



Soybean Oil Market Update

Prepared for



September 30, 2020

Soybean Oil Market Update

Soy bulls still feeding on China business boom

- > CBOT soy futures made the expected move over the key USD10/bushel level the week ending in September 18th, reaching new two-year highs as top buyer China piled in day after day for new purchases.
- > Buyers were also enthused by the USDA late last week making an expected cut in its US yield estimate, lopping about 3 million MT off new season's expected supply.
- > Even with lower starting stocks the US would still have about 12 million MT more soybeans than in the past season – about what the USDA expects it to add to seasonal exports.
- > But with rival exporters' supplies expected to increase by that amount too, the US will need China to keep up its revived demand far into the new season.
- > The shrinking US 'surplus' stock has also emboldened the USDA to raise its seasonal farm price prediction for 2020/21 from USD8.55 to USD9.25 per bushel (smaller increases seen in oil and meal product values too).
- > Demanding some buyer restraint, US crush slowed in August after a stellar summer, with data from main processor body NOPA coming in below trade expectations at under 4.5 million MT.
- > *Soy has also been helped by this week's rally in crude mineral oil prices, boosting sentiment in the soy biodiesel and lifting the CBOT futures price for soybean oil to its highest level since early January.*

Rapeseed waking up to tighter supplies

- > Rapeseed is facing its smallest global crop in eight years and its second-smallest carryover stock of the last decade.
- > Rapeseed oil stocks this season are meanwhile expected to fall to their lowest since 2008/09 after disappointing harvests in Canada, Europe and Ukraine.
- > With both export and domestic crush demand recently strong, the bulls were in the ascendant on the Winnipeg futures market, pushing values to their highest since mid-2018.
- > *Rapeseed markets have been slower than expected to react to projected lower supplies but rising prices for competing oils – palm, soy and sunflower – now seem to be unleashing pent up bullish sentiment.*

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Palm bulls gaining more confidence?

- > Palm oil continues to out-perform earlier bearish forecasts as rallying rival oils feed hopes of a possible export renaissance.
- > Dealers have been drawing attention to a widening premium for sunflower and soybean oils especially, improving palm's prospects of recapturing market share in main destinations like India and China.
- > Even Europe, with its constant negative publicity over palm's health and environmental profiles, has been taking 5% more for the season to date.
- > After months in the doldrums, Malaysian exports have already been reviving, unofficially estimated 12% higher in first half August.
- > The palm market also had some help from firmer crude oil prices in mid September, offering support to Malaysia and Indonesia's expanding biodiesel programs.
- > *Malay Bursa futures hit eight-month highs, well over the psychologically key USD700/MT dollar equivalent level for the first time since January (when the market peaked at multi-year highs in the USD760's).*

Chinese pork processor expands as soymeal supplier

- > Chinese meat processor China Xiangtai Food (PLIN) is expanding as a supplier of soybean meal following the recent acquisition of Chongqing Ji Mao Cang Feed (JMC).
- > The Nasdaq-listed company said its new subsidiary has completed RMB49 million (approximately USD7.2 million) in sales of soybean meal over three months, after completing an 18,000 MT soybean meal contract with China Grain Reserve Corporation (Sinograin).
- > Headquartered in Chongqing, China, China Xiangtai Food Co., Ltd, is a company that focuses on pork processing but also offers other fresh and processed products, including beef, lamb and poultry.
- > *China is the largest consumer of soybean meal globally by a significant margin, with its primary use for feed to satisfy a healthy appetite for pork and other meats.*

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Soy reluctantly cedes 28-month highs

