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Soybean Oil Market Update

Prepared for



October 15, 2020

Soybean Oil Market Update

Brazil drought fears shunt soy price to 30-month highs

- > Concerns that a dry weather delay to this year's top soy producer Brazil's 2021 sowing campaign would delay its harvest have helped shove recently wilting CBOT futures back into 'double-digit' territory this week, putting the near position at its highest in 30 months.
- > Early shipment price premiums demanded for Brazilian physical beans over CBOT futures have already rocketed on the likelihood that the bulk of the harvest could be about a month late, forcing importers to extend their already larger purchases from recently-harvested US suppliers instead.
- > Even so, the crop still looks a large one according to local observers who have it in a 131.7-133.7 million MT range.
- > Third largest soy supplier Argentina also has its problems. More of its crop is exported as products rather than raw beans but crushers are running far under capacity after a disappointing tax reduction last month in response to their falling profitability.
- > *These factors may explain, along with the need for it to fulfil its 'phase one' trade pact with the US, why China has remained such an active buyer of US beans in the past week.*

Palm production concerns resurfacing

- > As Malay Bursa palm futures shifted higher, traders cited renewed fears for Asian production as a La Nina weather system brings too much rain and some flooding to parts of Indonesia while Covid restrictions continue to threaten hampered collection and processing in both the major producing countries.
- > There is also the potential for all the recent, potentially damaging, moisture to boost future palm oil yields – although that would be many months down the road.
- > September production rose 3% and stocks by 7%, according to the official palm body MPOB on Friday. Year-to date production is running 4.7% down.
- > Palm has also been keeping one eye on rival soy and rapeseed oil markets which have recently shown some strength.
- > Crude mineral oil, a key support to palm biodiesel, has seen more of a two-way trade as Covid-influenced emotions swing bullish and bearish on the global energy market.
- > *Traders will be closely watching the two biggest outlets, India and China, for demand signals as they emerge from seasonal holidays.*

Soybean Oil Market Update

Rapeseed still fueled by tight balance

- > Winnipeg canola futures initially reclaimed most of the losses from the week ending October 2nd as some rival oils rallied and harvest neared its final stages in top supplier Canada.
- > Later values softened again as the soy complex backtracked from earlier highs.
- > The EU rapeseed market meanwhile failed to hold an earlier burst of strength despite further reminders that a tight season of stock drawdown within the bloc remains ahead.
- > Prospects for key EU supplier Ukraine's crop have continued to shrink, along with its likely export availability.
- > Ukraine's winter rapeseed sowings for 2021 crop were done amid strong demand and short domestic supplies, inflating prices.
- > Under favorable growing conditions, that might have meant higher planted area, but dryness may have worked against that.
- > *One result may be more EU dependency on Canadian rapeseed or Australia, which expects a significant crop rebound.*

EU soybean production drops despite hopes for more self-sufficiency

- > A recent fall in EU soybean production raises questions over whether the bloc can reduce its import dependency for the crop.
- > Eurostat figures show a 6.2% drop in the bloc's soybean cultivation between 2018 and 2019, to 896,000 hectares, the second consecutive year in decline.
- > Italy and Romania, two of the EU's largest soy producers, suffered the biggest losses with 19% and 14% respectively.
- > *The European Commission seeks to increase soybean cultivation in the EU to reduce the bloc's reliance on imports from third countries, particularly for animal feed.*

Soybean Oil Market Update

USDA makes host of adjustments to US, global corn and soybean situation

- > USDA's October Crop Production and WASDE reports contained a host of changes, some that were expected while others likely have caught markets by surprise and there was also a notable "no change" that continues to leave market participants scratching their heads.
- > USDA reduced the soybean crop to 4.27 billion bushels, down from 4.313 billion bushels in September, with the yield kept the same at a record 51.9 bushels per acre.
- > The reduction came squarely from a 700,000 reduction in harvested acres, now putting it at 82.3 million.
- > The October objective yield data for the combined 11 major soybean-producing states—Arkansas, Illinois, Indiana, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, Ohio, and South Dakota—indicate a higher pod count compared with the previous year.
- > On the global front, USDA raised their expectations for China's soybean imports, crush and soymeal consumption. USDA now sees China importing 100 million MT of soybeans in 2020/21, up from 99 million in September.
- > USDA raised their price expectations, with the national average soybean price now seen at \$9.80 per bushel, up 55 cents from last month, on "smaller supplies and higher exports." The soybean meal price is forecast at \$335.00 per short ton, up \$20.00. The soybean oil price forecast is raised 0.5 cents to 32.5 cents per pound.
- > *The report didn't change the market direction as production was forecast generally in line with expectations for a modest reduction.*

