



Soybean Oil Market Update

Prepared for



February 28, 2021

Soybean Oil Market Update

Crosscurrents buffet soy trade

- > Mixed input limited soy's ability to break out of its recent trading area the week ending February 19th.
- > Like corn, the market focused on prospective US acreage forecast updates from the USDA later in the week which at 90 million acres, came in above the average analyst guess and sharply up on last year's 83.1 million.
- > That could pave the way for a crop even bigger than the record 120 million-plus harvests seen prior to 2019 (assuming trend yields). But it still has to be seen in the context of this year's historically low carryover stocks which leave this market very exposed until the crop is 'in the bins.'
- > Strong support was offered by a bigger than expected January crush from the main US processor body NOPA – 5 million MT was a record for the month and the second-best monthly ever (after October 2020).
- > More negatively, the NOPA data also showed stocks of soy oil rising to an eight-month high.
- > *Prices were also held back by signs that competition from US export rival Brazil is heating up. This may bring some downward pressure on soy export prices as big buyers like China are offered more choice.*

Palm oil needs proof of stable exports

- > Strong soy and rapeseed oil markets did not translate to palm as it attempts to return prices to the higher levels seen earlier in the year.
- > The main restraining factor remains doubt about sustaining the export trade upon which 90% of Malay crop disposal depends.
- > Exporters remain concerned that higher Indian import taxes have made palm less attractive in this, the largest market while Malaysia's own export taxes may not be helping either.
- > Not all the news was bearish however. Latest EU data shows palm imports to the bloc holding up for the season to date, even slightly exceeding those at the same time last year. After a long period of adverse publicity over palm's environmental/nutritional profile, that might be considered an achievement.
- > *Palm oil producers might also take heart from the rally in energy markets led by crude oil trading 13-month highs. That applies especially to top producer Indonesia, whose huge biodiesel program is a key component in its role as the world's largest palm consumer.*

Soybean Oil Market Update

India's vegetable oil imports down by almost 20% in January

- > Indian vegetable oil imports (edible and non-edible) declined by 19% m/m to 1.1 million MT in January 2021, on reduced imports of soybean and sunflower oils. This represented a y/y decline of 8% compared to the same period last year, the Solvent Extractors' Association of India (SEA) reported.
- > Imports of palm oil rose by 1.3% to 781,000 MT in January 2021 compared to the previous month, following India's decision to reduce its customs duty on crude palm oil (CPO) imports from 37.5% to 27.5%. However, soybean oil imports fell by over 70% to 89,000 MT.
- > *Palm oil remains favored to soybean oil in India due to lower prices and easier transport. However, India has made an effort to increase its own oilseed production to reduce the need for imports.*

Canadian canola stocks still shrinking

- > Priced rationing continues the main theme for the canola market where last year's inadequate crops continue to shrink supplies faster than some expected.
- > Latest evidence of that was government body Agriculture Canada cutting its estimate of the country's end-season inventory from 1.2 million to just 700,000 MT – a 77% drop compared with the 2019/20 season. The Canadian Grain Commission meanwhile noted exports have risen by 35% on the year to 6.37 million MT for the season to date.
- > After years hovering either side of CAD500/MT, the bellwether Winnipeg futures market embarked on a near vertical ascent last autumn, reaching a record CAD800-plus this week before profit-taking and signs of consumer resistance put the brakes on.
- > Winnipeg futures responded with some new life-of-contract and multi-year highs, the new front month May closing at C\$726.90/MT.
- > Paris rapeseed futures also hit new highs, both markets drawing additional support from strong soybean oil prices as well as the rally in energy markets, offering support to rapeseed's own large biodiesel sector.
- > *Crushers were meanwhile reported to be starting to pull back as the price of seed began to cut into margins while a strengthening Canadian dollar (three-year highs versus its US counterpart) could work against export business (as could the latest Sino-Canadian political spat in this recently 'recovering' outlet).*

Soybean Oil Market Update

Palm prices firm again as importers pay up

- > Importers who balked at expensive palm oil prices in January appeared to be caving in during February (shipments estimated to have risen over 14% on the month, if slackening somewhat from the first-half rise of as much as 28%).
- > Some buyers would have been in need of stock replenishment, others maybe spooked by the sharp rises seen in other edible oils – especially rapeseed and soy – and by signs that energy market recoveries could feed into palm biofuel demand. A reminder of the latter has been Indonesia's higher taxes to help subsidize its vast biodiesel program, also playing into the firmer narrative the last week of February.
- > Palm producers may be shipping less than they would like but the return in dollars per MT (well over \$900 on the Bursa futures market this week) has almost doubled in the past year.
- > *Malay industry sources suggest February production will also be up on January's but probably not by enough to lift stocks off their multi-year lows as factors like weather and Covid curbs on labor movement.*