- > Soy also succumbed to the general bout of Covid blues that swamped commodity markets, reluctantly backing off recently-gained USD10/bushel-plus levels.
- > Prices initially drew support from a succession of US trades to China and 'unknown' buyers as well as another sometimes, significant customer, Pakistan, pushing the US seasonal export total well ahead of last year at this date.
- > On the downside of supply, was news of a larger Indian soybean crop, estimated at some 13.6 million MT versus the recent USDA forecast of 11.2 million MT and last year's 9.3 million MT.
- > India is not a major soy importer in bean form but is a key buyer of soybean oil, mainly from Latin America.
- > More supportive on the product side of the complex was news that top meal exporter Argentina had idled half its crush capacity amid financial problems caused in no small part by its government's higher taxation, slow sales by farmers wanting better prices and an ongoing problem with currency volatility.
- > Things could tighten further for Argentina if this week's local crop forecast of 46.5 million MT from the Buenos Aires Exchange proves close. Before drought struck, the USDA was forecasting 53.5 million MT.
- > *Futures prices of soybeans are stronger for near-term months than distant months, providing an incentive for producers to sell rather than hold on to their supplies, which will prevent significant stocks from accumulating.*

Rapeseed price recovery stalls

- > A general downtrend in vegetable oil markets brought the recently firmer trend in rapeseed markets on both sides of the Atlantic to a swift end the week ending September 25th.
- > The reverse was also encouraged by reports of rapidly progressing harvests, especially in Canada where key states were two-thirds collected.
- > The weaker trend came despite recent support from a recently firmer sunflower oil market after reports of lower than expected yields from key EU supplier, Ukraine. Sunflower had been filling some of the gap opened up by smaller EU rapeseed crops, mainly taking share in the food oil sector.
- > *While the weaker trend in the soy complex was also weighing heavily on rapeseed values, this season's tighter supply balance for the latter was expected by some analysts to eventually put a bottom under the market.*

Soybean Oil Market Update

Palm rally goes into reverse

- > Palm's remarkable price recovery finally ran out of steam the week ending September 25th as rival oils weakened, long investors booked some of their profits and traders waited for proof of a sustained export revival.
- > Cargo surveyors had upped their estimates of Malaysian September exports to date to a 17.6% gain on the same period of August.
- > Hopes were initially high this trade would stay firm into next month as China and India built stocks ahead of their Golden Week and Diwali festivals respectively.
- > Signs that this month's higher Malaysian production trend might be flattening out in what is normally the peak period of the season also appeared to offer some support early in the week.
- > However, a looser supply was suggested later by reports that Malay production was up by 5% for the month so far and that top supplier Indonesia's output could increase as much as 20%.
- > *Traders also felt negative sentiment over Covid-19's persistent new outbreaks was continuing to cloud a demand outlook already depressed by the pandemic's impact on demand from restaurants and other food outlets. However, some observers said the price correction might help attract physical buyers back into the market.*

Global soy output and supply pinned for growth in 2020/21

- > Global soy output is anticipated to hit over 373 million MT up 10.1% y/y, while overall supply is pegged at 421 million MT up 4.9% y/y, owed to a rebound in US production, a recovering feed sector demand in China, and potentially larger outturns in the Southern hemisphere, according to the International Grains Council's (IGC) latest press briefing.
- > World soy consumption is expected to reach 368 million MT up 4.1% in 2020/21, compared to 354 million MT in the previous season. Total soy crush is pegged at 322 million MT (+3.6%), while food is projected at 21 million MT (+3.4%), and feed at 15 million MT (+16.6%) as China's feed industry is showing some signs of recovery, it indicated.
- > Exports are forecast to increase marginally to 164 million MT in 2020/21, compared to 163 million MT in the previous season, tied to a significant growth in Chinese demand.
- > *A strong increase in exports from the US (45 million MT last year to 57.8 million MT) is expected to negatively impact South American exports.*

