



Soybean Oil Market Update

Prepared for



March 15, 2021

Soybean Oil Market Update

Palm oil prices hit 13-year highs

- > Palm enjoyed its strongest weekly rally in 5½ years the week ending February 12th, with prices hitting fresh 13-year highs despite weak March exports undermining bullish February stock and production estimates.
- > Ahead of the official Malaysian MPOB February data, traders had expected some modest growth in production and stocks. On the contrary, these dropped 1.85% and 1.8% to 1.1 million MT and 1.3 million MT respectively.
- > Higher domestic consumption and lower imports (from Indonesia) also played a part, helping the Malay Bursa futures nearby contract hit the equivalent of over USD1,000/MT – a 25% rise from its last month's lows.
- > The bullish mood held despite early March export data from cargo surveyors showing a massive 22% on-the-month slump as some analysts said a weakening Malay ringgit versus the US dollar might help trade in second-half March.
- > *Palm oil prices also continue to draw support from strength in rival oilseed and oil markets and ideas improving energy markets may stir biodiesel consumption, not least in the largest palm supplier (and outlet) Indonesia.*

Will soy price test new high ground?

- > CBOT soy futures were pushing into the USD14.50's/bushel and held USD14-plus despite the USDA failing to trim 2020/21 US/global ending stocks as many traders expected.
- > Latin American crop weather risk has dominated sentiment. Although a more favorable view on top supplier Brazil's supply has more than compensated for a hot, dry weather threat in Argentina, that situation could change as private estimates of the latter crop decline (one analyst this week was down to 44 million MT versus USDA's 47.5 million). Also, while Brazil may get the quantity expected – 130/135 million MT – doubts are emerging about the quality of some beans recently harvested amid showers and waiting damp for inspection before forward shipment.
- > USDA's small trimming of China's crush forecast, from 99 million to 98 million MT follows speculation that a new outbreak of African Swine Fever might spoil attempts to get its pig production – and soy meal demand – back to normal by mid-year. But with Latin American crush estimates rising and the USA's staying strong, the global picture still points to expanded demand for soy products and the need for a bigger crop.
- > *Soy oil took the lead on the bull side this week, as the CBOT contract hit yet more new multi-year highs over USD1,200 per MT, responding to strength in energy markets (boosting soy biodiesel demand prospects) and recent gains in palm, rapeseed and sunflower oil prices.*

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Latin American crop worry shields soy from bearish US crop news

- > A big jump in the price base for US soybean crop insurance is said to be strengthening chances of a record high planted acreage this spring. This means the price the base price for soybean crop insurance calculations will be \$11.87 for 2021 versus \$9.17 last year, providing greater revenue protection for crop insurance revenues through higher indemnity calculations.
- > The 30% price rise to an eight-year high is not a big surprise for market that has risen 55% versus this time last year on a tightening US supply outlook and strong, probably expanding, demand from top buyer China.
- > Bearish traders can't take for granted a possible record crop that yet needs to be sown, grown and harvested (amid some mildly worrying medium/longer-term forecasts for warmer than normal weather with persistent drought in some areas).
- > Some restraint was demanded by reports that fresh outbreaks of African Swine Fever might upset China's plans to return to normal hog numbers and meal usage by the middle of this year. China is forecast to crush almost 100 million MT of mostly imported soybeans, against 91.5 million last season and just 85 million MT in 2018/19. Current USD12/bushel (about USD515/MT) bean costs might also encourage it to import less and run-down stocks.
- > *US consumption remains strong, hopes of a post-Covid economic recovery and easing lockdowns feeding ideas of increased meal and oil consumption in food, feed and energy outlets.*

