



# Soybean Oil Market Update

Prepared for



November 30, 2020

# Soybean Oil Market Update

## Soy nears six-year highs

- > China's seemingly insatiable demand for US soybeans combined with Latin American crop worries to keep Chicago futures within shooting distance of six-year highs.
- > Values were last seriously above the latest, USD12/bushel, high in 2014 when coming off a USD15.30 peak, prior to which the record near-USD18 was traded in late 2012.
- > The stunning recovery from summer 2020 lows near the bottom USD8's has some analysts talking of millions of extra US acres being planted next spring. Price incentives depend partly by what happens to Brazilian and Argentine crops in coming months.
- > At the last weekly count, China had so far this season bought about 28.6 million MT of US soybeans against less than 8.5 million this time last year, helping to boost total US sales to over 51 million MT, more than double the year ago number.
- > Each week, China continues to lead, far and away, the US list of customers as it seeks to rebuild its pig herd from African Swine Fever losses and fulfil the 'phase 1' pact to buy more US farm products.
- > *Soy went into partial retreat mid-week for the week ending November 27th amid reports that some, mainly smaller, Chinese importers were trying to cancel US cargoes booked, but un-hedged against futures, before prices soared. But having sold forward a record volume of a barely planted crop, Brazilian exporters are expected to back off now so Chinese crushers may want to keep buying US, partly to cover against the Lat-Am weather risk.*

## Rapeseed prices gaining independent strength

- > While dependent upon the rocketing soy price for much of its recent strength, the rapeseed market is showing increasing signs of independent support.
- > As noted, some weeks ago, rapeseed fundamentals are tightening and stock projections falling for the key players – a situation offset only partially by flattening out in the fast-global consumption growth seen in recent years (especially in the biodiesel sector).
- > The change in rapeseed's fortunes has already emboldened Canadian officials to raise their seasonal price forecasts almost 16% on the year and 10% over the five-year average while Winnipeg futures have hit levels last seen over seven years ago.
- > *Dealers also note that the rise in rapeseed costs has lagged that of the oil product (as well as soybeans), strengthening crush profits – so demand could yet prove underrated.*

# Soybean Oil Market Update

## Demand destruction fears stemming palm rally

- > Late November has marked yet more eight-year-plus price highs for palm oil but the peaks are getting harder to hold as cost starts to damage demand.
- > The latest price rises reflected Malay industry sources warning of lower November output and a possible multi-month hit from a classic wet La Niña episode exaggerating the usual winter production drop.
- > However, more attention was later being paid to shipping sources detailing Malaysia's lost November trade, India's intake halving after its seasonal Diwali festival boom and some other demand apparently discouraged by prices rising as much as 80% up from their summer lows.
- > *Adding to the gloom were reports Indonesia was pulling back from its 40% palm biodiesel target amid a decade high in the premium for palm prices over mineral fuel sources.*

## Brazilian soy prices under pressure on tight supply

- > The Brazilian soy market followed a negative trend driven by limited supply and the appreciation of the US dollar against the real.
- > The small number of products available registered at prices above BRL160.00 in port areas such as Paranaguá, where soy stood at BRL163.62/60 kilos bag (USD13.82/bushel) in the week ending November 20, down 1.0% compared to the week prior, the Centre for Advanced Studies in Applied Economics (Cepea) indicated. The US dollar closed at BRL5.3858 in the week ending November 20.
- > Following the USDA's last week relevant cuts in the US crop and inventories for the 2020/21 season, prices in Chicago were boosted, while volumes exported from the US continue to increase. The market is also beginning to speculate that the USDA will raise its estimates for US exports, tightening inventories.
- > *On the supply side, rainfall irregularities in South America along with delays in sowing in Brazil are challenging the productivity of the current crop-cycle. If the weather does not improve, not only Brazil, but also other Southern cone countries (Argentina, Paraguay, Uruguay) are expected to report productivity losses which is beginning to be reflected in futures contracts in Chicago.*

