



Soybean Oil Market Update

Prepared for



August 15, 2020

Soybean Oil Market Update

Export hopes underpin looser soy market

- > Some timely US export sales to China and 'unknown' buyers (possibly China too) helped fend off the bearish impact of a larger than expected US crop estimate from the USDA the week ending August 14th. It helped build confidence that US trade would pick up in the year ahead, helping to soak up some of its surplus supplies.
- > The USDA yield forecast rose twice as much as most traders expected, placing production 7.9 million MT higher than last month and 23.7 million MT above last year's unusually low crop.
- > USDA only partly mitigated the effect of loosening supplies by adding 2 million MT to US new crop exports and 600,000 MT to crush. It still left US 2020/21 carryover 5 million MT higher than last month and almost the same as the starting stock of 16.7 million MT.
- > US crush was expected to get a boost from increased meal demand, mostly domestic.
- > *CBOT soybean futures remain at the low end of their recent five-year range which the US trade hopes may help demand recover as the coronavirus impact on feed demand for meal and restaurant use of oil recedes. Two years of low rapeseed production and back-tracking palm oil output could also benefit soy oil sales down the road, as could rumored re-stocking by top user China.*

Global food prices continue to increase in July

- > Global food prices rose for a second consecutive month in July, driven by vegetable oils and dairy products, according to the FAO.
- > The FAO's Food Price Index averaged 94.2 points in July, up 1.2% on June and up 1.0% compared to July 2019.
- > *The FAO Vegetable Oil Price Index increased by 7.6% since June to reach a five-month high, due to international quotations for the key oils rising amid production slowdowns, revived global import demand and prolonged migrant labor shortages, particularly in the case of palm oil, it indicated.*

Soybean Oil Market Update

Crop pointers weigh on soybeans

- > Strong crop pointers for the US and Brazil continued to weigh heavy against the former's recent resurgence in sales to top import customer China, which continued this week.
- > Traders said better than expected US crop ratings are strengthening chances of above-trend yields and a rise in the official US crop estimate of 112.5 million MT with, some analysts looking for at least 115 million MT.
- > Brazil's crop is meanwhile seen by local analysts rising to 132-133 million MT from this year's already record-large 126 million MT.
- > Brazil's July exports were reported to have jumped by 39% on-year to 10.3 million MT following a record 11.2 million MT in June, boosted by sales to China.
- > Despite a recent jump in US sales to China, total exports to all destination continue to lag last year's and forward trade remains under the cloud of a fractious political relationship between the two.
- > The US market did have some help from firmer soy oil prices at one stage, boosted by rising biodiesel demand and a firmer trend in global energy markets.
- > *Nearby soybean futures have been trading well below \$9/Bushel as a result of the anticipated excess supplies.*

Argentina's grains and oilseeds exports hit record volume in H1 2020

- > Barley, sunflower, corn, soy, wheat, and their by-products represented 80% of total overall volumes exported by Argentina in the first half of 2020, according to data from the National Institute of Statistics and Censuses (INDEC).
- > Despite a slight drop in volumes exported, down 1.0% on the prior season, around 20.6 million MT of soy was shipped overseas.
- > In value terms, exports of grains and oilseeds reached USD13.6 billion in H1 2020, virtually stable compared to the same period in 2019, when USD13.5 billion were generated.
- > *Soy accounted for 56% of total agricultural exports as shipments usually include higher value-added products such as pellets, flours, meals, oil, biodiesel.*

Soybean Oil Market Update

Palm price oscillates on mixed signals

- > Production doubts resurfaced to support higher palm oil prices the first week of August, overwhelming the negative impact of export demand apparently slowing again.
- > Traders have become more concerned about Malay output stalling again, either because of recent excessive rains or coronavirus lockdowns, or both.
- > Further support came from reports that Indonesia still intended to press on with plans to raise palm content in biodiesel to 40% by July next year.
- > However, the trade will also need to see proof that the top markets like India and China are holding up, not to mention some reassurance that the host of smaller customers on which palm export trade depends, are not being scared off by recently higher prices.
- > Some help in that respect may have been offered by rival soybean oil's prices recently rising too.
- > *Vegetable oil prices have been aided by rising crude oil prices, making biofuels more price competitive with petroleum-based products.*

