



# Soybean Oil Market Update

Prepared for



August 30, 2020

# Soybean Oil Market Update

## Big US soy crop rebound still likely

- > CBOT soy futures firmed up at the end of August as traders reacted to reports of dry weather risk rising at a key development phase for domestic crop yields.
- > Despite lower crop condition ratings, some analysts played the factor down, still expecting a massive rebound from last year's weather-reduced 96.7 million MT.
- > Nonetheless, some caution may be required towards the USDA estimate of a near 24 million MT rebound.
- > Prices were also firmed by news a further series of purchases by China and 'unknown' buyers, albeit offset by seasonal trade still failing to match last year's level.
- > China's intake may be up by around 3 million MT so far but demand for US beans has fallen in Europe and in Latin America – especially Argentina, where US material was required to backfill crush needs after the South American country's steep crop decline last season.
- > The CBOT rally was also held in check by President Trump saying he had cancelled scheduled talks with China – though recent past such utterances have appeared not to slow China's appetite for US beans.
- > US crush has been going strong, partly to feed higher meal and oil exports.
- > Also, Brazil has been pricing itself out of much export business recently after its earlier strong sales depleted supplies – another reason why China has been turning more to North America.
- > *Bullish factors have pushed soybean futures comfortably above USD9/bushel across the board.*

# Soybean Oil Market Update

## Indian vegetable meal exports down 8%

- > Between April-July 2020, Indian vegetable meal exports totaled 841,195 MT, an 8% decline on the same period of the previous year, the Solvent Extractors' Association of India (SEA) reported.
- > The major vegetable meal importers, between April-July 2020, remained South Korea up 19.4% to 285,783 MT, Vietnam up 4.8% to 141,016 MT, and Thailand despite a decline of 36.0% to 74,224 MT.
- > The US which purchased around 71,170 MT of vegetable meal, up 6.1% on the prior season, has become a potential market as the country relies on India for the supply of organic soybean meal, it said. Meanwhile, exports to Taiwan were pinned at 53,275 MT, up 26.7%.
- > Between April-July 2020, most Indian ports reported a loss.
- > In July 2020, average prices for soybean meal and rice bran fell to USD440/t and USD148/t respectively while quotes for rapeseed meal and castor seed meal grew to USD216 and USD53, it said.
- > *While India is a major importer of vegetable oils, relatively low meat consumption keeps vegetable meal, including soybean meal, demand low as livestock feed is the most common vegetable meal use. India's domestic crushing is mostly driven by vegetable oil demand, leading to significant vegetable meal exports.*

## Canadian weather stirs rapeseed

- > A hot weather threat to ripening crops buttressed Winnipeg rapeseed futures as a firming Canadian dollar weighed against recently good export and domestic crush sales.
- > Most crops are still a few weeks off harvest and parts of some provinces have also suffered some problems from excessive rain.
- > Against that, some analysts had recently considered the official estimate of around 19 million MT underrated the crop's potential (possibly considerably).
- > EU rapeseed futures have stayed fairly firm the past week amid tighter EU supplies and recent lower Ukrainian crop forecasts are likely to raise dependence on Australian and Canadian supplies.
- > *Ideas that China is low stocked on oils might also have some reviving impact on its reduced demand for Canadian rapeseed at some point in the future.*

# Soybean Oil Market Update

## *Palm price rally feeds off edible oil upturn*

- > Malay palm oil futures appeared to be feeding off strength in other oils and future demand hopes amid current, less encouraging trade pointers.
- > Demand from third largest palm outlet China could be one avenue for growth as talk of it rebuilding soybean oil stocks lifts prices of soy and palm on its local markets.
- > That contrasts with the latest Malay export data showing first half August trade dropped by 16-20%. Price support has also come from a flatter palm production trend during the seasonal period of higher yields.
- > Indonesia, not only the top producer but by far the largest consumer of palm oil also helped stir some bullish sentiment as officials announced plans to raise the export levy on the oil to support the country's vast biodiesel program.
- > Still weak fossil fuel markets have left a wide price gap between crude oil and palm biodiesel which levy-derived subsidies can help fill.
- > *Including its food and other uses, Indonesia is expected to consume 14.9 million MT of palm oil in the season starting October 1, one fifth of world offtake and 5.5 million MT more than the next largest user, India. Because of this, its domestic policies shape palm oil markets.*