Argentina situation continues to be supportive of meal and soybean prices (IEG Vantage)

- > The potential for La Nina to limit crush product availability from Argentina is also getting more market attention. La Nina is associated with wetter than normal conditions in Northern Brazil, but drier than normal conditions in Southern Brazil and Argentina. It increases the odds of these conditions occurring and does not assure these conditions will occur, but it is demanding a risk premium.
- > Crush has been slow in Argentina already due to slow farmer selling.
- > *Now, focus on La Nina and concern about 2020 production combined with the recent rally in prices has made Argentine farmers even more reluctant sellers.*
- > *Most of the influence on soybean complex futures is seen in meal pricing.*

Soybean Oil Market Update

USDA Crop Progress: Strong gains in corn, soybean harvest for US farmers the past week

- > US corn and soybean farmers continued to rapidly harvest their 2020 production as open weather prevailed over much of the key US production areas the past week.
- > With 93% of the soybean crop dropping leaves, harvest moved to 61% in the 18 major states, up from 38% the prior week and well ahead of year ago (23%) and the average pace (42%).
- > Several states are well ahead of their average, including Iowa at 78% compared with the normal pace of 35%.
- > *The fast harvest pace in the US, along with better rain prospects in Brazil contributed to a decline of the November soybean futures price by 31 ¾ cents on Monday October 12th as these signals triggered funds long liquidation on profit taking.*

Demand recovery in livestock continue to boost soybean imports in China

- > In the USDA's oilseeds report for October, the outlook of China's 2020/21 demand for palm oil and soybean have been revised higher than previously estimated.
- > The US soybean export commitments (outstanding sales plus accumulated exports) to China soared to 22.1 million MT compared with 4.8 million MT the previous year. Total commitments to the world also rose sharply to 40.7 million MT compared to 16.4 million MT last year.
- > *The dynamics behind the mid-August to mid-September price surge are complicated. This was driven by a rebound in China purchases of US soybeans and limited availability of exportable supplies in South America. Recovery of China's pork industry from African Swine Fever has spurred imports in 2020.*

United States: Soybean Oil Exports

US Annual Soybean Oil Exports

	(1,000 MT)			
	17/18	18/19	19/20	20/21(F)
EU-28	1	1	0	0
China	1	0	29	0
South Korea	301	303	332	345
Rest of Asia/Oceania	23	35	36	29
Africa	28	17	150	70
Colombia	108	67	149	100
Dominican Republic	152	139	150	135
Mexico	167	126	127	180
Other West Hemis.	327	192	322	275
Total	1,108	880	1,296	1,134

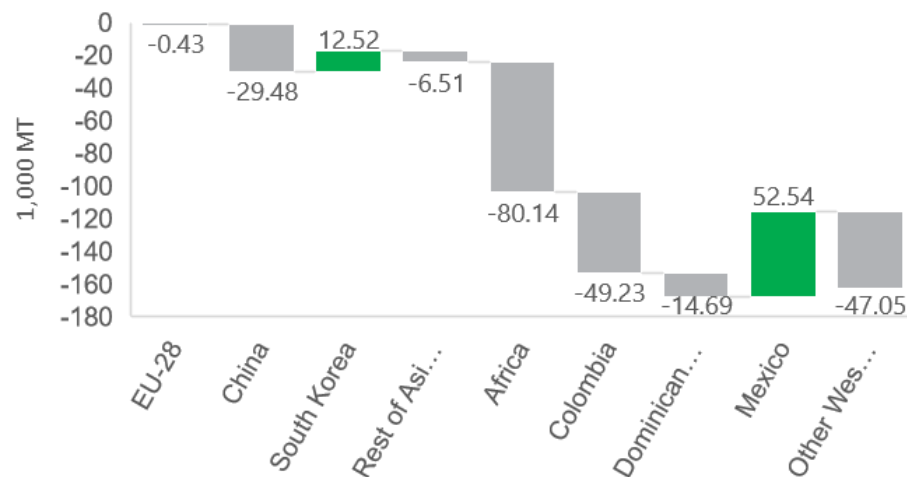
(F) = IHS Markit Forecast

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

US Monthly Soybean Oil Exports

	(MT)				
	Mar-20	Apr-20	May-20	Jun-20	Jul-20
EU-28	0	164	54	0	6
China	18	0	43	52	20,001
South Korea	37,739	10,138	71,259	20,614	16,018
Rest of Asia/Oceania	1,805	3,111	412	422	333
Africa	20,005	12,881	21,782	30	0
Colombia	21,908	9,493	11,982	14,449	6,858
Dominican Republic	21,632	12,719	20,821	4,855	16,175
Mexico	14,394	21,177	9,121	3,576	3,963
Other West Hemis.	27,996	34,730	26,807	32,057	11,324
Total	145,498	104,412	162,281	76,053	74,677