EU olive oil production to rebound in 2020/21 on improved Spanish weather

- > EU olive oil production is expected to reach 2.3 million MT in the 2020/21 crop year, following mixed prospects in 2019/20, according to the latest European Commission report.
- > Good spring weather conditions in Spain are forecast to compensate for the impact of heat waves in Greece and a lack of precipitation in some Italian producing regions, it indicated.
- > EU olive oil production is anticipated to decline by 15% to 1.9 million MT in the 2019/20 crop year, as Spain reported a lower-than-expected output of 1.1 million MT, down 37% compared to the previous year.
- > Meanwhile, in 2019/20, Covid-19 confinement measures contributed to an increase in retail sales and at-home consumption, while output is expected to decline on poor harvests in Spain, according to the latest European Commission report.
- > In the first seven months of 2019/20, EU-27 olive oil exports increased by 14% to 452,810 MT.
- > *Despite falling production, olive oil benefited from a rise in home cooking due to lockdown measures, along with persistently low prices.*

Soybean Oil Market Update

EU rapeseed harvest headed for disaster

- > With harvesting now in full swing in most parts of Europe, French consultancy Stratégie Grains increased its outlook for this year's rapeseed harvest in the EU and the UK to 16.79 million MT – up from 16.54 million estimated in July.
- > However, the projected harvest would still be far below last year's poor crop – estimated at 17.12 million MT – and mark a new low since 2006.
- > Stratégie Grain points to disappointing prospects in key producing countries, such as France and the UK, as the main reasons behind the decline.
- > *Just as in 2018, early sowings of the oilseed were heavily disrupted by the effects of drought during last summer while the plants suffered again during heavy rains in autumn, insect damage after a mild winter, and unusual dryness in spring.*

European demand helps firm canola

- > Winnipeg canola futures closed out a strong July and started August within sight of 21-month highs, aided by better than expected Canadian export performance.
- > With politics still eroding its once key China trade, Canada benefited from Europe's need to diversify imports to fill the gap created by its dwindling domestic crop in recent seasons.
- > *Oil-dependent rapeseeds crush margins also had some psychological support from recently firmer palm and soy oil prices and a rally in energy markets supporting canola's important biodiesel outlet.*

Soybean Oil Market Update

USDA continues to see large US soybean supplies into fall 2021

- > US soybean supplies left over at the end of the current and coming marketing year will be more than 600 million bushels with supplies of corn left over to remain well over 2 billion bushels, according to USDA's WASDE report.
- > US soybean carryover for the 2019/20 marketing year that ends August 31 are forecast to total 615 million bushels, according to USDA's WASDE report, slightly under the month-ago forecast of 620 million bushels. The only change USDA made to the old-crop outlook was an uptick of 5 million bushels to crush to 2.160 billion bushels.
- > As for 2020/21, the larger crop size of 4.425 billion bushels more than offset the smaller beginning stocks, pushing total supplies to a record 5.055 billion bushels. USDA did increase its forecast for crush, putting it at 2.180 billion bushels (2.160 billion in July) and exports to 2.125 billion bushels (2.05 billion in July) to push carryover to 610 million bushels. That was a sharp rise from 425 million forecast in July.
- > The U.S. season-average soybean price for 2020/21 is forecast at \$8.35 per bushel, down 15 cents from last month. The soybean meal price is forecast at \$290 per short ton, down 10 dollars. The soybean oil price is forecast at 30.0 cents per pound, up 1 cent.
- > For soybeans, the U.S. 2020 average yield estimate is pegged at 53.3 vs. the trade's expectation of 51.2 bu/acre and the USDA's July estimate of 49.8 bu/acre.
- > *Volatility in the wake of the report was limited as the results were generally in line with expectations.*