FAO's global food prices rise for ninth month running

- > Global food prices rose for a ninth consecutive month in February up 2.8 points (2.4%) m/m, its highest level since July 2014, FAO reported. Support was provided by gains in sugar and vegetable oils, while cereals, dairy and meat recorded minor increases.
- > The Vegetable Oil price index averaged 147.4 points in February, up 8.6 points (6.2%) m/m, its highest level since April 2012, as prices of palm, soy, rapeseed and sunflower oils, strengthened.
- > *In particular, global palm oil prices rose for a ninth consecutive month in February, due to concerns over reduced stocks on lower than expected outputs in main exporting countries.*
- > *High soy oil prices reflected global tight supply as markets await the new crop in South America.*
- > *On the other hand, for rapeseed and sunflower seed oils, global high prices were supported by lower than projected 2021 production prospects in the EU and further tightening of export availabilities in the Black Sea region. Rising crude oil prices also sustained vegetable oil values.*

Soybean Oil Market Update

China tightens squeeze on soaring rapeseed market

- > Strong Chinese imports of rapeseed oil have reportedly exacerbated the squeeze on already tight global supplies of rapeseed/rapeseed, helping to drive Winnipeg and Paris futures markets to record highs over CAD800/MT this week.
- > European crushers have been filling some of the gap created in Chinese supplies by a political spat with the latter's usual top source, Canada. As well as 130,000 MT of rapeseed oil already shipped, EU exporters have sold a further 200/300,000 MT to this destination, a Reuters report indicates.
- > The USDA meanwhile estimates Chinese 2020/21 seasonal imports at 3 million MT for rapeseed and 1.8m for the oil.
- > Already in deep supply deficit (crop 17.1 million, crush forecast 23.4 million MT) the EU is expected to step up rapeseed imports to exploit good crush margins and, as Canadian and Ukrainian supplies tighten, turn increasingly to this season's bumper Australian crop (which rose to 4 million from last year's 2.3 million MT).
- > *Despite the China rift, Canada has still managed to raise exports of rapeseed by 32% to almost 7 million MT so far this season, according to the country's Grain Commission this week. The USDA expects Canada to export 10.7 million MT in total versus 10m last season and 9.2 million in 2018/19.*

US soybean projections unchanged, global oilseed output lifted

- > USDA's latest WASDE report sees no change in US soybean supply and demand for 2020/21, while global oilseed projections were raised.
- > US soybean output remained at 112.5 million MT, domestic crush at 60 million MT, and exports at 61.2 million MT.
- > The US season-average soybean price is projected at USD11.1 per bushel, while soybean meal prices are expected to stay at USD400.00 per MT. On the contrary, the soybean oil price is forecast at 41.0 cents per pound, up 1 cent from last month.
- > *Global oilseed production was raised by 0.7 million MT to 596 million MT, with "higher soybean and rapeseed partly offset by lower palm kernel, cottonseed, and sunflower seed."*

Soybean Oil Market Update

Despite lofty heights markets show fewer signs of immediate downside risk (IEG Vantage)

- > Vegetable oil markets all continued to make strong gains the week ending March 12th. Leadership came from Malaysian palm oil futures, which surged more than 10% while digesting the MPOB report and recovering from the previous week's decline.
- > US soybean oil futures traded higher for an eighth straight week with this week's close to 7% increase being the largest of the period.
- > In contrast to recent weeks, crude oil did not provide much support, ending the week with a slight decline.
- > Less visible cash markets followed the major benchmark exchanges.
- > Sunflower seed oil continued to surge while demonstrating strong demand and limited supply in food use markets.
- > Friday's CFTC Commitment of Traders report showed, in the week ending March 9, managed money funds decreased their net-long position in soybean oil futures by 8,507 contracts to 99,574 contracts (16.9% of open interest).
- > *Market strength combined with fund selling shows commercial interest which represents a bullish indicator and departure from earlier market behavior.*

Lower crush margins threaten to slow China's soybean import demand (IEG Vantage)