Soybean Oil Market Update

Indonesia to defend palm oil industry against new EU policy

- > Indonesian trade officials have started a pushback on the EU's possible limits on 3-MCPD from palm oil.
- > Deputy Trade Minister Jerry Sambuaga stated, "Palm oil is one of Indonesia's biggest exports. Therefore, it should be defended. We want palm to have a broad positive impact on the welfare of the whole community, not just entrepreneurs but also palm farmers, workers in the palm industry and all communities in general."
- > He added, "Other vegetable oils are not as efficient as oil palm and therefore cannot compete. That's why many trade barriers are introduced to discriminate against palm oil in international trade. Indonesia demands equality and fairness principles in world trade."
- > Recently, two Indonesian lawmakers, Hasan Aminuddin and Luluk Nur Hamidah, have condemned current EU 'black campaigns' against palm oil.
- > This comes at a time when trade negotiations between Brussels and Jakarta appear to have reach a dead end, while the UK has started formal discussions with Indonesia over palm oil, legality and sustainability.
- > *While Indonesia may feel unfairly targeted by the EU's policies, there are legitimate environmental concerns related to deforestation from palm oil production in Indonesia and Malaysia. Therefore, it is unlikely that the EU will rescind their intention to limit palm oil imports.*

Brazilian soy price approaches record levels

- > Resilient soy prices were underpinned by Brazil's low inventories pegged at 1.9 million MT by IHS Markit in 2019/20, coupled with a strong US dollar which ended up 3.29% week-on-week to BRL5.5540, in the week ending September 25.
- > Quotes for soy ended the week at BRL146.63/60kg bag (USD11.97/bushel) last Friday (September 25) in Paranaguá port, after hitting BRL150.86/60kg bag (USD12.32/bushel) the day prior (September 24); close to the record high of BRL153.40/60kg bag (USD12.53/bushel) on August 31, 2012.
- > The average price in September was pinned at BRL136.90/60kg bag (USD11.18/bushel), the highest level since September 2012, when it stood at BRL144.59/60kg bag (USD11.81/bushel) and output reached 66.4 million MT. In comparison, almost 125 million MT were harvested in 2019/20.
- > Around 100.65 million MT of soy products are projected to be exported in 2020/21, up 1.6% y/y. This includes 82 million MT of soy (close to the record 83.26 million MT shipped in 2017/2018), around 17.80 million MT of soybean meal up 4.7% y/y, and 850,000 MT of soybean oil, down 22.7% y/y.
- > *Brazilian soy prices have been at a significant premium to US prices, making Brazilian soy less appealing for importers.*

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

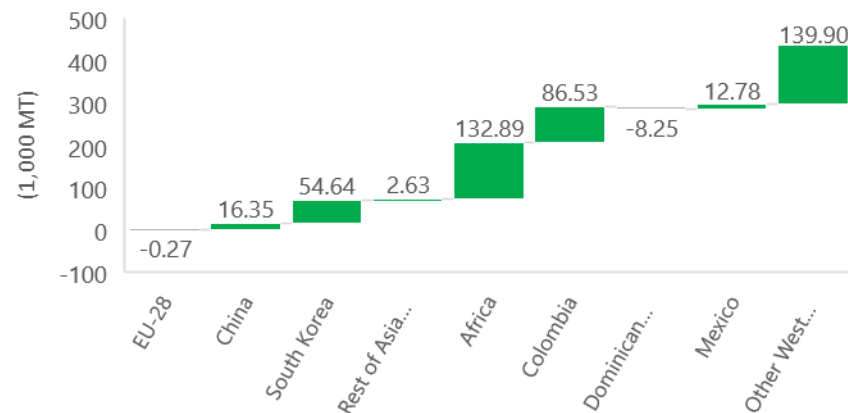
(F) = IHS Markit Forecast

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

US Monthly Soybean Oil Exports

	(MT)				
	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 (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