Rapeseed shrugs off global crop cut

- > Rapeseed/canola markets showed little reaction to the latest WASDE report slicing 1.7 million MT off the world production figure at 68.1 million MT.
- > The drop was mainly down to Ukraine, down from 4 million to 2.5 million MT and Kazakhstan from 240,000 to 130,000 after dry weather affected yields.
- > Oil content this year is also seen down from 45% to 43%.
- > The loss of Ukrainian supplies will offset by an expected 1 million MT increase for another exporter, Australia.
- > *Overall a finely balanced global supply/demand scenario might help keep a bottom under prices – depending on Canada's outcome and how the dominant soya market responds to its own larger supply.*

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	154
Dominican Republic	150	152	139	129
Mexico	265	167	126	138
Other West Hemis.	194	327	192	327
Total	1,159	1,108	881	1,315

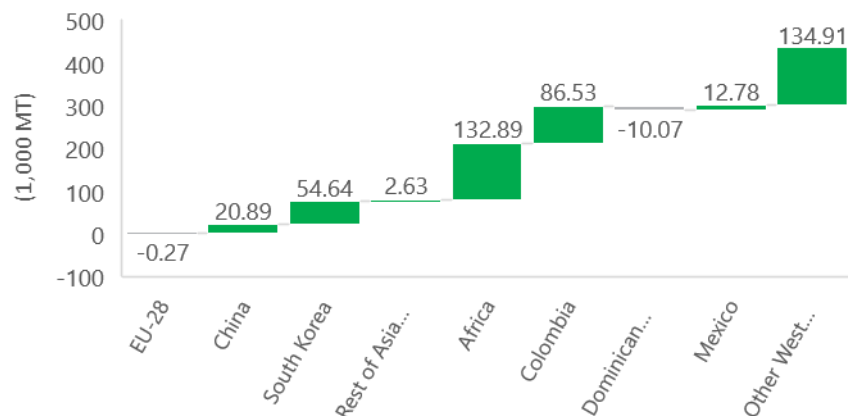
(F) = IEG Vantage Forecast

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

US Monthly Soybean Oil Exports

	(MT)				
	Feb-20	Mar-20	Apr-20	May-20	Jun-20
EU-28	9	0	164	54	0
China	27	18	0	43	52
South Korea	41,710	37,739	10,138	71,259	20,614
Rest of Asia/Oceania	2,434	1,805	3,111	412	422
Africa	50,000	20,005	12,881	21,782	30
Colombia	18,002	21,908	9,493	11,982	14,449
Dominican Republic	10,682	21,632	12,719	20,821	4,855
Mexico	12,247	14,394	21,177	9,121	3,576
Other West Hemis.	44,624	27,996	34,730	26,807	32,057
Total	179,735	145,498	104,412	162,281	76,053

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



Argentina: Soybean Oil Exports Update

Argentina Annual Soybean Oil Exports

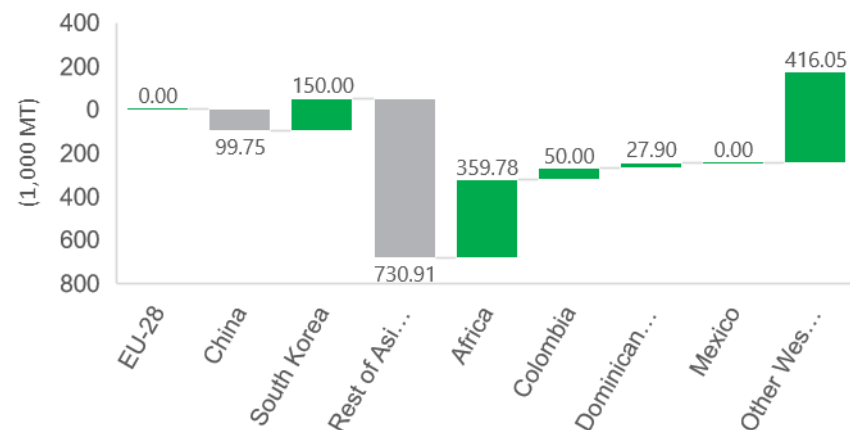
	(1,000 MT)			
	16/17	17/18	18/19	19/20 (F)
EU-28	0	0	0	0
China	0	27	175	75
South Korea	138	4	0	150
Rest of Asia/Oceania	3,742	2,958	4,162	3,431
Africa	644	651	420	780
Colombia	32	0	0	50
Dominican Republic	14	2	0	28
Mexico	0	0	0	0
Other West Hemis.	818	513	470	886
Total	5,387	4,155	5,227	5,400