## *Argentina's crush sector underperforms expectations again in July (IEG Vantage)*

- > The 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.
- > As anticipated in previous reports, despite a normal production season in Argentina the crush activity is slower this year and data showed another decline in crush activity for July.
- > In the current marketing year (April/July) accumulated crush reached 15.2 million MT, an 8% reduction when compared to the same period last year (16.5 million MT).
- > Truck activities at main ports suggests that Argentinian farmers are selling more corn and holding soybeans sales.
- > *This environment requires crushers to bid up prices, which also has pressured margins.*

# Soybean Oil Market Update

## Weaker palm oil demand in Malaysia to cut CPO prices in Q4

- > Major palm oil industry player FGV Holdings Bhd said that it expects crude palm oil prices (CPO) to fall in the second half of the year with a dip in demand in the fourth quarter. It estimated CPO to trade between MYR2,400 and MYR2,600 (USD574.85 and USD622.75) per MT.
- > Malaysian benchmark CPO has rallied by about 16% since June to MYR2,689 on August 24, buoyed by recovering demand as coronavirus curbs have eased in many countries.
- > "Restocking in China and India was the main push for good crude palm oil prices, but we expect fourth-quarter demand to soften a bit," Haris Fadzilah Hassan, FGV's group CEO, said. Current prices cannot be sustained until the end of the year, he added.
- > Improvements to efficiency in its plantation operations helped normalize CPO production despite losing 79,000 MT of unharvested palm fruit due to a partial lockdown to contain the virus.
- > *China and India restocking palm oil was the main driver of higher CPO prices, but demand is expected to decline because key buyers of palm oil have satisfied much of the demand that resulted after the effects of the coronavirus began to subside.*

## Brazilian soy price rise driven by local demand

- > Brazil's domestic market for the week ending August 21, saw most regions report soy price increases.
- > In the state of Paraná, prices rose to USD10.48/bushel last Friday (August 21) compared to USD10.41/bushel seen in the previous week ending to August 14.
- > Despite few trade deals, prices grew due to higher demand from the feed industry, mainly in the Southern region, and the coming off-season. Given the fast progress of Brazil's early soy sales, the Southern region is one of the few locations with supplies remaining.
- > Increased Brazilian meat exports allowed soy producers to seek a higher price on soy destined for feed.
- > Brazilian soy exports through August are expected to reach 76.4 million MT.
- > *Increased domestic demand for Brazilian soy is expected to reduce the available export quantities and may favor US exporters.*

# Soybean Oil Market Update

## Crude oil recovery from COVID-19 depression provides vegetable oil support (IEG Vantage)

- > Vegetable oil futures have been on a relatively steady climb from lows made in March when most of the markets moved sharply lower on uncertainty over the extent of the COVID-19 negative impact on economic activity.
- > The primary driver for higher prices has been recovery in energy futures, which rebounded with some positive consumption data that helped markets look beyond the pandemic.
- > Since April lows, crude oil futures rallied about 60%, while palm oil futures increased 40%, and soybean oil futures gained 20%.
- > As the largest component of global supply, palm oil continues to be the price leader in global vegetable oil markets.
- > Reduced travel during the pandemic did not impact biodiesel demand to the same extent observed in the fossil fuel markets.
- > *In some markets, demand for vegetable oil appears to have benefited from the pandemic as supply of feedstock alternatives such as used cooking oil and animal fats was limited by virus-related disruptions.*

