



# Soybean Oil Market Update

Prepared for



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# Soybean Oil Market Update

## Soy stocks will be lowest for years

- > Soy didn't lack fresh input for ever-firming prices the week ending November 13<sup>th</sup>.
- > The bullish list was led by the USDA cutting its US yield and production forecasts more than expected (the latter by 2.65 million MT), leaving end-season stocks at a seven-year low of just 5.2 million MT.
- > The season started with 14.3 million MT, already sharply down on the previous year's 24.7 million MT.
- > Soy is also being driven by strong demand from China, still leading a remarkable turnaround in previously moribund US exports.
- > US traders hope that business may be extended for a longer forward period if a Biden presidency heralds a less belligerent stance on China trade.
- > Also, with Brazil's old crop supplies running down until harvest (mainly first quarter 2021), the US stands to feed the lion's share of world imports. A strike by Argentine port workers may also help US soy product trade.
- > Also helpful for soy products have been resurgent energy markets amid hopes of a post-Covid boost to global transport fuel. About 35% of US soy oil demand is for biofuel. Along with a strong palm oil market this has already lifted US soy oil futures to their highest since 2014.
- > *USDA's seasonal projections expect farmers to earn 21% more for their beans this season than last, crushers 16.4% more for their oil and 18.5% for meal.*

## Firm rapeseed price floats on tight supplies, firm rival oils

- > Rising value of 'big brother' soybeans and products, strong palm oil prices and an outlook for stock drawdown continue to support rapeseed futures at the top end of their five-year range.
- > Dealers this week cited strong Canadian crush and export demand, latest Canadian Grain Commission data showing seasonal clearance of 3.1 million MT - about 1 million more than at this time last year - and from a likely smaller crop.
- > *The USDA added 200,000 MT to its Russian and 100,000 to its Australian crop estimate for 2020/21 but the world total remains the smallest for some years, reducing world stocks by 1.4 million MT to a four-year low of 5.2 million MT.*

# Soybean Oil Market Update

## China and Brazil get soy past USD11/bushel

- > CBOT soy futures shrugged off early weakness the first week of November, finally crossing the psychologically key USD11/bushel barrier on renewed Latin American crop concerns and strong trade to China.
- > Planting in key producer Brazil has caught up to normal pace after a lagged start but dry areas still need more rain for a reasonable shot at the forecast 133 million MT crop.
- > Support was also drawn from some private estimates of a slightly lower US crop than the USDA's recent 116 million MT.
- > US stocks are already expected to tumble to less than 8 million MT at the close of this season from 14 million MT at the start and 24.7 million MT the year before and could go down further.
- > The main factor remains an expected 31% increase in this season's US exports on the back of revived Chinese demand. After weeks of brisk demand, China's interest in US beans has slackened off recently.
- > *US crush has also been going strong, jumping 5.5% on the year during September while a rally in rival palm oil markets also helped the oil side of the soy complex.*

## Palm price hits eight-year high

- > After weeks under pressure from fears of flattening export demand, Malay Bursa palm oil futures rebounded sharply the week ending November 6th on ideas the country's production will have dropped enough to cut stocks in the past month. Production is seen falling 6% on the month versus last year's October drop of 2.5%.
- > A combination of heavier than usual rains from a La Nina system and Covid lockdowns on labor movement to plantations could keep output below par in the months ahead, exaggerating the normal seasonal slowdown in the winter months. Talk that this could push stocks down even faster than production was enough to get the Bursa near month up to its best level in eight years.
- > *Demand remains a grey area though, as Malaysia and Indonesia wait to see how buyers will react to prices that have jumped as much as 70% in dollar terms from their spring lows.*
- > *One major buyer has held up better than might have been expected, however. The EU has taken 2% more so far this year despite adverse publicity in the bloc over palm's nutritional and environmental profiles.*