# Soybean Oil Market Update

## US exporting soybeans at record pace (IEG Vantage)

- > US soybean export inspections have maintained a record pace since the second week of the 2020/21 marketing year. The 82.3 million bushels inspected during the week ended Nov. 12 brought cumulative 2020/21 inspections to 815 million bushels to all destinations – above the previous record of 717 million bushels set in 2017
- > The pace of commitments suggests exports could exceed IHS Markit’s current forecast.
- > *Scenarios that could occur to relieve the tight US supply scenario expected later in the marketing year include.*
  - 1. *Crush margins in the US are falling but are still near five-year average in the front month contracts.*
  - 2. *Currently, US is exporting a small amount of soybeans to Brazil so needless to say, a lot in the way of economics needs to be reversed to justify a reversal in the flow of soybeans between Brazil and the US.*
  - 3. *Chinese cancellations of US soybean exports are not imminent, but further cancellations could relieve some tight supply issues for the US.*

## October report shows industry response to strong crush margins (IEG Vantage)

- > NOPA reported a record high October crush of 185.245 million bushels, up 9.9 million bushels above the year ago result and 23.8 million bushels up from the crush in September.
- > Pre-report estimates indicated the trade anticipated a very strong performance consistent with rising crush margins during October and a fast 2020 harvest pace but the result came in well above the average expectation for 177 million bushels.
- > October meal yield was reported slightly above the previous month and last year’s results. NOPA reported a modest slowdown in member meal exports to 945,835 tons from 991,134 tons in September.
- > *In this environment, higher soybean prices are expected to ration demand, including from US soybean crushers as they face less attractive margin opportunities. Nearby crush margin estimates have already moderated somewhat since October.*

# Soybean Oil Market Update

## India's soybean output mitigated by unfavorable weather

- > India's soybean production estimate remains at 10 million MT for the 2020/21 season, down from a previous forecast of 11.2 million MT due to erratic weather, the USDA said.
- > Gains made on higher acreage will be offset by lower than anticipated national yields owed to sub-optimal weather conditions across main growing regions.
- > Soybean planting was finalized by mid-July, followed by higher than normal temperature until heavy rainfall arrived in August when the crop was at the pod-filling stage
- > *India is a major vegetable oil importer, but its increasing soybean production has the potential to provide for more self sufficiency in oilseeds. The forecasted decrease in production will increase India's import needs for the season, which may be filled largely by palm oil from Indonesia and Malaysia.*

## Indonesia says B40 biodiesel program unlikely to proceed next year

- > Indonesia is unlikely to proceed with plans to raise the bio-content of its palm oil-based biodiesel to 40% next year as it struggles to fund the program, an energy ministry official told parliament.
- > Indonesia will retain its current B30 program which requires diesel to be blended with 30% blends of palm oil-based biodiesel.
- > Meeting B30 has been challenging economically, as the government collects levies to fund the program.
- > *Indonesia's domestic palm oil demand will be reduced from levels anticipated under B40, leaving more available for exports.*

# Soybean Oil Market Update

## Global soybean prices buoyant, output posts new record

- > Global soybean prices continue to follow an upward trend, while output is expected to rebound on last season's crop, estimated at 368.3 million MT in 2020/21, up 9% y/y, the Agricultural Market Information System (AMIS) said at the latest Global Grain conference.
- > The soybean spot price index reached a 6-year high in Mid-November, close to 250 points on the IGC spot price index, and following an uptrend since around July.
- > The peak is the result of different factors including tight old crop supplies in Brazil hindering export availabilities (following a strong export program), subdued shipments in Argentina where farmers choose to withhold supply owed to economic turmoil, dry weather in the US, which has resulted in downward revisions and yields, and the prospects of a steep decline in 2021 ending stocks in the US.
- > Other factors include delays in new crop plantings in South America, owing to insufficient soil moisture levels sparking concerns about possible delayed harvests, and potential below average rainfalls in the coming months due to La Niña.
- > All these supply concerns have occurred amid a robust international demand for soybeans particularly from China, it emphasized.
- > *Other concerns around supply & demand include the impact of Covid-19 on food, feed and biodiesel uses in Europe, North/South America and Asia, along with supply chain disruptions and demand curbs, pesticide regulations and production sustainability.*