## China's soybean demand recovery expected to pressure vegetable oil markets (IEG Vantage)

- > In 2019/20, China's vegetable oil imports were elevated by the country's need to replace vegetable oil not being produced internally.
- > African Swine Fever (ASF) diminished soybean meal requirements and soybean crush activity while trade disputes limited imports of oilseeds, including US soybeans and Canadian canola.
- > Both factors limited China's oilseed crush and domestic vegetable production.
- > Record soybean exports from Brazil to China in recent months and the highest US soybean export sales to China in several years point to increased Chinese soybean crush and vegetable oil production in 2020/21.
- > *As China crushes increased amounts of imported soybeans for the soybean meal, domestically produced soy oil is expected to crowd out imported vegetable oil consumption.*

# 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
<b>Total</b>	<b>1,159</b>	<b>1,108</b>	<b>881</b>	<b>1,315</b>

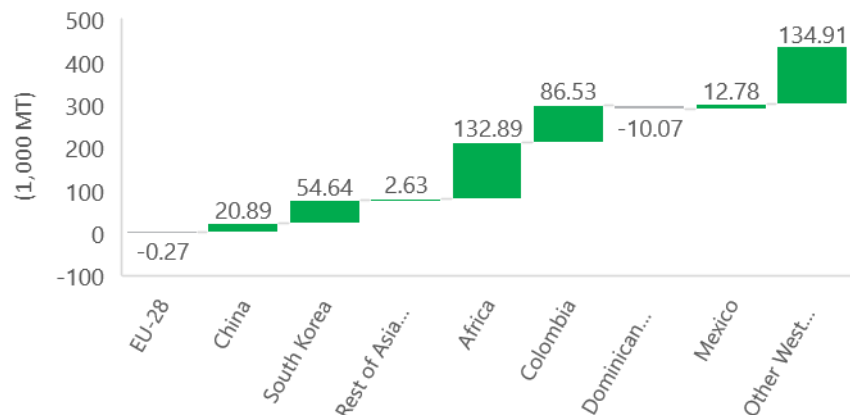
(F) = IEG Vantage Forecast

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
<b>Total</b>	<b>179,735</b>	<b>145,498</b>	<b>104,412</b>	<b>162,281</b>	<b>76,053</b>

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



# Argentina: Soybean Oil Exports Update

## Argentina Annual Soybean Oil Exports

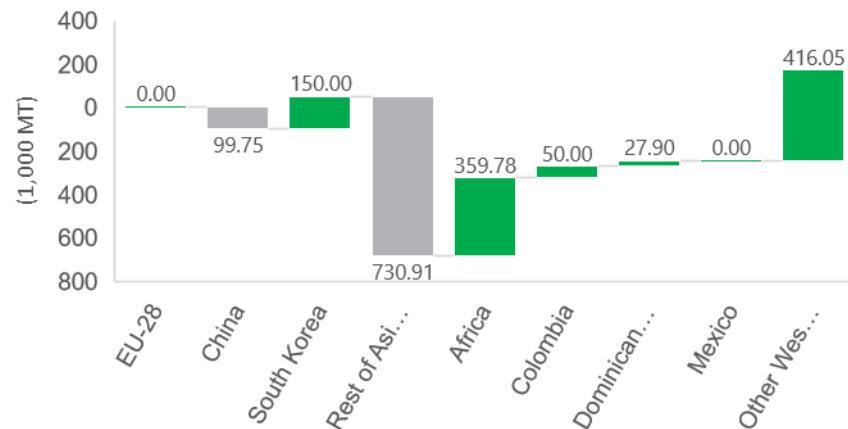
	(1,000 MT)			
	16/17	17/18	18/19	19/20 (F)
EU-28	0	0	0	0
China	0	27	175	75
South Korea	138	4	0	150
Rest of Asia/Oceania	3,742	2,958	4,162	3,431
Africa	644	651	420	780
Colombia	32	0	0	50
Dominican Republic	14	2	0	28
Mexico	0	0	0	0
Other West Hemis.	818	513	470	886
<b>Total</b>	<b>5,387</b>	<b>4,155</b>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