Tighter supply outlook still driving soy costs

- > Further rain delays to largest soy exporter Brazil's harvest propelled CBOT futures back over the magic USD14.00/bushel level the last week of February before profit-taking and a slowdown in US export sales quelled buyers' enthusiasm.
- > The market had already been primed by the USDA Outlook Forum estimating only modest easing in next season's tightening US stocks – even with a potentially record harvest.
- > If Brazil's crop continues to arrive late on the market, the US stock outlook will beg the market to 'buy' even more acres with still higher prices.
- > Bullish demand side factors may not have been fully factored in yet - record US crushing, US exports probably being curbed later by limited supply (rather than by growing Latin-American competition) and recovering pig feed consumption in China.
- > *Even if the Latin American crops turn out at the high end of recent estimates – and all goes perfectly for the next US crop - the world may not be awash with surplus soy in the new season that starts September 1, putting weather at the front of market factors in coming weeks and months. Soy is also drawing support from firmer energy markets, helping oil futures hit a new seven-year peak of over 50c/lb (over USD1,100/MT) this week.*
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Soybean Oil Market Update

NOPA reports strong January crush (IEG Vantage)

- > NOPA reported the largest January crush on record and the second largest monthly crush of 184.6 million bushels, which was up 7.7 million from a year ago and up 1.4 million bushels from December. Pre-report estimates indicated the trade anticipated a strong performance, but the result came in above the average expectation for 183.09 million bushels.
- > Assuming NOPA represents 95% of the total industry, this implies a total US industry January crush of 195.1 million bushels. The implied daily crush rate of 6.29 million bushels approached again our estimated industry capacity and was 43,000 bushels above the daily rate in December and 203,900 bushels above the year-ago pace.
- > Confirmation of the strong NOPA performance in the end-of-month USDA-NASS Fats and Oils report for the entire US industry would indicate a strong 2020/21 marketing year crush total.
- > *Despite the strong crush numbers thus far in 2021, higher soybean prices are expected to slow down the crush pace substantially.*

Exports sales point to additional tightening in US (IEG Vantage)

- > With China mostly absent from the soybean market due to the Lunar New Year holiday break, weekly net soybean US export sales decreased to 455,944 MT. However, again, sales were higher than expected during the week ending February 11 with strong sales to Indonesia, the Netherlands, and Mexico. Export commitments (cumulative exports plus outstanding sales) are now at a record 59.9 million MT (2,200 million bushels) for 2020/21.
- > Given the current cash prices and crush margins in the US (close to the 70-cent-per-bushel area), the market apparently is looking for a strong export slowdown and even a portion of outstanding sales volumes being switched to South America or carried to the next marketing year.
- > Given the strong pace of shipments, especially to China, old-crop US cancellations can be proven difficult and IHS Markit does not see strong evidence for that to happen in the short term, although it would be a cheaper proposition before turning to imports once US domestic supplies reach an unattainably low level.
- > *If cancellations do not come, the only remaining alternatives are importing Brazilian soybeans or slowing the crush to a level that make soy products difficult to find in the summer months.*

Soybean Oil Market Update

USDA forecasts higher US soybean exports and domestic crush

- > Soybean exports forecast raised, soybean oil prices at an all-time high, and higher domestic crush, according to USDA's Oil crops outlook released at the latest Agricultural Outlook Forum.
- > USDA raises its forecast for soybean exports by 20 million bushels this month to a record 2.2 billion for 2020/21, reducing this month's ending stocks forecast by 20 million bushels to 120 million. About 80% of the total exports forecast for 2020/21 has already been shipped by early February.
- > In January 2021, soybean oil prices surged from 40.9 cents in December 2020 to 44.3 cents per pound. Market values are now 34% above the January 2020 level, a record since mid-2013. Consequently, USDA raised its forecast of the average soybean oil price by 1.5 cents per pound to 40 cents in 2020/21. The hike in soybean oil prices was also supported by the ongoing recovery in crude oil prices, simultaneously affecting the biofuel market.
- > The average price of soybean meal for 2020/21 is projected to reach USD400/MT, up USD10 from last month's forecast. In January, prices of soybean meal stood at USD439/MT from the December average of USD397.
- > Soybean oil consumption is forecast up by 100 million pounds this month to 23.3 billion in 2020/21, due to higher demand by biodiesel producers. Last fall, the use of soybean oil for biodiesel surged by 30%/y/y between October - November 2020.
- > *Demand for soybean oil as a biodiesel feedstock also benefited from pandemic related disruptions last spring, which led to reductions in the use of other alternatives such as distillers corn oil and yellow grease.*