YTD Change in Exports (19/20 to 20/21)



Argentina: Soybean Oil Exports Update

Argentina Annual Soybean Oil Exports

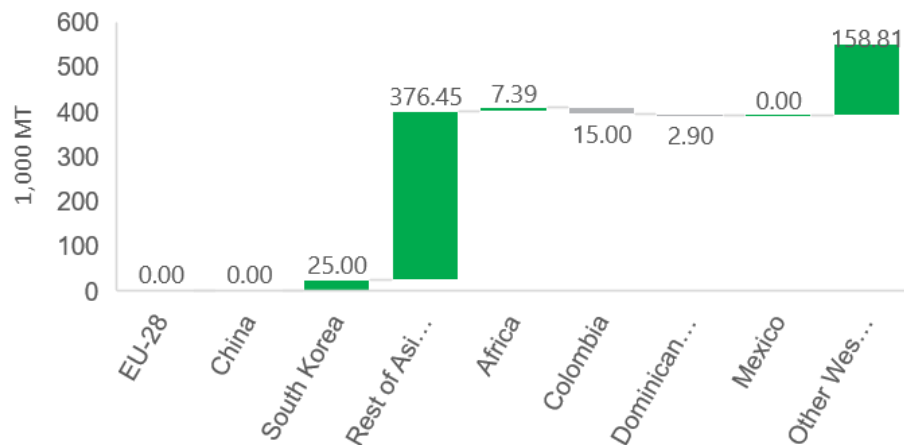
	(1,000 MT)			
	17/18	18/19	19/20	20/21 (F)
EU-28	0	0	0	0
China	27	175	75	75
South Korea	4	0	150	175
Rest of Asia/Oceania	2,958	4,162	3,431	3,808
Africa	651	420	780	787
Colombia	0	0	50	35
Dominican Republic	2	0	28	25
Mexico	0	0	0	0
Other West Hemis.	513	470	886	1,045
Total	4,155	5,227	5,400	5,950

(F) = IHS Markit 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 (19/20 to 20/21)



Soybean Oil Balance Tables for US and Argentina

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

	16/17	17/18	18/19	19/20	20/21 (F)
Carryin (Oct 1)	765	776	905	805	695
Production	10,035	10,783	10,975	11,216	11,402
Imports	144	152	180	145	159
Total Supply	10,944	11,711	12,061	12,166	12,256
Domestic Use	9,009	9,698	10,375	10,212	10,501
Biodiesel	2,812	3,236	3,567	3,545	3,697
Non-Biodiesel	6,196	6,462	6,808	6,668	6,804
Exports	1,160	1,108	881	1,259	953
Total Use	10,168	10,806	11,255	11,471	11,453
Carryout (Sep 30)	776	905	805	695	803

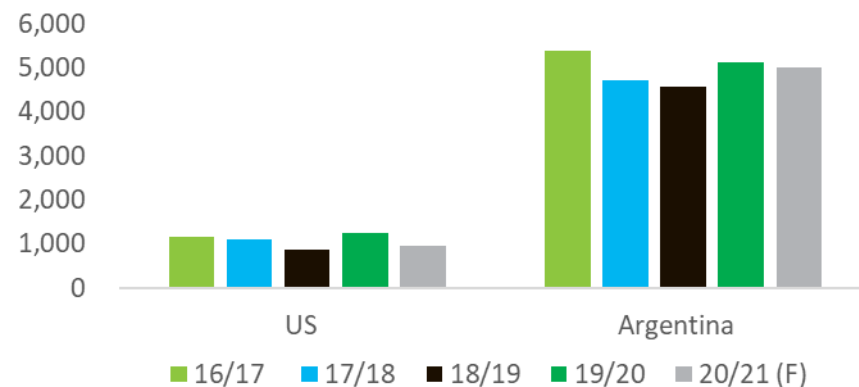
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Argentina Soybean Oil Supply and Demand (1,000 MT)