# United States: Soybean Oil Exports

## US Annual Soybean Oil Exports

	(1,000 MT)			
	17/18	18/19	19/20	20/21(F)
<b>EU-28</b>	1	1	0	0
<b>China</b>	1	0	27	0
<b>South Korea</b>	301	303	281	345
<b>Rest of Asia/Oceania</b>	23	35	61	29
<b>Africa</b>	28	17	127	70
<b>Colombia</b>	108	67	109	100
<b>Dominican Republic</b>	152	139	141	135
<b>Mexico</b>	167	126	127	180
<b>Other West Hemis.</b>	327	192	288	275
<b>Total</b>	1,108	880	1,162	1,134

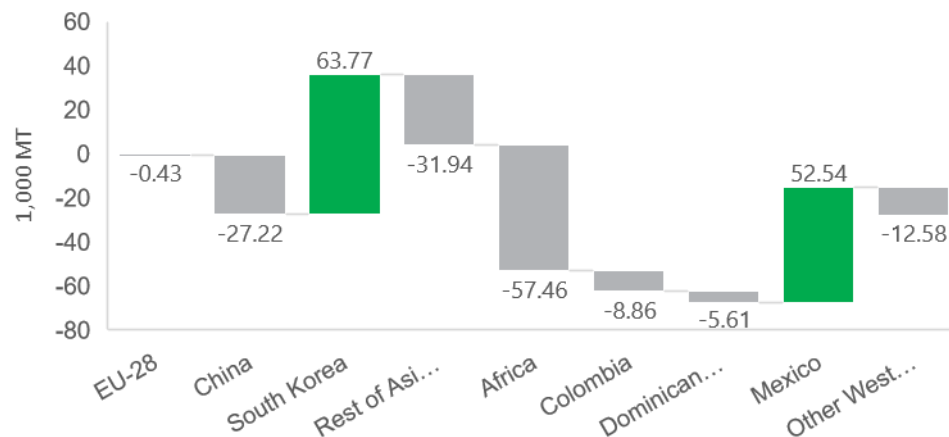
(F) = IHS Markit Forecast

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

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



# Argentina: Soybean Oil Exports Update

## Argentina Annual Soybean Oil Exports

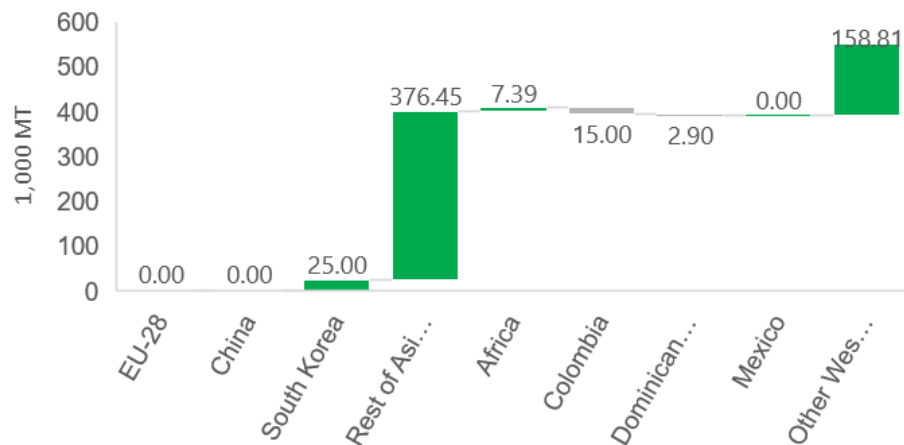
	(1,000 MT)			
	17/18	18/19	19/20	20/21 (F)
EU-28	0	0	0	0
China	27	175	75	75
South Korea	4	0	150	175
Rest of Asia/Oceania	2,958	4,162	3,431	3,808
Africa	651	420	780	787
Colombia	0	0	50	35
Dominican Republic	2	0	28	25
Mexico	0	0	0	0
Other West Hemis.	513	470	886	1,045
<b>Total</b>	<b>4,155</b>	<b>5,227</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	11,441
Imports	145	152	180	145	150
<b>Total Supply</b>	10,945	11,711	12,060	12,250	12,429
Domestic Use	9,009	9,698	10,375	10,128	10,500
Biodiesel	2,812	3,236	3,567	3,548	3,697
Non-Biodiesel	6,197	6,462	6,808	6,580	6,803
Exports	1,159	1,108	880	1,283	1,111
<b>Total Use</b>	10,169	10,806	11,255	11,411	11,611
Carryout (Sep 30)	776	905	805	838	818