# Soybean Oil Market Update

## Increase in planted area lifts China's soybean production

- > China's soybean output is anticipated to rise by 5.3% to 17.9 million MT in 2020/21, owed to an increase in planted area; up 5.1% to 9.4 million hectares. This is due to continuing subsidies and relatively high prices, the USDA reported.
- > Farm gate price stood at about RMB4,000 (USD570) per MT in Heilongjiang, far below the prices reported in auctions between June-September. The lower than expected price is partly due to market expectations about an over-supply of soy products as result of excessive soybean imports in 2019/20.
- > Although yield is expected to maintain its upward trend in 2020/21, pegged at 1.89 million MT per hectare, it is likely to increase less than previously expected due to a series of typhoons which hit the Northeast provinces between late August and early September.
- > Soybean purchases are forecast to decline by 4% to 95 million MT in 2020/21 due to substantial beginning stocks, following a buying spree in 2019/20.
- > In addition to Covid-19 concerns, China's Brazilian soybean purchases were driven by a possible supply squeeze amid the trade dispute with the US.
- > Soybean meal use is pegged at 73 million MT up 6% in 2020/21, based on higher overall feed demand along with the growing share of large-scale farms in the swine sector, which strongly rely on soybean meal, the USDA said.
- > Likewise, soybean crush is anticipated to reach 95 million MT in 2020/21, up 5 million MT y/y.
- > *Feed demand for China's pork industry is the most prominent use of soybeans in China and swine production is expected to recover after an outbreak of African Swine Fever, contributing to higher soybean demand in China.*

## USDA raises China corn import forecast as it cuts US corn, soybean crops

- > According to the November 10th WASDE Report from the USDA, US soybean production is now forecast at 4.17 billion bushels, down from 4.27 billion bushels in October, with the national average yield reduced to 50.7 bushels per acre compared with 51.9 bushels per acre in October.
- > Traders expected USDA to peg the crop at 4.25 billion bushels with a yield of 51.6 bushels per acre, according to a survey of traders by Reuters.
- > On soybeans, USDA lowered production around the globe, with a key in the trim coming for Argentina.
- > *The production reductions are among the numerous factors contributing to high soybean prices currently.*

# Soybean Oil Market Update

## USDA reports record large September crush (IEG Vantage)

- > US soybean crush also remains one of the key drivers for soybean market with continue strong crush margins are resulting in higher crush rates as the US continued to benefit from lackluster crush pace in Argentina.
- > In its monthly Fats and Oils report, USDA reported a record high September soybean crush of 171.1 million bushels. The total was 9.6 million (5.9%) above NOPA's crush for the month and 8.7 million above crush last year. The September result brought total 2019/20 (October/September) crush to a record of 2,173 million, up from the previous record of 2,085 million set at the end of last year.
- > *With crush margins well above historical averages, IHS Markit anticipates the US crush industry will continue to run at the practical capacity and even see the potential for further upside in crush based on anticipated strong demand.*
- > *This would contribute to potentially reaching the tightest US ending stocks seen since 2031/14 crop year. Continued strong crush activity and board margins have been driven by current strength in soybean meal and oil that we think will sustain high crush volume until Q1 2020, however, the question will be if the soybean stocks exist in the second half of the crop year to sustain a reasonable pace.*

## Tight supplies and mediocre weather lift Brazil's soy prices

- > Due to tight supplies, soybean prices are anticipated to remain high, regardless of there being no interest in early crop sales. In addition, the lack of precipitation is expected to postpone new trade deals.
- > Soy closed the week ending November 6 at BRL169.76 per 60 kilos bag at the Paranaguá port, against BRL163.54 the week prior, as the depreciation of the US dollar was offset by robust prices in Chicago.
- > *The US dollar has been quite volatile in the first week of November and at present, the market is cautiously awaiting the impact of the new president-elect.*

# Soybean Oil Market Update

## La Niña to affect Argentina's soy production, exports surge

- > The Buenos Aires Cereal Exchange (BdeC) anticipates 17.2 million hectares to be sown in 2020/21, which is 100,000 hectares more than last season, owed to rains favoring the start of soy seeding.
- > However, BdeC predicts a drop in production to 46.5 million MT, compared to 49 million in 2019/20, due to an expected lack of rain owed to La Niña thereafter.
- > Meanwhile, the Rosario Board of Trade (BCR) reported that the largest number of Sworn Declarations of Foreign Sales (DJVE) for soy stood at 3.45 million MT including beans, meal and oil projected to be shipped until December.
- > The DJVEs represented a revenue of around USD1.9 billion in October, the largest monthly sale to date for the 2019/20 crop-year.
- > Most of DJVEs were soybean meal, almost 2.5 million MT, up 70% compared to October last year. Soybean meal exports totaled 18.3 million MT in 2019/20, but levels are still 15% below the 2018/19 crop-year.
- > *Lower production in Argentina is among the factors contributing to high global soybean prices.*