China to boost corn and soybean GMOs research and commercial planting

- > China is set to further promote and regulate the innovation, research and development and commercial application of agricultural genetically modified organisms (GMOs), China Daily reported.
- > Research institutes will be encouraged to conduct original innovation and high-level research of agricultural GMO, such as launching R&D activities of novel genes and new technologies, traits and products.
- > Prior to this, China had not permitted domestic planting of GMO soybean or corn varieties but allowed their import for use in animal feed.
- > *As the world's largest soybean importer, China permitting GMO soybeans to be cultivated domestically may allow for greater domestic production and reduce the need for imports, which could benefit China when trade conflicts arise in the future.*

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	2
China	1	0	20	20
South Korea	301	303	353	315
Rest of Asia/Oceania	23	35	31	90
Africa	28	17	161	51
Colombia	108	67	137	100
Dominican Republic	152	139	151	135
Mexico	167	126	130	120
Other West Hemis.	327	192	305	325
Total	1,108	880	1,288	1,157

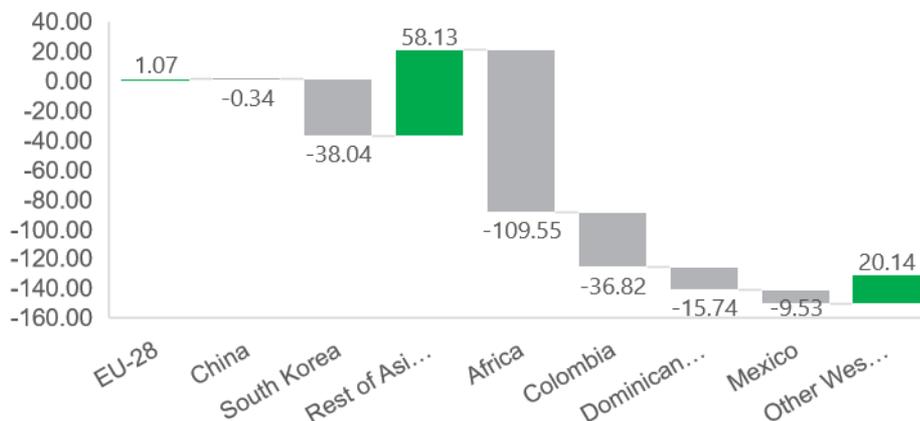
(F) = IHS Markit Forecast

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

US Monthly Soybean Oil Exports

	(MT)				
	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
EU-28	0	0	0	0	0
China	0	0	0	10,562	0
South Korea	17,550	28,020	18,714	34,863	17,367
Rest of	1,550	1,139	1,873	1,795	37,785
Africa	17,999	0	0	0	0
Colombia	20	7,002	4,777	0	3,260
Dominican	8,101	23,014	9,903	13,026	14,271
Mexico	4,556	6,425	7,757	6,493	7,065
Other West Hemis.	41,702	16,091	40,454	13,501	26,722
Total	91,478	81,689	83,479	80,239	106,470

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	143	134	150
South Korea	4	0	0	0
Rest of Asia/Oceania	2,792	3,589	3,766	4,060
Africa	775	754	777	740
Colombia	0	0	14	15
Dominican Republic	5	0	0	0
Mexico	0	0	0	0
Other West Hemis.	594	747	687	767
Total	4,197	5,233	5,377	5,732