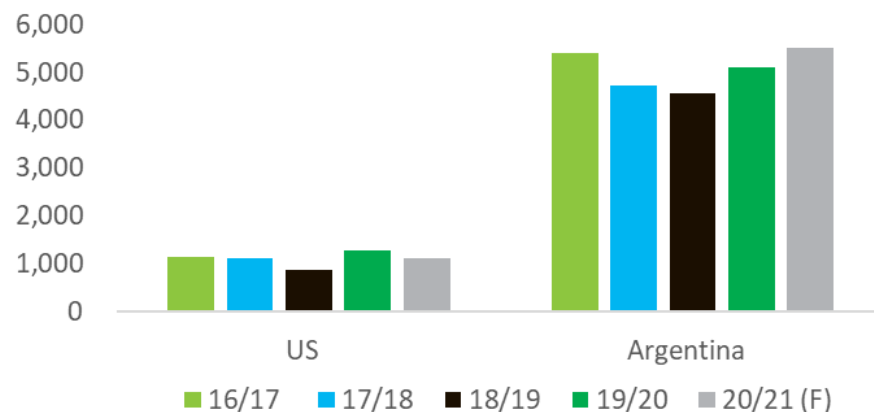
(F) = IHS Markit Forecast

## 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	7,682
Imports	0	0	0	5	5
<b>Total Supply</b>	8,718	8,182	7,505	8,216	7,962
Domestic Use	2,995	3,202	2,628	2,828	2,137
Biodiesel	2,826	2,972	2,258	2,274	1,630
Non-Biodiesel	247	183	511	554	507
Exports	5,386	4,721	4,566	5,113	5,500
<b>Total Use</b>	8,459	7,872	7,335	7,941	7,637
Carryout (Mar 31)	259	310	170	275	325