(F) = IEG Vantage Forecast

## Argentina Monthly Soybean Oil Exports

	(1,000 MT)	Feb-20	Mar-20	Apr-20	May-20	Jun-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		465	349	509	712	602
Africa		0	0	0	0	0
Colombia		0	0	1	9	7
Dominican Republic		0	0	0	0	0
Mexico		0	0	0	0	0
Other West Hemis.		29	1	102	10	10
<b>Total</b>		<b>494</b>	<b>350</b>	<b>612</b>	<b>731</b>	<b>619</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)
<b>Carryin (Oct 1)</b>	841	765	776	905	805
<b>Production</b>	9,956	10,035	10,783	10,975	11,290
<b>Imports</b>	130	144	152	180	150
<b>Total Supply</b>	10,928	10,944	11,711	12,061	12,245
<b>Domestic Use</b>	9,146	9,009	9,698	10,375	10,230
<b>Biodiesel</b>	2,582	2,812	3,236	3,567	3,517
<b>Non-Biodiesel</b>	6,564	6,196	6,462	6,808	6,713
<b>Exports</b>	1,017	1,160	1,108	881	1,247
<b>Total Use</b>	10,163	10,168	10,806	11,255	11,478
<b>Carryout (Sep 30)</b>	765	776	905	805	767

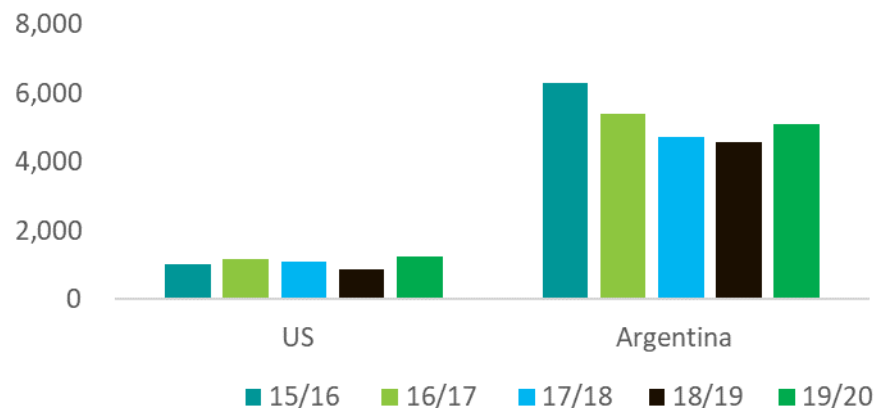
(F) = IEG Vantage Forecast

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

	15/16	16/17	17/18	18/19	19/20 (F)
<b>Carryin (Apr 1)</b>	196	337	259	310	170
<b>Production</b>	8,755	8,381	7,923	7,195	8,041
<b>Imports</b>	5	0	0	0	5
<b>Total Supply</b>	8,955	8,718	8,182	7,505	8,216
<b>Domestic Use</b>	2,448	2,995	3,202	2,628	2,828
<b>Biodiesel</b>	1,909	2,826	2,968	2,401	2,550
<b>Non-Biodiesel</b>	398	247	183	368	278
<b>Exports</b>	6,312	5,386	4,721	4,566	5,113
<b>Total Use</b>	8,619	8,459	7,872	7,335	7,941
<b>Carryout (Mar 31)</b>	337	259	310	170	275