(F) = IEG Vantage Forecast

Argentina Monthly Soybean Oil Exports

	(1,000 MT)					
	Feb-20	Mar-20	Apr-20	May-20	Jun-20	
EU-28	0	0	0	0	0	0
China	0	0	0	0	0	0
South Korea	0	0	0	0	0	0
Rest of Asia/Oceania	465	349	509	712	602	
Africa	0	0	0	0	0	0
Colombia	0	0	1	9	7	
Dominican Republic	0	0	0	0	0	0
Mexico	0	0	0	0	0	0
Other West Hemis.	29	1	102	10	10	
Total	494	350	612	731	619	

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	11,285
Imports	130	144	152	180	159
Total Supply	10,928	10,944	11,711	12,061	12,249
Domestic Use	9,146	9,009	9,698	10,375	10,304
Biodiesel	2,582	2,812	3,236	3,567	3,546
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	11,597
Carryout (Sep 30)	765	776	905	805	652

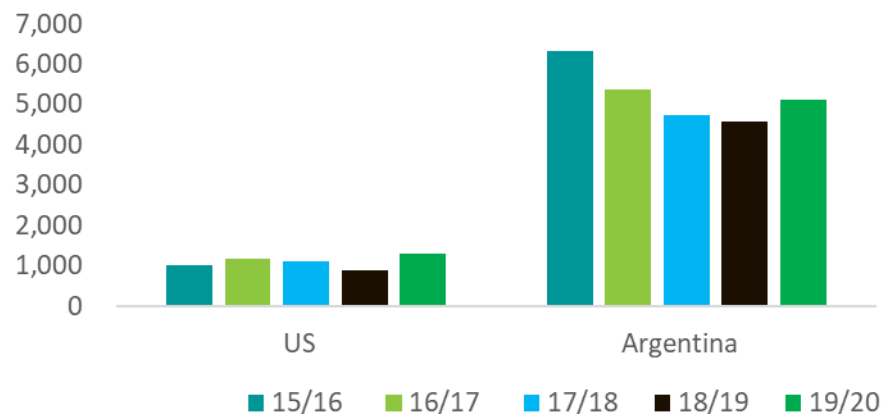
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Argentina Soybean Oil Supply and Demand (1,000 MT)