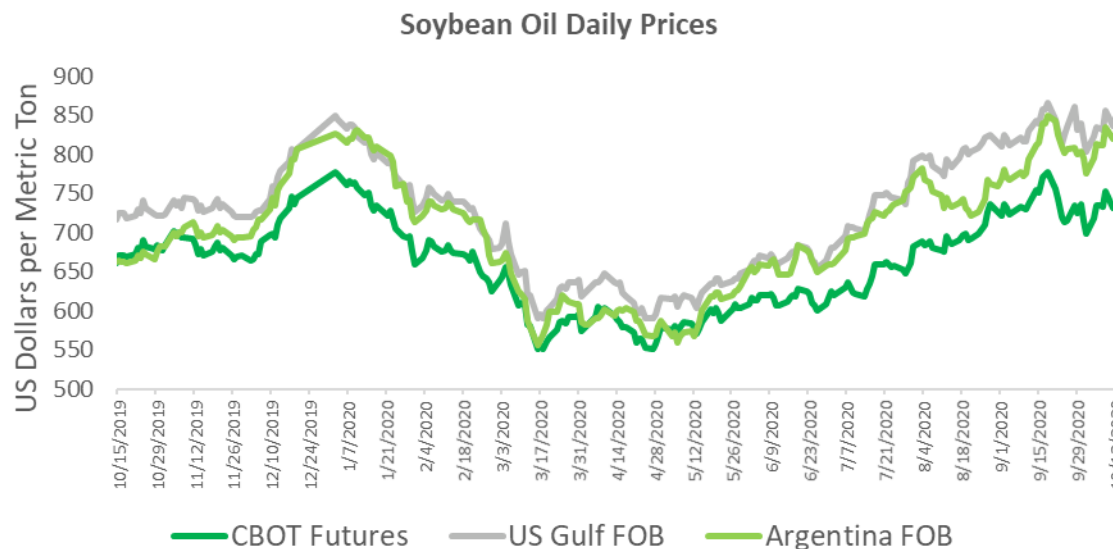
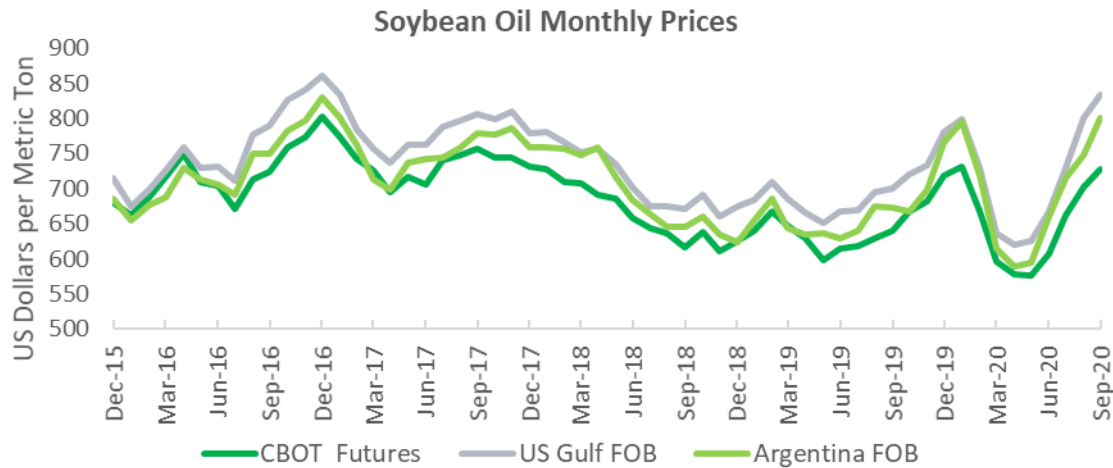
	16/17	17/18	18/19	19/20	20/21 (F)
Carryin (Apr 1)	337	259	310	170	275
Production	8,381	7,923	7,195	8,041	7,684
Imports	0	0	0	5	5
Total Supply	8,718	8,182	7,505	8,216	7,964
Domestic Use	2,995	3,202	2,628	2,828	2,789
Biodiesel	2,826	2,968	2,401	2,550	2,722
Non-Biodiesel	247	183	368	278	67
Exports	5,386	4,721	4,566	5,113	5,000
Total Use	8,459	7,872	7,335	7,941	7,789
Carryout (Mar 31)	259	310	170	275	175

(F) = IHS Markit Forecast

SBO Exports Trend (1,000 MT)



Soybean Oil Prices Trends



	CBOT Futures	US Gulf FOB	Argentina FOB
9/15/2020	751	840	815
9/16/2020	770	858	839
9/17/2020	773	858	839
9/18/2020	777	865	849
9/21/2020	756	844	842
9/22/2020	742	830	824
9/23/2020	721	814	810
9/24/2020	713	824	801
9/25/2020	715	834	806
9/28/2020	734	860	809
9/29/2020	725	831	800
9/30/2020	736	840	804
10/2/2020	698	803	775
10/5/2020	718	823	795
10/6/2020	734	834	813
10/7/2020	734	833	812
10/9/2020	753	855	834
10/12/2020	731	836	819
10/13/2020	731	846	825