## Palm shrugs off demand fears

- > Tightening supplies trumped demand concerns the week ending November 13th, propelling Malay palm oil prices to highs last seen in the spring of 2012.
- > A drop in Malay October output of almost 8% had been forewarned by the industry there but was still counter-seasonal, so mildly bullish.
- > Other major palm buyers revealed mixed trends - China taking 24% less Malay oil than last month, EU intake dropping 23% but Pakistan raising demand by a third.
- > *On the one hand, the surge in palm prices, putting them now at an unusual premium over close rival soy oil, could dent demand from some of the moderate/smaller sized buyers, many in cash-strapped developing regions that buy this oil because it is normally cheap.*
- > *On the other is this week's building hope that a corona virus vaccine might be able to re-start the global economy sooner rather than later. That could lift the lid off demand across the board of recently depressed commodities.*

# 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	27	0
South Korea	301	303	281	345
Rest of Asia/Oceania	23	35	61	29
Africa	28	17	127	70
Colombia	108	67	109	100
Dominican Republic	152	139	141	135
Mexico	167	126	127	180
Other West Hemis.	327	192	288	275
<b>Total</b>	<b>1,108</b>	<b>880</b>	<b>1,162</b>	<b>1,134</b>

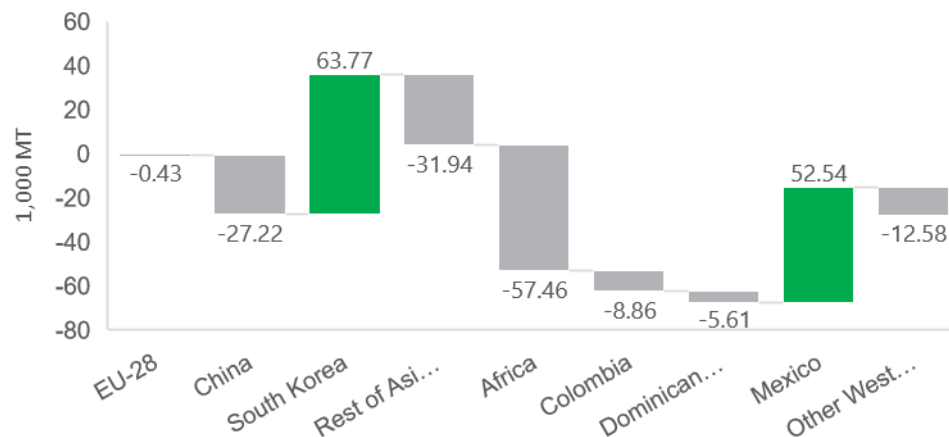
(F) = IHS Markit Forecast

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

## US Monthly Soybean Oil Exports

	(MT)					
	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
EU-28	0	164	54	0	6	0
China	18	0	43	52	20,001	0
South Korea	37,739	10,138	71,259	20,614	16,018	17,550
Rest of Asia/Oceania	1,805	3,111	412	422	333	1,550
Africa	20,005	12,881	21,782	30	0	17,999
Colombia	21,908	9,493	11,982	14,449	6,858	20
Dominican Republic	21,632	12,719	20,821	4,855	16,175	8,101
Mexico	14,394	21,177	9,121	3,576	3,963	4,556
Other West Hemis.	27,996	34,730	26,807	32,057	11,324	41,702
<b>Total</b>	<b>145,498</b>	<b>104,412</b>	<b>162,281</b>	<b>76,053</b>	<b>74,677</b>	<b>91,478</b>