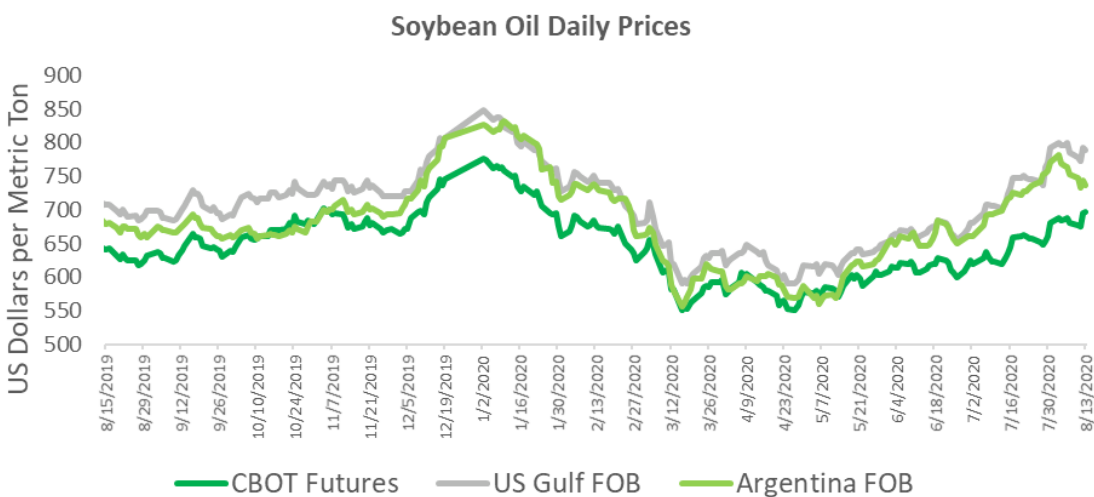
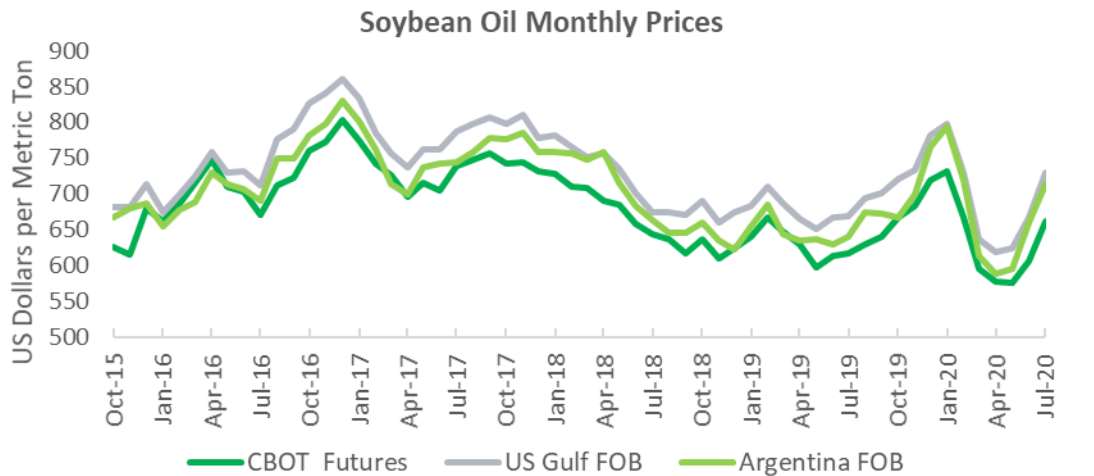
	15/16	16/17	17/18	18/19	19/20 (F)
Carryin (Apr 1)	196	337	259	310	170
Production	8,755	8,381	7,923	7,195	8,041
Imports	5	0	0	0	5
Total Supply	8,955	8,718	8,182	7,505	8,216
Domestic Use	2,448	2,995	3,202	2,628	2,828
Biodiesel	1,909	2,826	2,968	2,401	2,550
Non-Biodiesel	398	247	183	368	278
Exports	6,312	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
7/16/2020	645	733	718
7/17/2020	660	748	726
7/20/2020	660	748	722
7/21/2020	663	751	727
7/22/2020	660	748	728
7/23/2020	657	745	733
7/24/2020	657	745	736
7/27/2020	653	741	741
7/28/2020	649	737	752
7/29/2020	654	764	754
7/30/2020	661	771	758
7/31/2020	681	792	771
8/4/2020	685	795	768
8/5/2020	686	796	766
8/6/2020	688	799	764
8/7/2020	680	785	752
8/11/2020	675	772	732
8/12/2020	696	793	744
8/13/2020	697	788	737