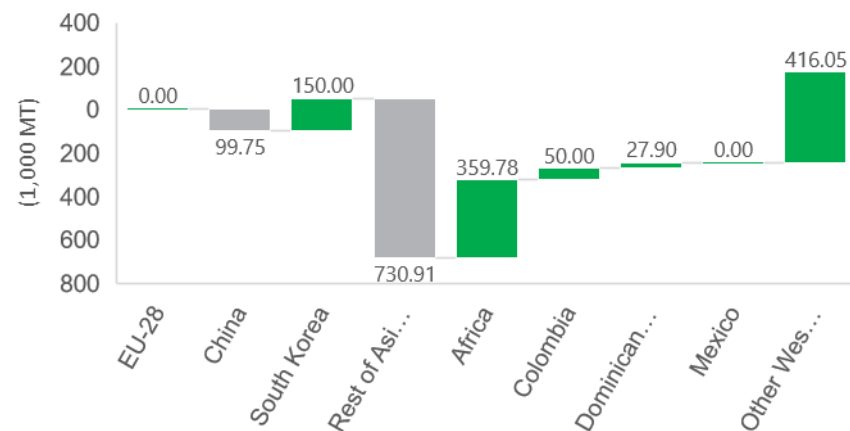
(F) = IHS Markit Forecast

Argentina Monthly Soybean Oil Exports

(1,000 MT) Feb-20 Mar-20 Apr-20 May-20 Jun-20

	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	11,268
Imports	130	144	152	180	150
Total Supply	10,928	10,944	11,711	12,061	12,223
Domestic Use	9,146	9,009	9,698	10,375	10,229
Biodiesel	2,582	2,812	3,236	3,567	3,516
Non-Biodiesel	6,564	6,196	6,462	6,808	6,713
Exports	1,017	1,160	1,108	881	1,236
Total Use	10,163	10,168	10,806	11,255	11,465
Carryout (Sep 30)	765	776	905	805	758

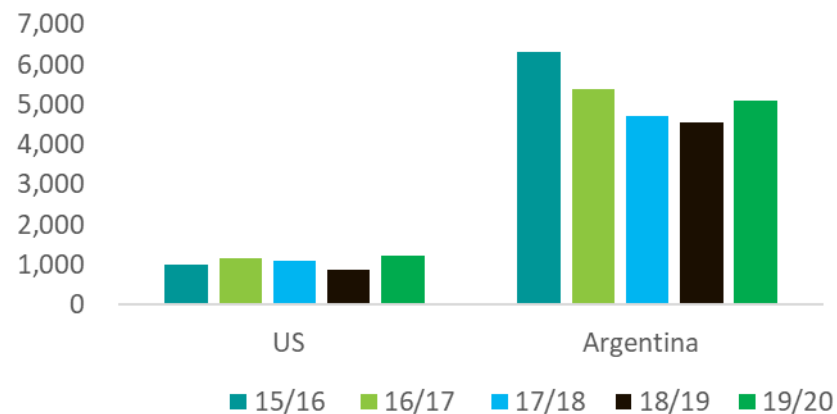
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Argentina Soybean Oil Supply and Demand (1,000 MT)

