



Soybean Oil Market Update

Prepared for



September 15, 2020

Soybean Oil Market Update

Soy price nudges 2½-year highs

- > Like corn, soybean futures are benefiting from a combination of improved export demand – much of that from China – and declining US crop prospects.
- > Earlier the harvest was seen recovering from last year's poor level by some 23 million MT or more. Those estimates are now starting to come down but, even with a 5 million MT drop in starting stocks carried in from 2019/20, supply should still be well up for the coming season, possibly still by enough to raise next year's carry-out.
- > The big question is to what extent US exports may revive in 2020/21 after two sub-par years.
- > EU soybean imports from the US are running 6% higher year-to-date but that has been offset by declining soybean meal imports.
- > Soy oil remains a bright spot for the complex, advancing to fresh multi-month highs in the past week.
- > *A firmer move in chief trade rival palm oil could continue to extend that trend, especially if the energy markets can shrug off their corona-virus despondency.*

Snug outlook pushes rapeseed price near two-year high

- > A mixed market reaction towards the latest official Canadian crop estimate failed to stop the Winnipeg futures market closing over CAD5/bushel for the first time since October 2018.
- > The price has been on a choppy uptrend since its low point in the CAD4.30's in May last year.
- > Government body Statistics Canada estimated the crop at 19.4 million MT, just 100,000 less than last year's which it revised up by 900,000 MT from an earlier forecast.
- > Some analysts questioned the accuracy of the latest forecast that, due to the Covid factor, had to be modeled rather than based on its usual farmer surveys.
- > *The rise in prices probably had more to do with recent strong crop disposals, not least into export channels where stronger EU demand and 'creative' circumventions of trade obstacles with top buyer China have both played a part.*

Soybean Oil Market Update

Palm near seven-month highs on Indian trade hopes

- > Hopes that past top importer India will start to normalize its palm oil purchases from Malaysia soon helped this week's move to seven-month highs for the country's Bursa futures market.
- > With its Diwali festivities coming soon, India needs to re-stock with palm and other oils that it has tended to buy more lightly than usual during the Covid crisis.
- > *Converted to US dollars, the Bursa price has recovered 50% from its April lows, shrugging off cargo surveyors earlier this week confirming Malay exports in August dropped 13-15% on the month. Some analysts cited talk of lower Malay production this month as past dry weather continues to work through to lower yields.*
- > *A little extra help for the bulls also came from top supplier Indonesia's official palm body GAPKI estimating its output this year would drop to 46.02 million MT from last year's 47.11 million MT, resulting in an 18% fall in exports.*

EU soybean output inches up on increased planted area

- > EU soybean production is anticipated to reach 2.79 million MT in 2020/21, a slight increase compared to the previous season on gains in seeded area, according to the latest USDA's Gain report.
- > Higher output is expected particularly in France, which more than offsets lower area in Romania, the USDA indicated.
- > Meanwhile, EU imports of soybeans and crush are forecast to rise marginally in 2020/21 in comparison with the previous year, driven by a higher demand in the Netherlands and Spain.
- > On the other hand, Dutch soybeans and soybean meal imports are predicted to recover owed to an increased global supply, mainly from the US and stalled production of rapeseed and wheat in the EU, it reported.
- > *The anticipated low wheat and barley output in the EU will strongly encourage the use of oilseed meals, in particular soybean meal, as the competition from rapeseed meal is forecast to weaken, it added.*
- > *However, overall meal demand is anticipated to be negatively affected by the impact of Covid-19 pandemic on the meat sector, with the second half of 2020 and the beginning of 2021 set to be plagued by the economic recession predicted in Europe, it concluded.*

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Brazilian soy and corn output inch up in 2020/21