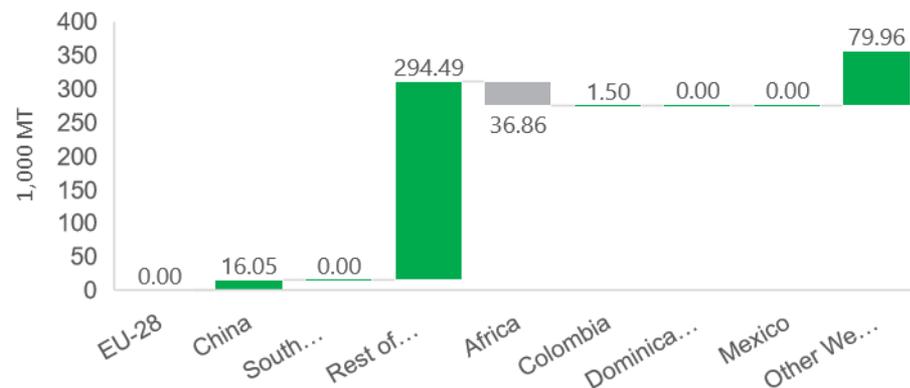
(F) = IHS Markit Forecast

Argentina Monthly Soybean Oil Exports

(1,000 MT) Aug-20 Sep-20 Oct-20 Nov-20 Dec-20

	Aug-20	Sep-20	Oct-20	Nov-20	Dec-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	573	536	745	719	229
Africa	0	0	0	0	0
Colombia	20	14	10	5	2
Dominican Republic	0	0	0	0	0
Mexico	0	0	0	0	0
Other West Hemis.	137	161	16	212	2
Total	730	711	771	937	232

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	11,547
Imports	145	152	180	145	159
Total Supply	10,945	11,711	12,060	12,250	12,544
Domestic Use	9,009	9,698	10,375	10,124	10,572
Biodiesel	2,812	3,236	3,567	3,564	3,742
Non-Biodiesel	6,197	6,462	6,808	6,559	6,830
Exports	1,159	1,108	880	1,288	1,157
Total Use	10,169	10,806	11,255	11,411	11,729
Carryout (Sep 30)	776	905	805	838	815

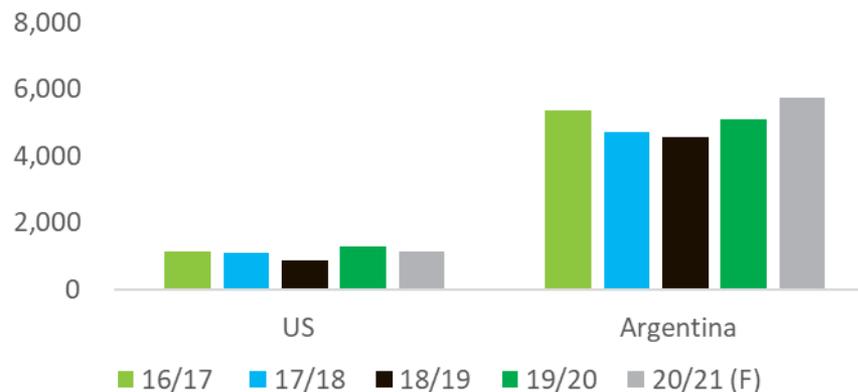
(F) = IHS Markit Forecast

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	316
Production	8,381	7,923	7,195	8,041	7,462
Imports	0	0	0	0	0
Total Supply	8,718	8,182	7,505	8,211	7,779
Domestic Use	2,995	3,202	2,628	2,781	1,678
Biodiesel	2,826	2,972	2,258	2,274	1,168
Non-Biodiesel	247	183	511	507	510
Exports	5,386	4,721	4,566	5,113	5,750
Total Use	8,459	7,872	7,335	7,894	7,448
Carryout (Mar 31)	259	310	170	316	330

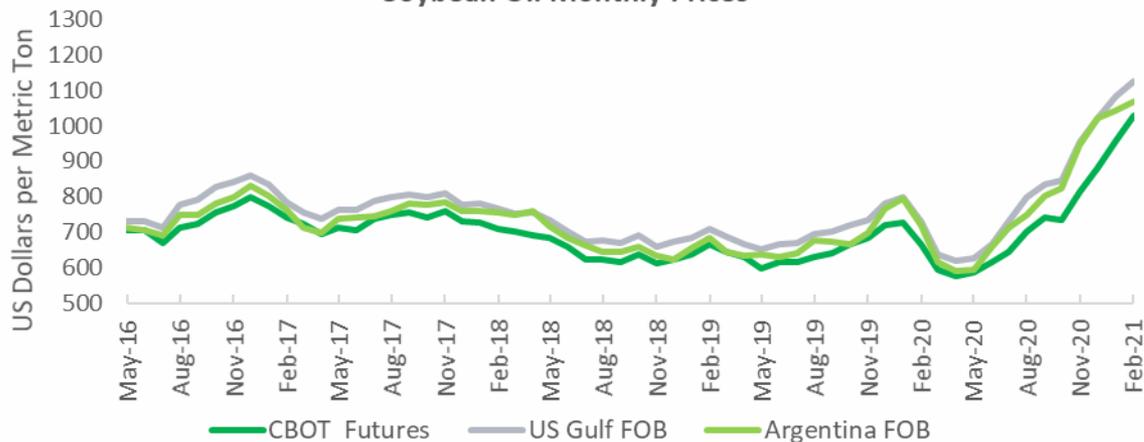
(F) = IHS Markit Forecast

SBO Exports Trend (1,000 MT)