- > Soybean crush margins in China have fallen during the past months as a result of lower soybean meal prices that have dropped sharply since the Chinese Lunar New Year holiday due to large supplies and weak demand that is attributed to concerns of the re-emergence of ongoing African Swine Fever (ASF) outbreak.
- > China's hog and pork industry was significantly damaged from ASF that started in August 2018 and continued through the first half of 2019, with a calculated loss 28% of the hog herd from 2017 levels. But reports out of China recently suggest a resurgence of ASF in the country (a second and third variant strain), with the chance of losses being reported at 20% of 2020's rebuilt levels but still above the lows of 2019. China has not stated this to be the case and, if losses of animals in China materialize, it could affect soybean meal demand and slow the crush for a longer period than the usual, seasonal slowdown after the holiday periods.
- > *Although recovered during the last few days, China soybean oil prices have lagged the strength that has been verified in the US market. This also has impacted crush margins for imported soybeans into China, with the spot crush margins for imported soybeans declining since February.*

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	1
China	1	0	20	15
South Korea	301	303	353	308
Rest of Asia/Oceania	23	35	31	86
Africa	28	17	161	10
Colombia	108	67	137	70
Dominican Republic	152	139	151	125
Mexico	167	126	130	100
Other West Hemis.	327	192	305	327
Total	1,108	880	1,288	1,042

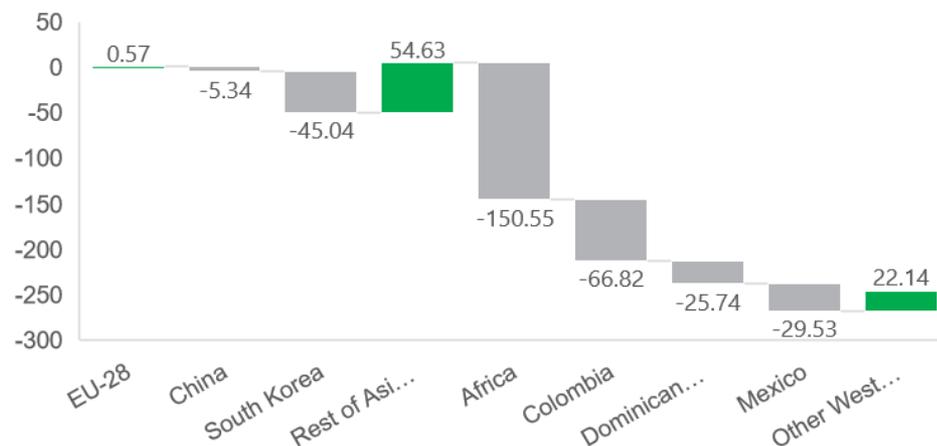
(F) = IHS Markit Forecast

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

US Monthly Soybean Oil Exports

	(MT)				
	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21
EU-28	0	0	0	0	0
China	0	0	10,562	0	0
South Korea	28,020	18,714	34,863	17,367	56,731
Rest of	1,139	1,873	1,795	37,785	1,969
Africa	0	0	0	0	0
Colombia	7,002	4,777	0	3,260	12,088
Dominican	23,014	9,903	13,026	14,271	8,246
Mexico	6,425	7,757	6,493	7,065	5,224
Other West Hemis.	16,091	40,454	13,501	26,722	46,350
Total	81,689	83,479	80,239	106,470	130,609

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



Argentina: Soybean Oil Exports Update

Argentina Annual Soybean Oil Exports

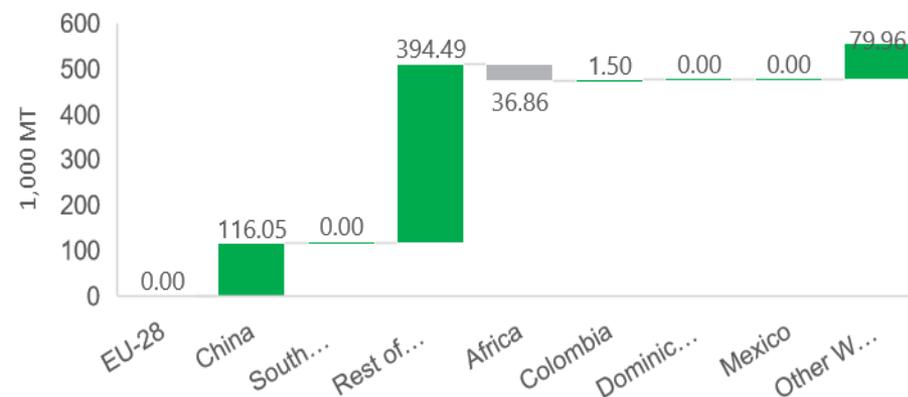
	(1,000 MT)			
	17/18	18/19	19/20	20/21 (F)
EU-28	0	0	0	0
China	27	143	134	250
South Korea	4	0	0	0
Rest of Asia/Oceania	2,792	3,589	3,766	4,160
Africa	775	754	777	740
Colombia	0	0	14	15
Dominican Republic	5	0	0	0
Mexico	0	0	0	0
Other West Hemis.	594	747	687	767
Total	4,197	5,233	5,377	5,932