- > IHS Markit anticipates Brazilian soy production at 133.5 million MT for 2020/21, up 6% compared to the prior season and expects yields to be in line with the historical average of the past five years.
- > Early soy buy-outs are pegged at around 50% and the possibility of record profitability compared to other agricultural crops, are projected to fuel growth in planted area to 38.8 million hectares in 2020/21. This represents an increase of 400,000 hectares compared to last month's estimate and a growth of 5% compared to the previous season.
- > Meanwhile, soy exports are forecast to reach 4.2 million MT in September, down 11.4% compared to the same period last year, the National Association of Cereal Exporters (Anec) reported.
- > As a result, the cumulative volume for the year is anticipated at 79.6 million MT, up from 72.54 million MT last year.
- > Brazilian soy prices have increased as a result of tight domestic inventories which are unable to satisfy domestic demand for feed and biodiesel.
- > *Local buyers expect that with the arrival of the US harvest and the depreciation of the US dollar against the real, world demand will turn towards US soy, reducing the dispute for Brazilian soy.*

Canada crop worries boost rapeseed

- > *Winnipeg rapeseed futures set yet more two-year highs this week as traders fretted about frost damage to crops in parts of the key rapeseed province Saskatchewan while domestic demand stayed strong.*
- > *Some traders suggested enough crops (around 43%) had been swathed for harvest to protect them against temperatures that fell in some areas to minus 7 Celsius.*
- > The firm Canadian market also reflected reminders of strong demand there with exports rising 10.5% on the year, despite the loss of much trade to top buyer China.
- > Canadian crush has also been going strong, partly to feed export demand for rapeseed oil, leading to some high bids for physical supplies on cash markets.

Soybean Oil Market Update

Is 'double-digit' soy on the cards?

- > As CBOT futures reached new 26-month highs this week, traders were wondering just how high the rally might take them amid declining US crop estimates and a sustained surge in orders from top buyer China. US farmers were said to be holding back sales to see how far prices may run up.
- > Mid-week trade was in the upper USD9's per bushel, the best prices since mid-2018 when the market was coming off a multi-week stint in the mid USD10's.
- > Prices have been up to USD1/bu lower at times in the past two years, largely because the US lost business over political squabbles with main market China - which expanding Latin American soy suppliers have been eager to replace.
- > While the past season's US export business did not quite match some analysts' hopes, likely finishing a bit lower when all is finally counted, the prospects for 2020/21 remain brighter
- > China is still buying large amounts regularly and this week has been particularly busy.
- > *Some analysts think it could buy more as the autumn months get underway with dwindling old crop supplies available from the USA's main export rivals in Latin America.*
- > *China's heavy past purchases, from Brazil especially, seem to have built up an excessive stock with crushers but beans are still relatively cheap, and China does historically like to hold large strategic stocks of most food commodities.*

USDA Crop Progress: Corn, soybean ratings fall as corn harvest underway

- > USDA said that soybeans rated good/excellent fell to 63%, a two-percentage-point fall from the prior week.
- > Traders expected the ratings would hold steady at 65% good/excellent.
- > USDA now reports that 11% of soybeans are rated poor/very poor versus 10% the prior week. One year ago, the ratings were at 54% good/excellent and 14% poor/very poor.
- > *The impact on soybean prices is minimal as the variance in actual numbers versus expectations were negligible.*

Soybean Oil Market Update

Argentine corn exports post record, soy shipments on the rise

- > Sales of Argentine soybeans slowed slightly compared to the average of the last five years according to the latest BCR data. Sales reached 30.3 million MT until August 26; accounting for 60% of total estimated production.
- > The average of the last five years by this point has been 34.3 million MT and this percentage was pegged at 65%.
- > Soy prices have recovered since the beginning of May, after approaching USD200/MT at the beginning of the 2019/20, and following spot market prices reaching the lowest levels since the end of April.
- > Prices increase are anticipated to encourage trading talks of around 300,000 MT per week for soy destined to the Gran Rosario port, according to data from SIO-Granos, Argentina's Unified System of Compulsory Information on Agri-Trade Operations.
- > *In addition, exports of soy and its by-products grew in 2019/20, given the unattractive margins for processing. In 2020/21, the USDA pointed out that shipment records should come from soybean oil, but with improved results for both soymeal and soy.*