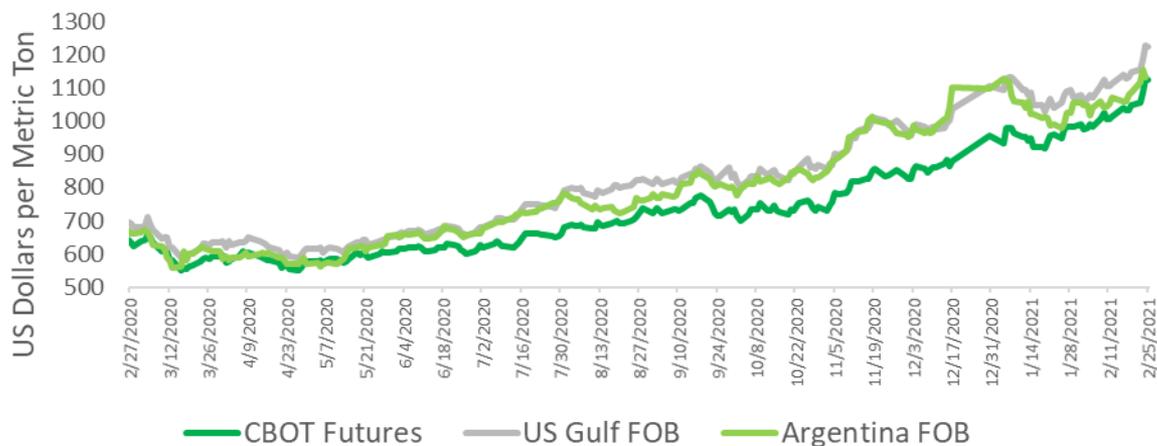


Soybean Oil Prices Trends

Soybean Oil Monthly Prices



Soybean Oil Daily Prices



	CBOT Futures	US Gulf FOB	Argentina FOB
1/28/2021	984	1095	1025
2/1/2021	991	1080	1055
2/2/2021	977	1065	1054
2/3/2021	981	1069	1047
2/4/2021	991	1079	1048
2/5/2021	985	1073	1016
2/8/2021	1006	1105	1039
2/9/2021	1026	1125	1059
2/10/2021	1007	1106	1040
2/11/2021	1006	1105	1045
2/12/2021	1015	1114	1052
2/16/2021	1042	1142	1073
2/17/2021	1031	1130	1060
2/18/2021	1034	1133	1061
2/19/2021	1048	1147	1079
2/22/2021	1056	1155	1085
2/23/2021	1086	1185	1116
2/24/2021	1127	1227	1154
2/25/2021	1123	1223	1133

Soybean Oil Lineup Data - Argentina

PORT	TERMINAL	VESSEL	ETA	DATE	TONS	CARGO	SHIPPER AND/OR CHARTERER	DESTINATION
SAN LORENZO	RENOVA NORTH BERTH	JADE BLOSSOM	ETA KM171	28-Feb	16,000	SBO	VITERRA	BANGLADESH
SAN LORENZO	RENOVA NORTH BERTH	JADE BLOSSOM	ETA KM171	28-Feb	16,000	SBO	VITERRA	INDIA
SAN LORENZO	RENOVA NORTH BERTH	NAVIG8 ANCHOITE	ETA REC	4-Mar	15,866	SBO	BUNGE	INDIA
SAN LORENZO	RENOVA NORTH BERTH	MTM POTOMAC	ETA REC	5-Mar	13,000	SBO	COFCO	INDIA
SAN LORENZO	DREYFUS TIMBUES	JOHNNY TRADER	ETF	26-Feb	17,000	SBO	LDC	INDIA
SAN LORENZO	DREYFUS TIMBUES	JOHNNY TRADER	ETF	26-Feb	9,900	SBO	LDC	BANGLADESH
SAN LORENZO	DREYFUS TIMBUES	PACIFIC JADE	ETA REC	12-Mar	9,000	SBO	LDC	INDIA
SAN LORENZO	DREYFUS TIMBUES	PACIFIC JADE	ETA REC	12-Mar	1,000	SBO	LDC	BANGLADESH
SAN LORENZO	MINERA ALUMBRERA	NAVIG8 STRENGTH	ETA REC	5-Mar	10,000	SBO	BUNGE	INDIA
SAN LORENZO	PARANA)	YASA FLAMINGO	ETA REC	3-Mar	30,000	SBO	CARGILL	EGYPT
SAN LORENZO		BUDDAH	ETA REC	28-Feb	21,000	SBO	COFCO	INDIA/BANGLADESH
SAN LORENZO	DEMPA	NAVE VELOCITY	ETA REC	5-Mar	5,000	RSBO	BUNGE	SOUTH AFRICA
SAN LORENZO	VICENTIN	SPICA	AT REC	22-Feb	10,000	SBO	COFCO	CHINA
SAN LORENZO	VICENTIN	GW FORTUNE	ETA REC	1-Mar	15,000	SBO	BUNGE	INDIA
SAN LORENZO	SAN BENITO	JADE BLOSSOM	ETA KM171	1-Mar	5,000	SBO	VITERRA	INDIA
SAN LORENZO	SAN BENITO	MTM POTOMAC	ETA REC	5-Mar	9,000	SBO	COFCO	INDIA
SAN LORENZO	SAN BENITO	NAVE VELOCITY	ETA REC	9-Mar	32,000	SBO	BUNGE	CHINA
ROSARIO	VILLA GOBERNADOR GALVEZ	PINE OLIA	ETA REC	11-Mar	31,500	SBO		IRAN