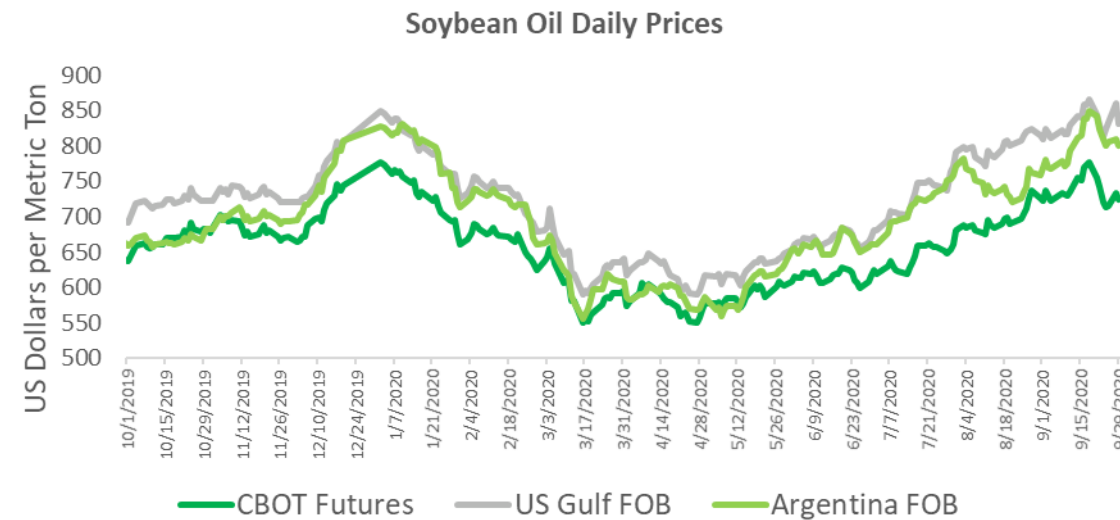
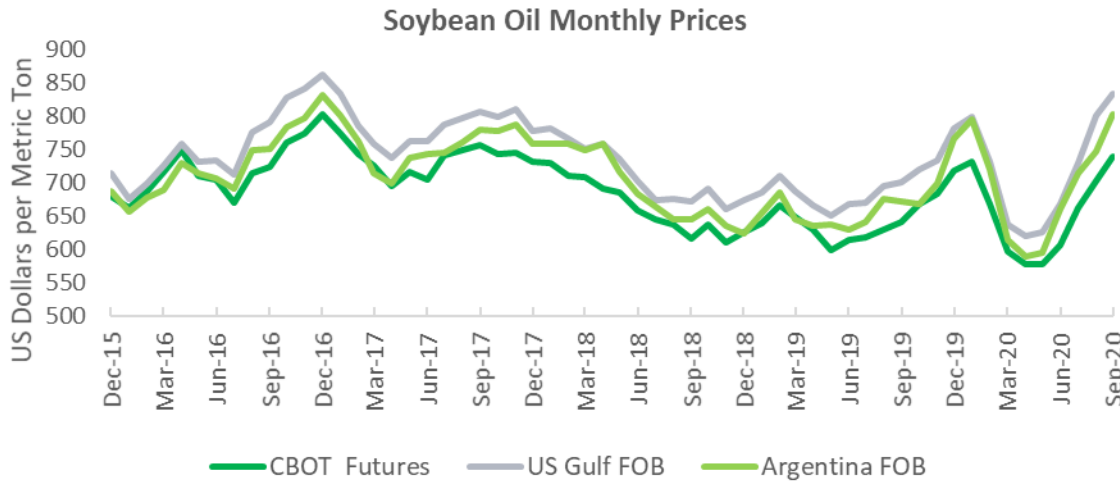
	15/16	16/17	17/18	18/19	19/20 (F)
Carryin (Apr 1)	196	337	259	310	170
Production	8,755	8,381	7,923	7,195	8,041
Imports	5	0	0	0	5
Total Supply	8,955	8,718	8,182	7,505	8,216
Domestic Use	2,448	2,995	3,202	2,628	2,828
Biodiesel	1,909	2,826	2,968	2,401	2,550
Non-Biodiesel	398	247	183	368	278
Exports	6,312	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) = IHS Markit Forecast

SBO Exports Trend (1,000 MT)



Soybean Oil Prices Trends



	CBOT Futures	US Gulf FOB	Argentina FOB
8/31/2020	727	815	759
9/1/2020	722	810	769
9/2/2020	736	824	780
9/3/2020	731	819	770
9/4/2020	722	811	767
9/8/2020	733	822	778
9/9/2020	732	816	772
9/10/2020	730	816	775
9/11/2020	735	829	794
9/14/2020	755	843	812
9/15/2020	751	840	815
9/16/2020	770	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
9/25/2020	715	834	806
9/28/2020	734	860	809
9/29/2020	725	831	800