Exports continue to anchor palm rallies

- > Mixed input for the palm oil market failed to stop the Malay Bursa futures market initially edging up to yet more multi-month highs.
- > Traders' bearish expectations for Malaysia's official MPOB data released September 10th were borne out as exports fell over 11%, production rose 3.1% and stocks showing their first rise since May, albeit a mere 0.06% as domestic demand increased.
- > Main elements of the August export data were India taking 27.6% less after a surge in July built up port stocks. China took a little more, but the EU and Pakistan reduced intake. For the year to date, Indian imports of Malay oil are still running 67% down, China's 24% up, the EU's 5% lower.
- > Some analysts project Indonesia palm oil production may rise by 15%, amid high demand from the biodiesel sector.
- > Indonesia plans to change its levy structure to support biodiesel derived from palm oil.
- > *Palm oil has benefitted from general strength in the oilseeds and vegetable oil markets.*

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	17
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	131
Mexico	265	167	126	138
Other West Hemis.	194	327	192	332
Total	1,159	1,108	881	1,318

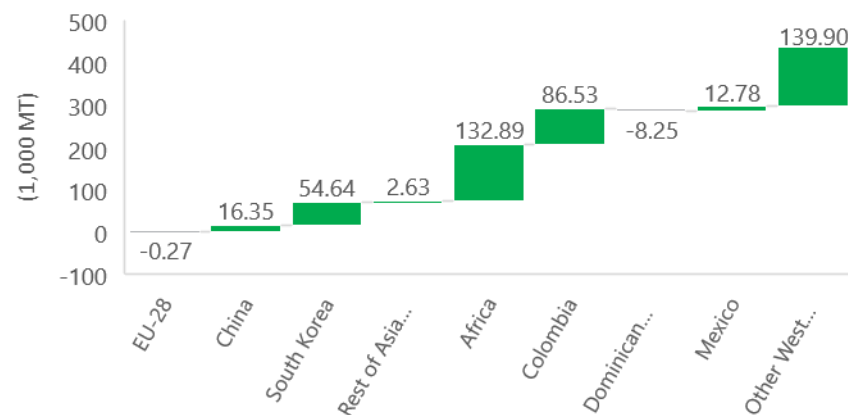
(F) = IHS Markit Forecast

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

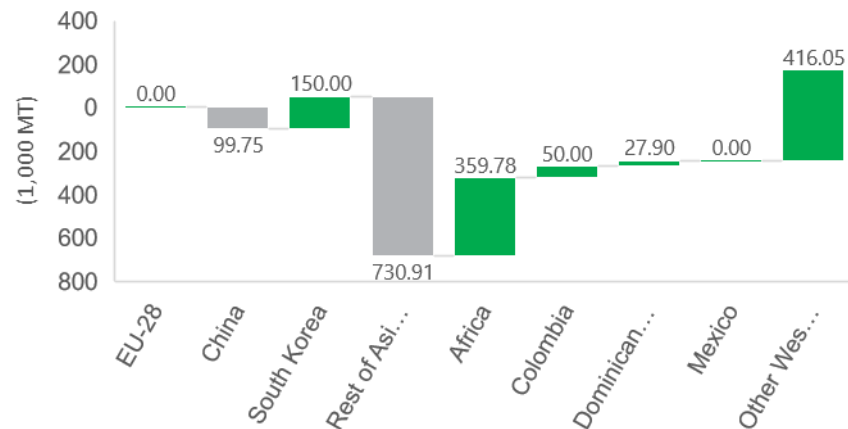
	(1,000 MT)			
	16/17	17/18	18/19	19/20 (F)
EU-28	0	0	0	0
China	0	27	175	75
South Korea	138	4	0	150
Rest of Asia/Oceania	3,742	2,958	4,162	3,431
Africa	644	651	420	780
Colombia	32	0	0	50
Dominican Republic	14	2	0	28
Mexico	0	0	0	0
Other West Hemis.	818	513	470	886
Total	5,387	4,155	5,227	5,400

(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
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
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	11,291
Imports	130	144	152	180	150
Total Supply	10,928	10,944	11,711	12,061	12,245
Domestic Use	9,146	9,009	9,698	10,375	10,274
Biodiesel	2,582	2,812	3,236	3,567	3,516
Non-Biodiesel	6,564	6,196	6,462	6,808	6,759
Exports	1,017	1,160	1,108	881	1,247
Total Use	10,163	10,168	10,806	11,255	11,522
Carryout (Sep 30)	765	776	905	805	724