Soybean Oil Lineup Data - Argentina

PORT	TERMINAL	VESSEL	Date	DATE	TONS	CARGO	SHIPPER AND/OR CHARTERER	DESTINATION
SAN LORENZO	RENOVA NORTH BERTH	ALEXANDROS II	ETA SLZ	12-Aug	16,000	SBO	GLENCORE	INDIA
SAN LORENZO	RENOVA NORTH BERTH	ALEXANDROS II	ETA SLZ	12-Aug	8,000	SBO	GLENCORE	BANGLADESH
SAN LORENZO	RENOVA NORTH BERTH	ALEXANDROS II	ETA SLZ	12-Aug	6,000	SBO	GLENCORE	MOZAMBIQUE
SAN LORENZO	RENOVA NORTH BERTH	FAIRECHM BLUE SHARK	ETR SNIC	21-Aug	24,000	SBO	GLENCORE	
SAN LORENZO	RENOVA T.B.C.	WISBY PACIFIC	ETA SLZ	12-Aug	500	SBO	BUNGE	INDIA
SAN LORENZO	DREYFUS TIMBUES	MUSCAT SILVER	ETA REC	22-Aug	13,000	SBO	LDC	INDIA
SAN LORENZO	DREYFUS TIMBUES	AQUILA	ETA REC	1-Sep	5,000	SBO	LDC	
SAN LORENZO	MINERA ALUMBRERA	HIGH LEADER	ETA REC	15-Aug	10,000	SBO	BUNGE	INDIA
SAN LORENZO	MINERA ALUMBRERA	ELM GALAXY	ETA REC	17-Aug	7,000	SBO	ADM	PERU
SAN LORENZO	PARANA)	NANCY P	ETF	14-Aug	22,000	SBO	BUNGE	INDIA
SAN LORENZO	PARANA)	NANCY P	ETF	14-Aug	3,000	SBO	BUNGE	BANGLADESH
SAN LORENZO		NANCY P	ETF	14-Aug	4,000	SBO (P)	BUNGE	INDIA
SAN LORENZO		EVA TOKYO	AT REC	5-Aug	17,000	SBO	CARGILL	PERU
SAN LORENZO	ARAUCO ARGENTINA (EX ALTO	HALCON TRADER	ETA REC	20-Aug	9,000	SBO	BUNGE	COLOMBIA
SAN LORENZO	ARAUCO ARGENTINA (EX ALTO	HALCON TRADER	ETA REC	20-Aug	1,100	SBO	BUNGE	PERU
SAN LORENZO	PARANA)	BARBOUNI	ETA REC	22-Aug	4,500	SBO	CARGILL	PERU
SAN LORENZO	PARANA)	MOYRA	ETA REC	25-Aug	6,000	SBO	CARGILL	BRAZIL
SAN LORENZO	DEMPA	HIGH LEADER	ETA REC	15-Aug	4,000	SBO	BUNGE	INDIA
SAN LORENZO	VICENTIN	WISBY PACIFIC	ETF	14-Aug	30,000	SBO	BUNGE	INDIA
ROSARIO	VILLA GOBERNADOR GALVEZ	BUNGA LILAC	ETF	13-Aug	18,000	SBO	CARGILL	PERU
ROSARIO	VILLA GOBERNADOR GALVEZ	NEW DAWN	ETA REC	19-Aug	27,000	SBO	CARGILL	INDIA
ROSARIO	DREYFUS VEGOIL TERMINAL	SEA TIGER	AT REC		10,000	SBO (P)		INDIA
ROSARIO	DREYFUS VEGOIL TERMINAL	MUSCAT SILVER	ETA REC	19-Aug	20,000	SBO	LDC	INDIA
ROSARIO	DREYFUS VEGOIL TERMINAL	CB BALTIC	ETA REC	1-Sep	10,000	SBO	LDC	ALGERIA
ROSARIO	DREYFUS VEGOIL TERMINAL	CB BALTIC	ETA REC	1-Sep	3,000	SBO	LDC	MOROCCO
DEL GUAZU	TERMINAL DEL GUAZU	MYM MANILA	ETF	12-Aug	1,500	SBO		

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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