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
NEW YORK	SHUWAIKH	KUWAIT	118,714	MSC CHANNE	SBO	GULF AMERICAN LINES	MSC	16-Feb
NEW YORK	JEBEL ALI	UNITED ARAB EMIRATES	23,743	MSC CHANNE	SBO	GULF AMERICAN LINES	MSC	16-Feb
NEW YORK	HAMAD	QATAR	23,742	MAERSK EDINBURGH	SBO	BLUE EAGLE CONSOLIDATION SERVICES	MSC	14-Feb
NEW YORK	HAMAD	QATAR	23,742	MAERSK EDINBURGH	SBO	BLUE EAGLE CONSOLIDATION SERVICES	MSC	14-Feb
NEW YORK	SHUWAIKH	KUWAIT	23,743	MSC TIANSHAN	SBO	GULF AMERICAN LINES	MSC	12-Feb
PT EVERGLADES	CURACAO	CURACAO	23,365	FS IPANEMA	SBO	US 1 CARGO EXPRESS	KING OCEAN SERVICES	12-Feb
SAVANNAH	PNT LISAS	TRINIDAD AND TOBAGO	45,427	CONTSHIP ICE	SBO	BRAID LOGISTICS	CMA-CGM	12-Feb
SAVANNAH	PNT LISAS	TRINIDAD AND TOBAGO	22,702	CONTSHIP ICE	SBO	BRAID LOGISTICS	CMA-CGM	12-Feb
SAVANNAH	PNT LISAS	TRINIDAD AND TOBAGO	27,215	CONTSHIP ICE	SBO	AGRI INTERNATIONAL	CMA-CGM	12-Feb
SAVANNAH	PNT LISAS	TRINIDAD AND TOBAGO	22,702	CONTSHIP ICE	SBO	BRAID LOGISTICS	CMA-CGM	12-Feb
OAKLAND	BUSAN	REPUBLIC OF KOREA	17,461	GERNER MAERSK	SBO	ADAMS VEGETABLE OILS	MSC	11-Feb
SAVANNAH	SAN ANTONIO	CHILE	19,995	NYK DAEDALUS	SBO	SYSCO INTERNATIONAL FOOD	HAPAG LLOYD	11-Feb
NEW YORK	ST JOHNS	ANTIGUA AND BARBUDA	5,976	CONTSHIP ICE	SBO	EMPYREAN LINE	CMA-CGM	08-Feb
SAVANNAH	PNT LISAS	TRINIDAD AND TOBAGO	22,680	PACON	SBO	BRAID LOGISTICS	CMA-CGM	07-Feb
NEW YORK	DAMMAN	SAUDI ARABIA	19,051	NAVARINO	SBO	CAROTRANS INTERNATIONAL	MSC	07-Feb
SAVANNAH	PNT LISAS	TRINIDAD AND TOBAGO	45,382	PACON	SBO	BRAID LOGISTICS	CMA-CGM	07-Feb
NEW YORK	SHUWAIKH	KUWAIT	47,486	NAVARINO	SBO	GULF AMERICAN LINES	MSC	07-Feb

Source: IHS Markit's PIERS

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