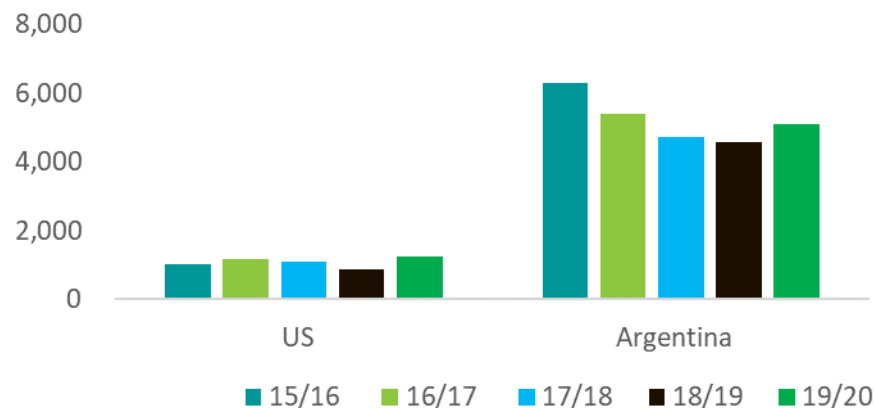
(F) = IHS Markit Forecast

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

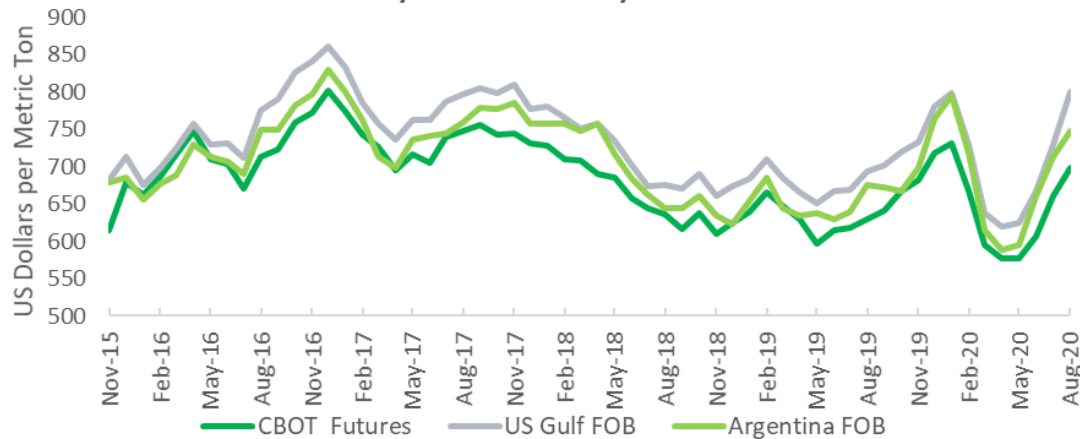
(F) = IHS Markit Forecast

SBO Exports Trend (1,000 MT)