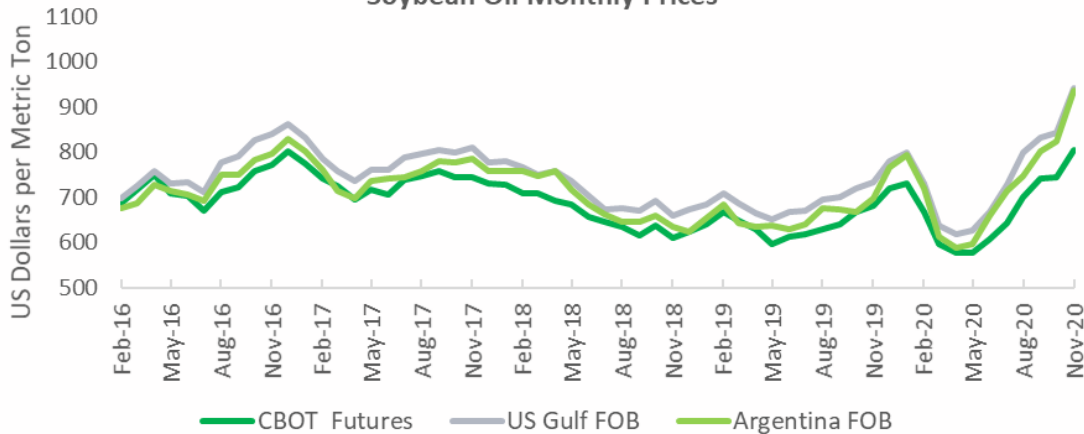
(F) = IHS Markit Forecast

## SBO Exports Trend (1,000 MT)

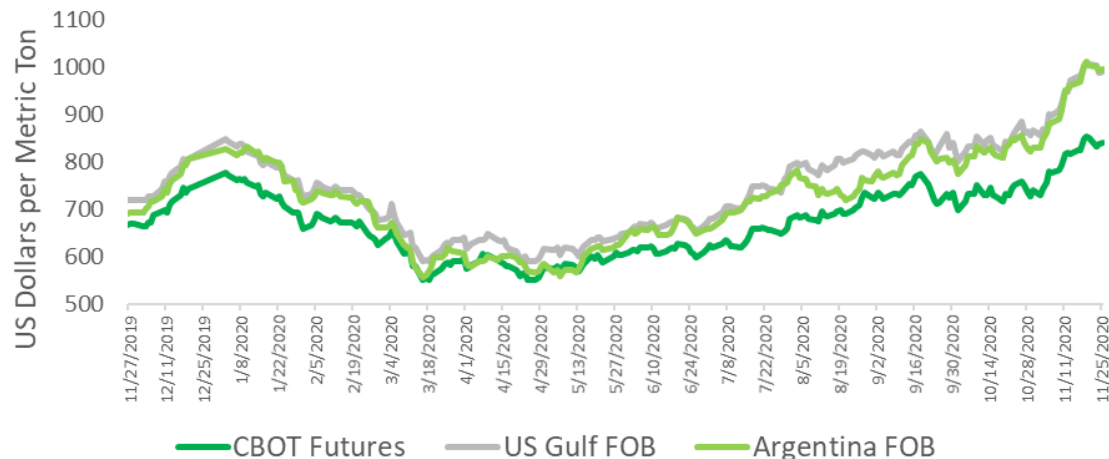


# Soybean Oil Prices Trends

Soybean Oil Monthly Prices



Soybean Oil Daily Prices



	CBOT Futures	US Gulf FOB	Argentina FOB
10/28/2020	737	864	828
10/29/2020	729	856	822
10/30/2020	741	868	831
11/2/2020	732	858	830
11/3/2020	745	871	848
11/4/2020	758	868	862
11/5/2020	782	903	881
11/6/2020	779	900	884
11/9/2020	782	909	892
11/10/2020	795	922	910
11/11/2020	819	951	951
11/12/2020	819	949	954
11/16/2020	825	980	968
11/17/2020	827	981	971
11/18/2020	848	1002	1004
11/19/2020	856	1010	1012
11/23/2020	833	1004	1002
11/24/2020	839	988	995
11/25/2020	842	991	997