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



# Argentina: Soybean Oil Exports Update

## Argentina Annual Soybean Oil Exports

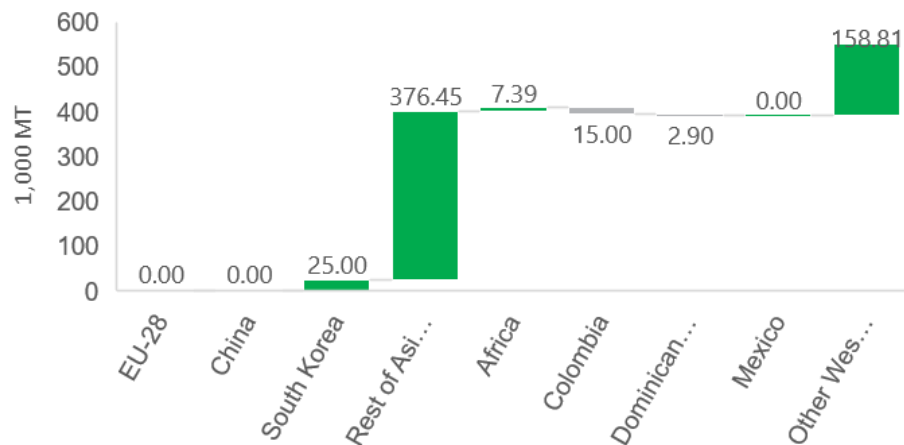
	(1,000 MT)			
	17/18	18/19	19/20	20/21 (F)
EU-28	0	0	0	0
China	27	175	75	75
South Korea	4	0	150	175
Rest of Asia/Oceania	2,958	4,162	3,431	3,808
Africa	651	420	780	787
Colombia	0	0	50	35
Dominican Republic	2	0	28	25
Mexico	0	0	0	0
Other West Hemis.	513	470	886	1,045
<b>Total</b>	<b>4,155</b>	<b>5,227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

(F) = IHS Markit Forecast

## Argentina Monthly Soybean Oil Exports

	(1,000 MT)	May-20	Jun-20	Jul-20	Aug-20	Sep-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		712	602	725	573	536
Africa		0	0	0	0	0
Colombia		9	7	12	20	12
Dominican Republic		0	0	0	0	0
Mexico		0	0	0	0	0
Other West Hemis.		10	10	15	137	159
<b>Total</b>		<b>731</b>	<b>619</b>	<b>752</b>	<b>730</b>	<b>708</b>

## 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	838
Production	10,035	10,783	10,975	11,300	11,436
Imports	145	152	180	145	150
<b>Total Supply</b>	10,945	11,711	12,060	12,250	12,425
Domestic Use	9,009	9,698	10,375	10,124	10,501
Biodiesel	2,812	3,236	3,567	3,548	3,697
Non-Biodiesel	6,197	6,462	6,808	6,575	6,804
Exports	1,159	1,108	880	1,288	1,066
<b>Total Use</b>	10,169	10,806	11,255	11,411	11,567
Carryout (Sep 30)	776	905	805	838	858