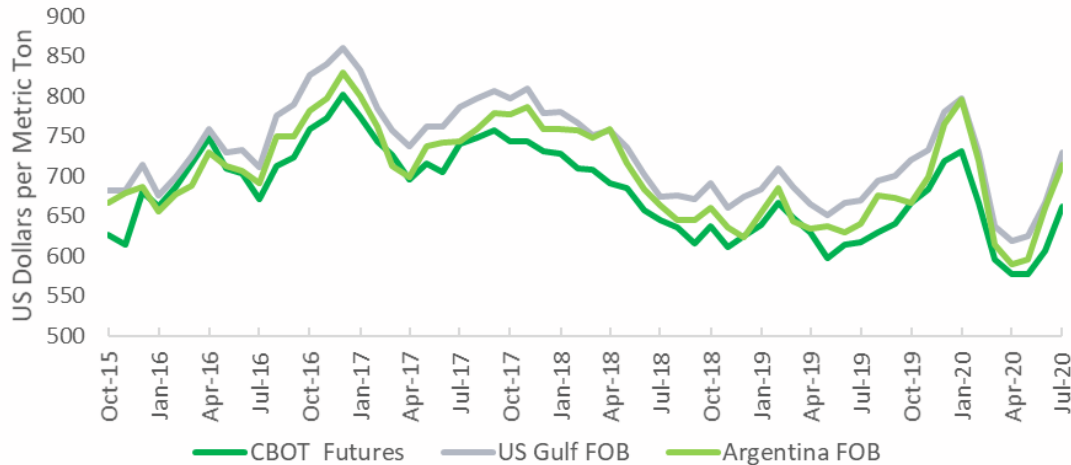
(F) = IEG Vantage Forecast

## SBO Exports Trend (1,000 MT)

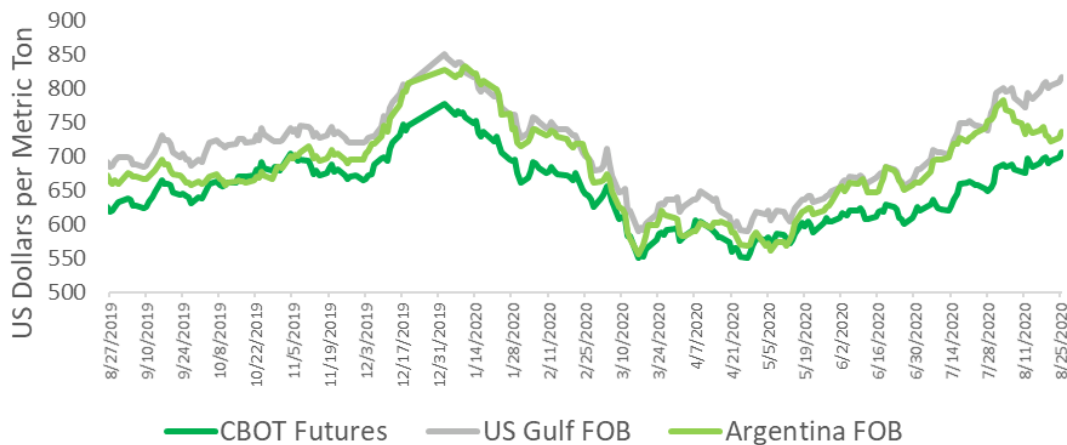


# Soybean Oil Prices Trends

### Soybean Oil Monthly Prices



### Soybean Oil Daily Prices



	CBOT Futures	US Gulf FOB	Argentina FOB
7/28/2020	649	737	752
7/29/2020	654	764	754
7/30/2020	661	771	758
7/31/2020	681	792	771
8/3/2020	688	799	782
8/4/2020	685	795	768
8/5/2020	686	796	766
8/6/2020	688	799	764
8/7/2020	680	785	752
8/10/2020	677	777	748
8/11/2020	675	772	732
8/12/2020	696	793	744
8/14/2020	685	784	733
8/17/2020	690	795	738
8/18/2020	696	806	743
8/19/2020	698	808	731
8/21/2020	692	803	721
8/24/2020	698	808	727
8/25/2020	705	815	736