Soybean Oil Lineup Data - Argentina

PORT	TERMINAL	VESSEL	Date	DATE	TONS	CARGO	SHIPPER AND/OR CHARTERER	DESTINATION
SAN LORENZO	RENOVA NORTH BERTH	CELSIUS MAYFAIR	ETF	9/29/2020	12,500	SBO	CARGILL	PERU
SAN LORENZO	RENOVA NORTH BERTH	SHANDONG ZIHE	ETR VC	10/1/2020	15,000	SBO	GLENCORE	MOROCCO
SAN LORENZO	RENOVA NORTH BERTH	ARCHON	ETA REC	10/7/2020	19,750	SBO	BUNGE	INDIA
SAN LORENZO	RENOVA NORTH BERTH	PINE EXPRESS	ETA REC	10/9/2020	10,000	SBO	GLENCORE	NIGERIA
SAN LORENZO	RENOVA NORTH BERTH	PINE EXPRESS	ETA REC	10/9/2020	11,000	SBO	CARGILL	PERU
SAN LORENZO	RENOVA NORTH BERTH	STENA IMAGINATION	ETA REC	10/10/2020	20,000	SBO	GLENCORE	LATVIA
SAN LORENZO	RENOVA NORTH BERTH	STENA IMAGINATION	ETA REC	10/10/2020	11,361	SBO	GLENCORE	INDIA
SAN LORENZO	DREYFUS TIMBUES	ATLANTIC BREEZE	ETA REC	10/3/2020	18,000	SBO	LDC	INDIA
SAN LORENZO	COFCO INTL. NORTH BERTH EX NOBLE)	ESSIE C	ETR SNIC	10/12/2020	30,000	SBO	COFCO	CHINA
SAN LORENZO	MINERA ALUMBRERA	BULLDOG	ETA REC	10/1/2020	32,000	SBO	MERA INTL	INDIA
SAN LORENZO	MINERA ALUMBRERA	AQUADISIAC	ETR SLZ	10/10/2020	18,250	SBO	BUNGE	CHINA
SAN LORENZO	ARAUCO ARGENTINA (EX ALTO PARANA)	STREAM ATLANTIC	ETR BA	10/1/2020	3,000	SBO (P)	MARVESA	NETHERLANDS
SAN LORENZO	TRANSITO (ADM AGRO)	SHANDONG ZIHE	ETR VC	10/1/2020	5,000	SBO	GLENCORE	INDIA
SAN LORENZO	TRANSITO (ADM AGRO)	SHANDONG ZIHE	ETR VC	10/1/2020	10,000	SBO (P)	GLENCORE	BANGLADESH
SAN LORENZO	TRANSITO (ADM AGRO)	STENA IMPERO	ETR CAMP	10/5/2020	12,000	SBO (P)	CARGILL	INDIA
SAN LORENZO	DEMPA	STENA IMAGE	ETA REC	10/7/2020	4,000	RSBO	BUNGE	SOUTH AFRICA
SAN LORENZO	VICENTIN	ATLANTIC MUSE	AT REC	9/28/2020	10,000	SBO	MARVESA	BRAZIL
SAN LORENZO	SAN BENITO	ATLANTIC BREEZE	ETA REC	10/3/2020	15,000	SBO	LDC	INDIA
ROSARIO	VILLA GOBERNADOR GALVEZ	ARISTIDIS	ETA REC	10/11/2020	30,000	SBO	CARGILL	INDIA
ROSARIO	DREYFUS VEGOIL TERMINAL	PACIFIC AZUR	ETA REC	10/20/2020	10,000	SBO (P)	LDC	BANGLADESH
ROSARIO	DREYFUS VEGOIL TERMINAL	PACIFIC AZUR	ETA REC	10/20/2020	6,500	SBO	LDC	INDIA
ROSARIO	DREYFUS VEGOIL TERMINAL	PACIFIC AZUR	ETA REC	10/20/2020	15,000	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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