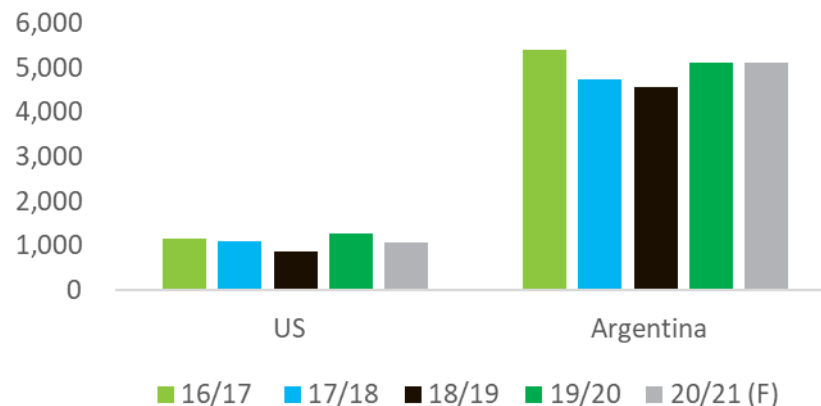
(F) = IHS Markit Forecast

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

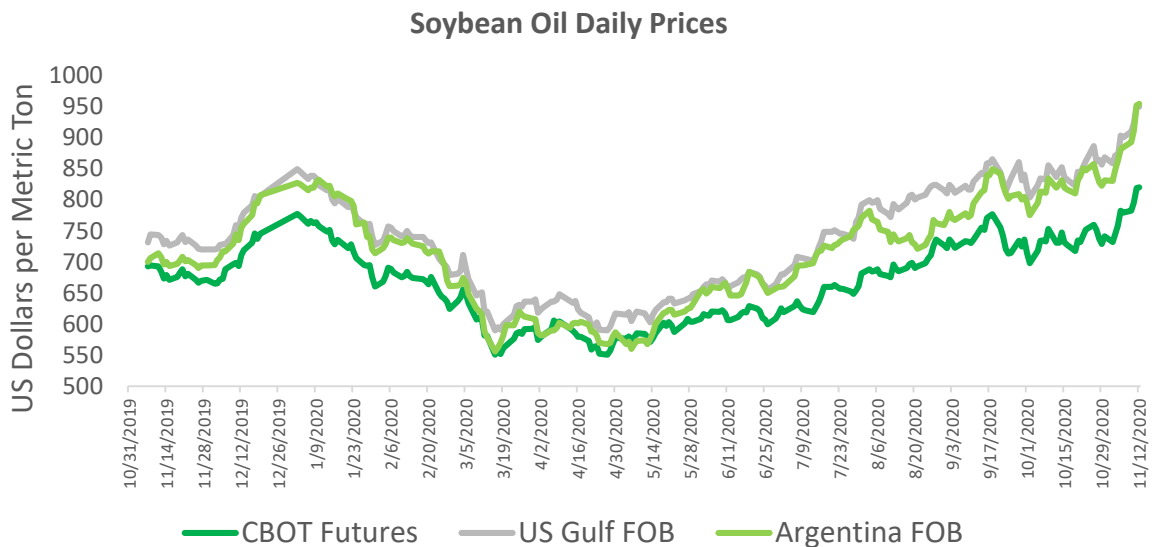
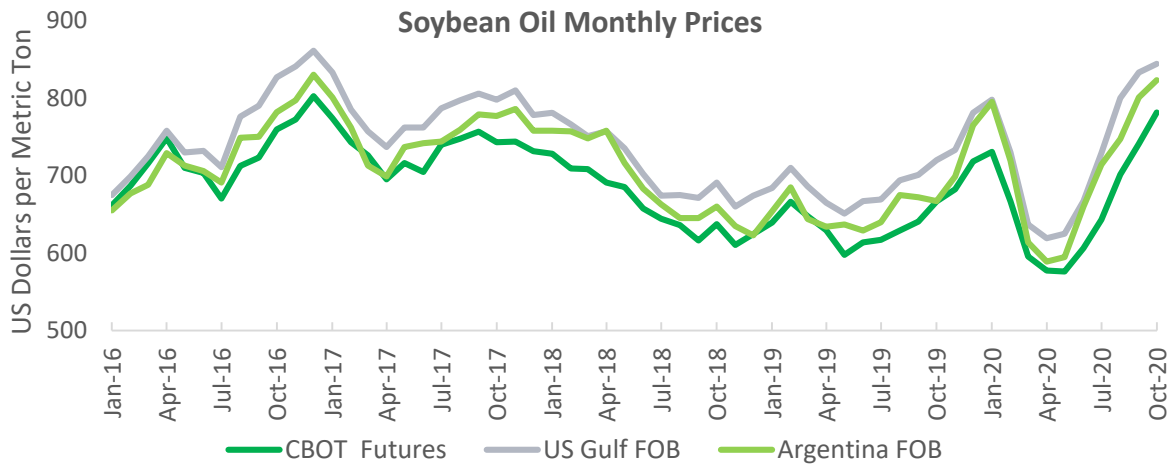
	16/17	17/18	18/19	19/20	20/21 (F)
Carryin (Apr 1)	337	259	310	170	275
Production	8,381	7,923	7,195	8,041	7,757
Imports	0	0	0	5	5
<b>Total Supply</b>	8,718	8,182	7,505	8,216	8,037
Domestic Use	2,995	3,202	2,628	2,828	2,612
Biodiesel	2,826	2,971	2,259	2,275	2,030
Non-Biodiesel	247	183	509	553	582
Exports	5,386	4,721	4,566	5,113	5,100
<b>Total Use</b>	8,459	7,872	7,335	7,941	7,712
Carryout (Mar 31)	259	310	170	275	325