Soybean Oil Lineup Data - Argentina

PORT	TERMINAL	VESSEL	Date	DATE	TONS	CARGO	SHIPPER AND/OR CHARTERER	DESTINATION
SAN LORENZO	RENOVA NORTH BERTH	TORM THOR	ETA SLZ	14-Oct	20,970	SBO	BUNGE	MOROCCO
SAN LORENZO	RENOVA NORTH BERTH	PINE EXPRESS	ETA REC	15-Oct	18,000	SBO	GLENCORE	MOROCCO
SAN LORENZO	RENOVA NORTH BERTH	PINE EXPRESS	ETA REC	15-Oct	10,000	SBO	CARGILL	NIGERIA
SAN LORENZO	RENOVA T.B.C.	ATLANTIC MUSE	ETA REC	16-Oct	3,600	SBO	BUNGE	INDIA
SAN LORENZO	COFCO INTL. NORTH BERTH EX	ESSIE C	ETR SNIC	23-Oct	30,000	SBO	COFCO	CHINA
SAN LORENZO	MINERA ALUMBRERA	DIGNITY	ETA REC	21-Oct	20,000	SBO	WILMAR	VIETNAM
SAN LORENZO	MINERA ALUMBRERA	DIGNITY	ETA REC	21-Oct	10,000	SBO	WILMAR	VIETNAM
SAN LORENZO	ARAUCO ARGENTINA (EX ALTO PARANA)	ST NIKOLAI	ETF	14-Oct	4,459	SBO (B)	CARGILL	PERU
SAN LORENZO	PARANA)	VARI TRADER	ETA REC	26-Oct	10,700	SBO	ADM AGRO	PERU
SAN LORENZO	PARANA)	VARI TRADER	ETA REC	26-Oct	2,400	SBO	ADM AGRO	ECUADOR
SAN LORENZO	PARANA)	VARI TRADER	ETA REC	26-Oct	2,350	SBO	ADM AGRO	COLOMBIA
SAN LORENZO	COFCO INTL PGSM NORTH BERTH	TIGER INTEGRITY	ETA REC	15-Oct	6,200	SBO	COFCO	MOZAMBIQUE
SAN LORENZO	COFCO INTL PGSM NORTH BERTH	TIGER INTEGRITY	ETA REC	15-Oct	9,000	SBO	COFCO	MALAYSIA
SAN LORENZO	(EX NIDERA FERTILIZANTES)	TIGER INTEGRITY	ETA REC	15-Oct	5,000	SBO	COFCO	KOREA
SAN LORENZO	TRANSITO (ADM AGRO)	ARISTIDIS	AT ROS		12,000	SBO (P)	CARGILL	INDIA
SAN LORENZO	DEMPA	STENA IMAGE	AT ROADS		4,000	RSBO	BUNGE	SOUTH AFRICA
SAN LORENZO	DEMPA	STENA IMAGE	AT ROADS		4,000	SBO	BUNGE	INDIA
SAN LORENZO	VICENTIN	GWEN	ETR SLZ	14-Oct	5,000	SBO	CARGILL	BRAZIL
SAN LORENZO	VICENTIN	UACC RIYADH	ETA REC	21-Oct	21,000	SBO	FISWAY	INDIA
SAN LORENZO	VICENTIN	UACC RIYADH	ETA REC	21-Oct	10,000	SBO	FISWAY	BANGLADESH
ROSARIO	VILLA GOBERNADOR GALVEZ	ST NIKOLAI	ETA ALV	15-Oct	20,000	SBO	CARGILL	PERU
ROSARIO	VILLA GOBERNADOR GALVEZ	STENA CONQUEROR	ETA REC	26-Oct	33,700	SBO	CARGILL	INDIA
ROSARIO	DREYFUS VEGOIL TERMINAL	PACIFIC AZUR	ETA REC	23-Oct	10,000	SBO (P)	LDC	BANGLADESH
ROSARIO	DREYFUS VEGOIL TERMINAL	PACIFIC AZUR	ETA REC	23-Oct	6,500	SBO	LDC	INDIA
ROSARIO	DREYFUS VEGOIL TERMINAL	PACIFIC AZUR	ETA REC	23-Oct	15,000	SBO	LDC	INDIA
BAHIA BLANCA	CARGILL TERMINAL	STENA IMPEROR	ETA BB	16-Oct	13,000	SBO	OMHSA	AUSTRALIA

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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