	649	737	752
7/29/2020	654	764	754

Soybean Oil Lineup Data - Argentina

PORT	TERMINAL	VESSEL	Date	DATE	TONS	CARGO	SHIPPER AND/OR	
							CHARTERER	DESTINATION
SAN LORENZO	RENOVA NORTH BERTH	YASA ALBATROSS	ETF	29-Jul	31,000	SBO	GLENCORE	INDIA
SAN LORENZO	RENOVA NORTH BERTH	JOHNNY TRADER	ETA REC	1-Aug	12,500	SBO	LDC	CHINA
SAN LORENZO	RENOVA NORTH BERTH	STI LE ROCHER	ETA REC	2-Aug	22,000	SBO	GLENCORE	INDIA
SAN LORENZO	RENOVA NORTH BERTH	STI LE ROCHER	ETA REC	2-Aug	10,000	SBO	GLENCORE	BANGLADESH
SAN LORENZO	RENOVA SOUTH BERTH	WISBY PACIFIC	ETR ZTE	31-Jul	2,500	SBO	BUNGE	INDIA
SAN LORENZO	RENOVA T.B.C.	FAIRECHM BLUE SHARK	ETR SNIC	5-Aug	24,000	SBO	GLENCORE	
SAN LORENZO	DREYFUS TIMBUES	MUSCAT SILVER	ETA REC	18-Aug	13,000	SBO	LDC	INDIA
SAN LORENZO	MINERA ALUMBRERA	NAVIG8 ALMANDINE	ETR FB	3-Aug	4,000	SBO	ADM	MADAGASCAR
SAN LORENZO	MINERA ALUMBRERA	NANCY P	ETA REC	5-Aug	28,000	SBO	BUNGE	INDIA
SAN LORENZO	ARAUCO ARGENTINA (EX ALTO	BOCHEM LUXEMBOURG	ETA REC	1-Aug	6,000	SBO	CARGILL	SPAIN
SAN LORENZO	ARAUCO ARGENTINA (EX ALTO	NANCY P	ETA REC	5-Aug	34,000	SBO	BUNGE	INDIA
SAN LORENZO	PARANA)	EVA TOKYO	ETA REC	10-Aug	17,000	SBO	CARGILL	PERU
SAN LORENZO	PARANA)	HALCON TRADER	ETA REC	20-Aug	9,000	SBO	BUNGE	COLOMBIA
SAN LORENZO	COFCO INTL PGSM NORTH BERTH	MTM MANILA	ETA SLZ	10-Aug	10,000	SBO	COFCO	MOZAMBIQUE
SAN LORENZO	COFCO INTL PGSM NORTH BERTH	MTM MANILA	ETA SLZ	10-Aug	15,200	SBO	COFCO	INDIA
SAN LORENZO	TRANSITO (ADM AGRO)	NAVIG8 ALMANDINE	ETR FB	3-Aug	10,000	SBO (P)	ADM	INDIA
SAN LORENZO	DEMPA	FAIRCHEM VALOR	AT ROADS		3,000	RSBO	WILMAR	SOUTH AFRICA
SAN LORENZO	VICENTIN	MAERSK TOKYO	AT REC	27-Jul	10,000	SBO	LDC	INDIA
SAN LORENZO	VICENTIN	WISBY PACIFIC	ETR ZTE	1-Aug	15,000	SBO	BUNGE	INDIA
SAN LORENZO	SAN BENITO	MAERSK TOKYO	AT REC	27-Jul	15,000	SBO	LDC	INDIA
SAN LORENZO	SAN BENITO	NAVIG8 ALMANDINE	ETR FB	3-Aug	10,000	SBO	ADM AGRO	INDIA
ROSARIO	VILLA GOBERNADOR GALVEZ	PTI HERCULES	AT ROADS		31,000	SBO	CARGILL	INDIA
ROSARIO	VILLA GOBERNADOR GALVEZ	BUNGA LILAC	ETA REC	29-Jul	18,000	SBO	CARGILL	PERU
ROSARIO	DREYFUS VEGOIL TERMINAL	STAVANGER PIONEER	AT SLZO		4,000	SBO (P)	LDC	INDIA
ROSARIO	DREYFUS VEGOIL TERMINAL	STAVANGER PIONEER	AT SLZO		5,570	SBO	LDC	INDIA
ROSARIO	DREYFUS VEGOIL TERMINAL	JOHNNY TRADER	ETA REC	31-Jul	23,000	SBO	LDC	CHINA
ROSARIO	DREYFUS VEGOIL TERMINAL	MUSCAT SILVER	ETA REC	18-Aug	20,000	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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