(F) = IHS Markit Forecast

## SBO Exports Trend (1,000 MT)



# Soybean Oil Prices Trends



	CBOT Futures	US Gulf FOB	Argentina FOB
10/15/2020	731	836	819
10/16/2020	727	832	816
10/19/2020	717	822	810
10/20/2020	734	845	831
10/21/2020	732	842	838
10/22/2020	743	853	850
10/23/2020	752	862	847
10/26/2020	760	886	857
10/27/2020	752	862	842
10/28/2020	737	864	828
10/29/2020	729	856	822
10/30/2020	741	868	831
11/3/2020	745	871	848
11/4/2020	758	868	862
11/5/2020	782	903	881
11/6/2020	779	900	884
11/10/2020	795	922	910
11/11/2020	819	951	951
11/12/2020	819	949	954

# Soybean Oil Lineup Data - Argentina

PORT	TERMINAL	VESSEL		DATE	TONS	CARGO	SHIPPER AND/OR CHARTERER	DESTINATION
SAN LORENZO	RENOVA NORTH BERTH	LARGO EVOLUTION	ETA SLZ	12-Nov	15,000	SBO	GLENCORE	INDIA
SAN LORENZO	RENOVA NORTH BERTH	LINCOLN PARK	ETA SLZ	13-Nov	7,000	SBO	ADM AGRO	PERU
SAN LORENZO	RENOVA NORTH BERTH	YUFU CROWN	ETA REC	16-Nov	15,000	SBO	GLENCORE	INDIA
SAN LORENZO	RENOVA NORTH BERTH	STENA PROVENCE	ETA REC	19-Nov	6,000	SBO	COFCO	INDIA
SAN LORENZO	RENOVA NORTH BERTH	UACC MASSAFI	ETA REC	22-Nov	22,000	SBO	MERA INTL	INDIA
SAN LORENZO	RENOVA SOUTH BERTH	MSXT CATHY	ETA REC	20-Nov	6,000	SBO	COFCO	INDIA
SAN LORENZO	DREYFUS TIMBUES	PACIFIC GOLD	ETA REC	15-Nov	10,500	SBO	LDC	MOROCCO
SAN LORENZO	DREYFUS TIMBUES	PACIFIC GOLD	ETA REC	15-Nov	4,500	SBO	LDC	ALGERIA
SAN LORENZO	DREYFUS TIMBUES	STENA PROVENCE	ETA REC	19-Nov	6,000	SBO	COFCO	INDIA
SAN LORENZO	COFCO INTL. NORTH BERTH (EX	STENA PROVENCE	ETA REC	19-Nov	14,500	SBO	COFCO	INDIA
SAN LORENZO	COFCO INTL. NORTH BERTH (EX	STENA PROVENCE	ETA REC	19-Nov	4,000	SBO	COFCO	MADAGASCAR
SAN LORENZO	MINERA ALUMBRERA	ARCHON	ETF	13-Nov	20,000	SBO	ADM AGRO	EGYPT
SAN LORENZO	MINERA ALUMBRERA	ARDMORE ENDEAVOUR	ETA SLZ	13-Nov	30,000	SBO	WILMAR	INDIA
SAN LORENZO	MINERA ALUMBRERA	UACC MASSAFI	ETA REC	22-Nov	16,000	SBO	MERA INTL	INDIA
SAN LORENZO		MR ARIES	AT SNIC	18-Nov	24,000	SBO	BUNGE	INDIA
SAN LORENZO	COFCO INTL PGSM NORTH BERTH	PACIFIC COBALT	ETA REC	20-Nov	10,000	SBO	COFCO	INDIA
SAN LORENZO	TRANSITO (ADM AGRO)	YUFU CROWN	ETA REC	15-Nov	15,000	SBO (P)	GLENCORE	INDIA
SAN LORENZO	DEMPA	LINCOLN PARK	ETA REC	11-Nov	7,500	SBO	BUNGE	ECUADOR
SAN LORENZO	DEMPA	MR ARIES	ETA REC	18-Nov	5,000	SBO	BUNGE	INDIA
SAN LORENZO	DEMPA	MR ARIES	ETA REC	18-Nov	5,000	RSBO	BUNGE	SOUTH AFRICA
SAN LORENZO	VICENTIN	PACIFIC COBALT	ETA REC	20-Nov	18,000	SBO	COFCO	BANGLADESH
SAN LORENZO	VICENTIN	PACIFIC COBALT	ETA REC	20-Nov	2,750	SBO	COFCO	INDIA
SAN LORENZO	SAN BENITO	OCEAN BREEZE	ETA REC	19-Nov	15,000	SBO	BUNGE	CHINA
ROSARIO	VILLA GOBERNADOR GALVEZ	ATROTOS	ETA REC	20-Nov	32,000	SBO	CARGILL	INDIA
ROSARIO	DREYFUS VEGOIL TERMINAL	PACIFIC COLBAT	ETA REC	14-Nov	6,000	SBO (P)	LDC	SPAIN
ROSARIO	DREYFUS VEGOIL TERMINAL	PACIFIC COLBAT	ETA REC	14-Nov	6,000	SBO	LDC	ALGERIA
ROSARIO	DREYFUS VEGOIL TERMINAL	PACIFIC COLBAT	ETA REC	14-Nov	3,000	SBO	LDC	MOROCCO
ROSARIO	DREYFUS VEGOIL TERMINAL	ATLANTIC PEGASUS	ETA REC	15-Nov	23,000	SBO	LDC	BANGLADESH
ROSARIO	DREYFUS VEGOIL TERMINAL	ATLANTIC PEGASUS	ETA REC	15-Nov	10,000	SBO (P)	LDC	BANGLADESH
NECOCHEA	PIER 1 BERTH 0	CANOPUS	ETA NEC	14-Nov	11,400	SBO	OMHSA	CHINA