(F) = IHS Markit Forecast

Argentina Monthly Soybean Oil Exports

	(1,000 MT)				
	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	11,559
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	10,665
Biodiesel	2,812	3,236	3,567	3,564	3,857
Non-Biodiesel	6,197	6,462	6,808	6,559	6,806
Exports	1,159	1,108	880	1,288	1,042
Total Use	10,169	10,806	11,255	11,411	11,708
Carryout (Sep 30)	776	905	805	838	852

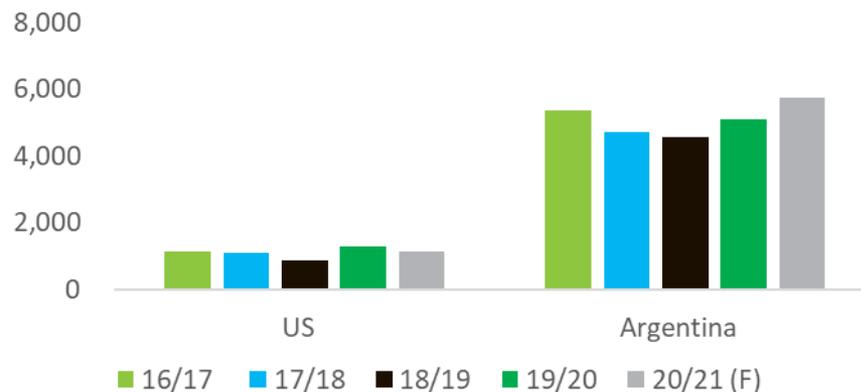
(F) = IHS Markit Forecast

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

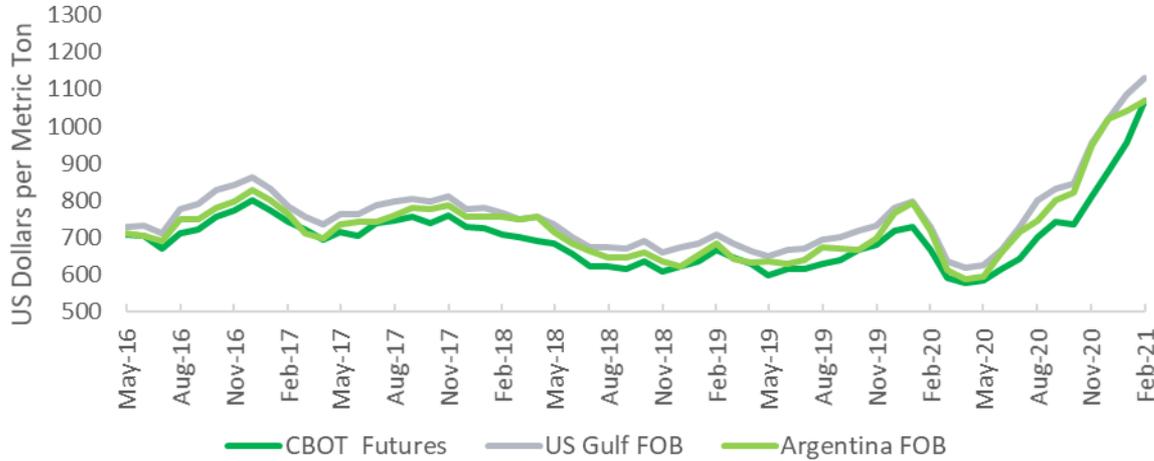
(F) = IHS Markit Forecast

SBO Exports Trend (1,000 MT)