## Soybean Oil Lineup Data - Argentina

PORT	TERMINAL	VESSEL	Date	DATE	TONS	CARGO	SHIPPER AND/OR CHARTERER	DESTINATION
SAN LORENZO	RENOVA NORTH BERTH	ATLANTIC PISCES	AT ROS ROADS		12,000	SBO	COFCO	INDIA
SAN LORENZO	RENOVA NORTH BERTH	MUSCAT SILVER	ETA SLZ	26-Aug	18,000	SBO	LDC	INDIA
SAN LORENZO	RENOVA NORTH BERTH	FAIRECHM BLUE SHARK	ETR SNIC	30-Aug	12,600	SBO	GLENCORE	MOROCCO
SAN LORENZO	RENOVA NORTH BERTH	FAIRECHM BLUE SHARK	ETR SNIC	30-Aug	9,000	SBO	GLENCORE	TUNISIA
SAN LORENZO	RENOVA NORTH BERTH	NCC RABIGH	ETA REC	31-Aug	15,000	SBO	GLENCORE	INDIA
SAN LORENZO	RENOVA NORTH BERTH	NCC RABIGH	ETA REC	31-Aug	15,000	SBO	GLENCORE	BANGLADESH
SAN LORENZO	RENOVA T.B.C.	CB BALTIC	AT REC	19-Aug	20,000	SBO	LDC	MOROCCO
SAN LORENZO	RENOVA T.B.C.	CARTAGENA	ETA REC	1-Sep	24,500	SBO	BUNGE	INDIA
SAN LORENZO	RENOVA T.B.C.	NAVIG8 SUCCESS	ETA REC	10-Sep	10,500	SBO	BUNGE	INDIA
SAN LORENZO	MINERA ALUMBRERA	ELM GALAXY	ETR SLZ	26-Aug	9,000	SBO	ADM AGRO	PERU
SAN LORENZO	ARAUCO ARGENTINA	HALCON TRADER	AT ROADS		9,000	SBO	BUNGE	COLOMBIA
SAN LORENZO	ARAUCO ARGENTINA	HALCON TRADER	AT ROADS		1,100	SBO	BUNGE	PERU
SAN LORENZO	ARAUCO ARGENTINA	CHEMSTAR SAPPHIRE	AT MINERA		3,000	SBO	MARVESA	NETHERLANDS
SAN LORENZO	ARAUCO ARGENTINA	MOYRA	ETA REC	28-Aug	6,000	SBO	CARGILL	BRAZIL
SAN LORENZO	ARAUCO ARGENTINA	BARBOUNI	ETA REC	27-Aug	3,800	SBO	CARGILL	PERU
SAN LORENZO	ARAUCO ARGENTINA	BOW ATLANTIC	ETA REC	3-Sep	5,000	SBO		BRAZIL
SAN LORENZO	VICENTIN	AQUILA	ETA REC	26-Aug	13,000	SBO	LDC	CHINA
SAN LORENZO	VICENTIN	BARBOUNI	ETA REC	28-Aug	13,350	SBO	CARGILL	PERU
SAN LORENZO	SAN BENITO	MUSCAT SILVER	ETA SLZ	26-Aug	12,000	SBO	LDC	INDIA
SAN LORENZO	SAN BENITO	CB BALTIC	AT REC	19-Aug	16,650	SBO	LDC	MOROCCO
ROSARIO	VILLA GOBERNADOR GALVEZ	NEW DAWN	ETF	27-Aug	27,000	SBO	CARGILL	INDIA
ROSARIO	VILLA GOBERNADOR GALVEZ	LAGUNA D	ETA REC	1-Sep	13,000	SBO		DOM REP
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

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)

Questions  
+1 901 766 4669  
Juan.Sacoto@ihsmarkit.com  
www.agribusinessintelligence.com

## IHS Markit Customer Care

CustomerCare@ihsmarkit.com

Americas: +1 800 IHS CARE (+1 800 447 2273)

Europe, Middle East, and Africa: +44 (0) 1344 328 300

Asia and the Pacific Rim: +604 291 3600

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