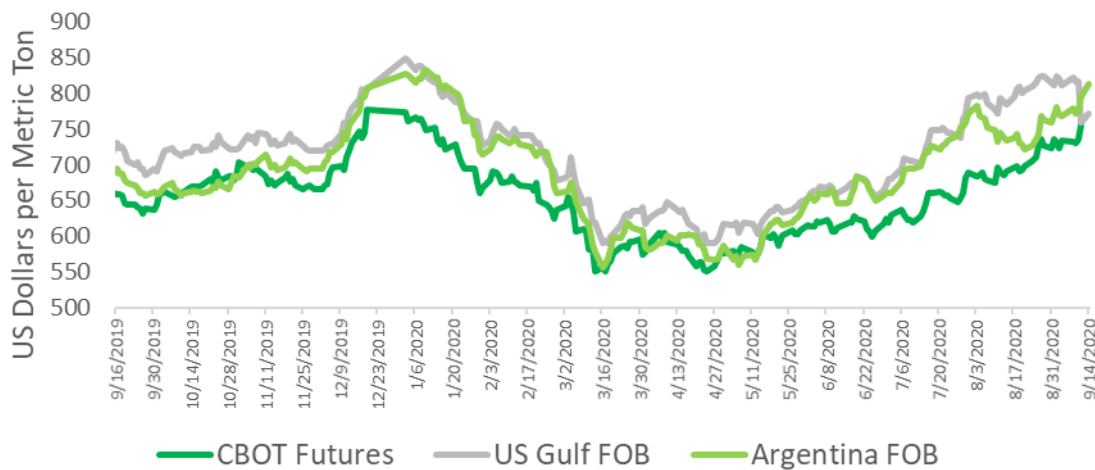


Soybean Oil Prices Trends

Soybean Oil Monthly Prices



Soybean Oil Daily Prices



	CBOT Futures	US Gulf FOB	Argentina FOB
8/14/2020	685	784	733
8/17/2020	690	795	738
8/18/2020	696	806	743
8/19/2020	698	808	731
8/20/2020	690	800	728
8/21/2020	692	803	721
8/24/2020	698	808	727
8/25/2020	705	815	736
8/26/2020	711	821	743
8/27/2020	726	823	767
8/28/2020	736	824	762
8/31/2020	727	815	759
9/2/2020	736	824	780
9/3/2020	731	819	770
9/4/2020	722	811	767
9/8/2020	733	822	778
9/10/2020	730	816	775
9/11/2020	735	758	794
9/14/2020	755	771	812

Soybean Oil Lineup Data - Argentina

PORT	TERMINAL	VESSEL	Date	DATE	TONS	CARGO	SHIPPER AND/OR CHARTERER	DESTINATION
SAN LORENZO	RENOVA NORTH BERTH	CELSIUS MAYFAIR	ETA REC	20-Sep	11,000	SBO	CARGILL	PERU
SAN LORENZO	RENOVA T.B.C.	PACIFIC JASPER	ETA REC	13-Sep	22,500	SBO	CARGILL	INDIA
SAN LORENZO	RENOVA T.B.C.	NAVIG8 SUCCESS	ETA REC	15-Sep	26,000	SBO	BUNGE	INDIA
SAN LORENZO	RENOVA T.B.C.	SHANDONG ZIHE	ETR ZTE	26-Sep	30,000	SBO	GLENCORE	INDIA
SAN LORENZO		CHEMBULK NEW ORLEANS	ETA SLZ	11-Sep	17,000	SBO	COFCO	INDIA
SAN LORENZO		CHEMBULK NEW ORLEANS	ETA SLZ	11-Sep	12,850	SBO	COFCO	MOZAMBIQUE
SAN LORENZO	MINERA ALUMBRERA	SPICA	ETF	15-Sep	24,000	SBO	WILMAR	INDIA
SAN LORENZO	MINERA ALUMBRERA	SPICA	ETF	15-Sep	24,000	SBO	WILMAR	MALAYSIA
SAN LORENZO	MINERA ALUMBRERA	PACIFIC JASPER	ETA REC	15-Sep	10,000	SBO	CARGILL	INDIA
SAN LORENZO	MINERA ALUMBRERA	NAVIG8 SUCCESS	ETA REC	15-Sep	7,000	SBO	BUNGE	INDIA
SAN LORENZO	ARAUCO ARGENTINA (EX ALTO	AKERAIOS	ETA REC	15-Sep	22,000	SBO	CARGILL	INDIA
SAN LORENZO	PARANA)	AKERAIOS	ETA REC	15-Sep	10,000	SBO	CARGILL	INDIA
SAN LORENZO	PARANA)	LUMPHINI PARK	ETA REC	16-Sep	5,500	SBO	CARGILL	COLOMBIA
SAN LORENZO	PARANA)	LUMPHINI PARK	ETA REC	16-Sep	1,500	SBO	CARGILL	ECUADOR
SAN LORENZO		CELSIUS MAYFAIR	ETA REC	20-Sep	7,000	SBO	CARGILL	COLOMBIA
SAN LORENZO	VICENTIN	NCC RABIGH	ETF	12-Sep	28,000	SBO	GLENCORE	CHINA
ROSARIO	VILLA GOBERNADOR GALVEZ	CELSIUS MALAGA	ETA REC	16-Sep	18,000	SBO		PERU
NECOCHEA	PIER 1 BERTH 0	NCC RABIGH	ETA NEC	15-Sep	16,000	SFO/SBO	OMHSA	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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