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)

## Soybean Oil Lineup Data – US

ORIGIN PORT	DESTINATION PORT	DESTINATION COUNTRY	WEIGHT IN KG	VESSEL NAME	CARGO	SHIPPER	CARRIER	DATE
LOS ANGELES	BUSAN	REPUBLIC OF KOREA	19,305	SEASPAN ADONIS	SBO	YUSEN LOGISTICS	OCEAN NETWORK EXPRESS	5-Nov
NEW YORK	CARTAGENA	COLOMBIA	9,525	MAERSK GATESHEAD	SBO	ANDES LOGISTICS	HAPAG LLOYD	3-Nov
NEW YORK	VISAKHAPATNAM	INDIA	14,795	YM WELLHEAD	SBO	WORLDWIDE LOGISTICS	HAPAG LLOYD	3-Nov
NEW YORK	HAMBURG	GERMANY	22,535	BUDAPEST BRIDGE	SBO	FOODSERVICE CONCEPTS P	YANG MING LINE	25-Oct
NEW YORK	JEBEL ALI	UNITED ARAB EMIRATES	118,710	ONE MARVEL	SBO	GULF AMERICAN LINES	YANG MING LINE	24-Oct
NEW YORK	SOHAR	OMAN	23,742	ONE MARVEL	SBO	GULF AMERICAN LINES	YANG MING LINE	24-Oct
NEW YORK	JEBEL ALI	UNITED ARAB EMIRATES	23,743	ONE MARVEL	SBO	GULF AMERICAN LINES	YANG MING LINE	24-Oct
PT EVERGLADES	NASSAU	BAHAMAS	39,479	CONTSHIP MAX	SBO	RICHARDSON OILSEED	MEDITERRANEAN SHIPPING COMPANY	22-Oct
NEW YORK	HAMAD	QATAR	23,742	EXPRESS ROME	SBO	CONSOLIDATION SERVICES	HAPAG LLOYD	21-Oct
NEW YORK	SAN ANTONIO	CHILE	24,313	DUBLIN EXPRESS	SBO	INTERNATIONAL FOOD	HAPAG LLOYD OCEAN NETWORK	21-Oct
LOS ANGELES	BUSAN	REPUBLIC OF KOREA	57,915	NYK ATLAS MOL	SBO	YUSEN LOGISTICS	EXPRESS	20-Oct
NEW YORK	ROTTERDAM	NETHERLANDS	4,534	EMISSARY	SBO	GJ CARGO	HAPAG LLOYD	20-Oct
NEW YORK	JEBEL ALI	UNITED ARAB EMIRATES	142,452	MOL MOTIVATORS	SBO	GULF AMERICAN LINES	YANG MING LINE	18-Oct
PT EVERGLADES	CURACAO	CURACAO	18,525	AS FABRIZIA	SBO	US 1 CARGO EXPRESS	KING OCEAN SERVICES	17-Oct

Source: IHS Markit's PIERS

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