# Soybean Oil Lineup Data - Argentina

PORT	TERMINAL	VESSEL		DATE	TONS	CARGO	SHIPPER AND/OR CHARTERER	DESTINATION
SAN LORENZO	RENOVA NORTH BERTH	UACC MASSAFI	AT MINERA		17,000	SBO	MERA INTL	INDIA
SAN LORENZO	RENOVA NORTH BERTH	VINJERAC	AT REC	24-Nov	10,000	SBO	GLENCORE	INDIA
SAN LORENZO	RENOVA NORTH BERTH	VINJERAC	AT REC	24-Nov	9,000	SBO	GLENCORE	BANGLADESH
SAN LORENZO	RENOVA NORTH BERTH	MAETIGA	ETA REC	29-Nov	7,500	SBO	GLENCORE	INDIA
SAN LORENZO	RENOVA NORTH BERTH	MAETIGA	ETA REC	29-Nov	7,500	SBO	GLENCORE	BANGLADESH
SAN LORENZO	RENOVA NORTH BERTH	CLEAROCEAN MELODY	ETA REC	5-Dec	9,000	SBO	BUNGE	INDIA
SAN LORENZO	RENOVA NORTH BERTH	PLOVER PACIFIC	ETA REC	9-Dec	20,000	SBO	GLENCORE	INDIA
SAN LORENZO	RENOVA NORTH BERTH	PLOVER PACIFIC	ETA REC	9-Dec	11,000	SBO	GLENCORE	BANGLADESH
SAN LORENZO	RENOVA SOUTH BERTH	HELLAS TATIANA	ETA REC	1-Dec	4,600	SBO	BUNGE	INDIA
SAN LORENZO	MINERA ALUMBRERA	UACC MASSAFI	ETF	28-Nov	16,000	SBO	MERA INTL	INDIA
SAN LORENZO	MINERA ALUMBRERA	MAETIGA	ETA REC	29-Nov	15,000	SBO	GLENCORE	INDIA
SAN LORENZO	MINERA ALUMBRERA	HIGH LEADER	ETA REC	6-Dec	27,700	SBO	LDC	INDIA
SAN LORENZO	MINERA ALUMBRERA	ST CLEMENS	ETA REC	15-Dec	30,000	SBO	BUNGE	INDIA
SAN LORENZO	ARAUCO ARGENTINA (EX ALTO	EVA TOKYO	ETA REC	3-Dec	6,400	SBO	CARGILL	PERU
SAN LORENZO	PARANA)	HELLAS TATIANA	ETA REC	3-Dec	15,000	SBO	BUNGE	INDIA
SAN LORENZO	PARANA)	SEA TIGER	ETA REC	4-Dec	8,000	SBO	CARGILL	INDIA
SAN LORENZO		HAROLD MAERSK	ETA REC	20-Dec	10,000	SBO	CARGILL	CHINA
SAN LORENZO		CONDOR TRADER	ETA REC	6-Dec	9,200	SBO	CARGILL	PERU
SAN LORENZO	(EX NIDERA FERTILIZANTES)	UACC MARAH	ETA REC	4-Dec	16,000	SBO	COFCO	INDIA
SAN LORENZO		PACIFIC COBALT	ETF	27-Nov	9,700	SBO	COFCO	INDIA
SAN LORENZO	TRANSITO (ADM AGRO)	UACC MARAH	ETA REC	4-Dec	10,000	SBO	COFCO	INDIA
SAN LORENZO	DEMPA	FAIRCHEM HAWK	ETA REC	5-Dec	3,950	SBO	BUNGE	NETHERLANDS
SAN LORENZO	VICENTIN	PACIFIC COBALT	AT COFCO PGSM		17,000	SBO	COFCO	BANGLADESH
SAN LORENZO	VICENTIN	PACIFIC COBALT	AT COFCO PGSM		3,750	SBO	COFCO	INDIA
SAN LORENZO	VICENTIN	VELEBIT	ETA REC	2-Dec	13,500	SBO	AVERE	BRAZIL
SAN LORENZO	VICENTIN	SEA TIGER	ETA REC	2-Dec	20,000	SBO	CARGILL	INDIA
SAN LORENZO	SAN BENITO	OCEAN BREEZE	ETF	27-Nov	30,000	SBO	BUNGE	CHINA
SAN LORENZO	SAN BENITO	HIGH VOYAGER	ETA SLZ	29-Nov	23,000	SBO	LDC	CHINA
SAN LORENZO	SAN BENITO	VELEBIT	ETA REC	2-Dec	16,150	SBO	AVERE	BRAZIL
SAN LORENZO	SAN BENITO	HELLAS TATIANA	ETA REC	1-Dec	15,000	SBO	BUNGE	INDIA
SAN LORENZO	SAN BENITO	BARBOUNI	ETA REC	9-Dec	18,000	SBO	CARGILL	PERU
ROSARIO	VILLA GOBERNADOR GALVEZ	ATROTOS	ETA ALV	27-Nov	32,000	SBO	CARGILL	INDIA
ROSARIO	VILLA GOBERNADOR GALVEZ	ATHLOS	ETA REC	10-Dec	30,000	SBO		IRAN
ROSARIO	VILLA GOBERNADOR GALVEZ	HARALD MAERSK	ETA REC	20-Dec	20,000	SBO	CARGILL	CHINA
BAHIA BLANCA	CARGILL TERMINAL	HIGH VOYAGER	ETA BB	4-Dec	10,000	SBO	CARGILL	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	HELLMANN 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	CONSHIP 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, Note: Last updated shipment is from November 5<sup>th</sup> as there are no more recent ones listed

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