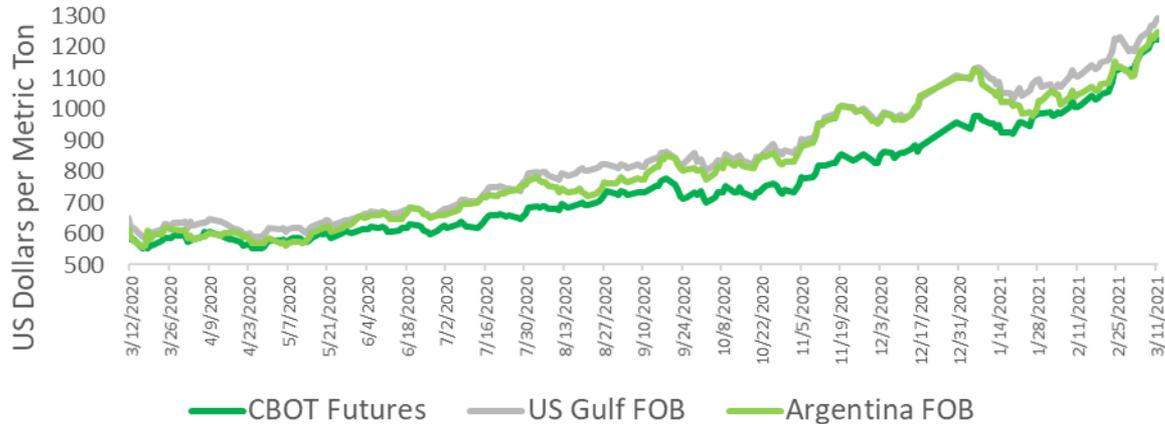


Soybean Oil Prices Trends

Soybean Oil Monthly Prices



Soybean Oil Daily Prices



	CBOT Futures	US Gulf FOB	Argentina FOB
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
2/26/2021	1132	1231	1138
3/1/2021	1119	1185	1115
3/2/2021	1130	1193	1104
3/3/2021	1132	1186	1107
3/4/2021	1155	1206	1147
3/5/2021	1177	1230	1187
3/8/2021	1192	1245	1205
3/9/2021	1216	1269	1233
3/10/2021	1220	1268	1228
3/11/2021	1220	1292	1248

Soybean Oil Lineup Data - Argentina

PORT	TERMINAL	VESSEL		DATE	TONS	CARGO	SHIPPER AND/OR CHARTERER	DESTINATION
SAN LORENZO	RENOVA NORTH BERTH	MTM POTOMAC	ETB	TBC	13,000	SBO	COFCO	INDIA
SAN LORENZO	RENOVA NORTH BERTH	NAVIG8 ACHROITE	AT REC	8-Mar	17,566	SBO	BUNGE	INDIA
SAN LORENZO	RENOVA NORTH BERTH	NAVE VELOCITY	AT REC	10-Mar	5,191	SBO	BUNGE	CHINA
SAN LORENZO	RENOVA NORTH BERTH	SM OSPREY	ETA REC	16-Mar	8,000	SBO	LDC	BANGLADESH
SAN LORENZO	DREYFUS TIMBUES	SM OSPREY	ETA REC	16-Mar	1,000	SBO	LDC	BANGLADESH
SAN LORENZO	DREYFUS TIMBUES	SM OSPREY	ETA REC	16-Mar	9,000	SBO	LDC	INDIA
SAN LORENZO	DREYFUS TIMBUES	PINE EXPRESS	ETA REC	21-Mar	27,000	SBO	LDC	CHINA
SAN LORENZO	NOBLE	NAVIG8 ACHROITE	AT REC	8-Mar	13,134	SBO	BUNGE	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)

Soybean Oil Lineup Data – US

DESTINATION PORT	DESTINATION COUNTRY	WEIGHT IN KG	VESSEL NAME	CARGO	SHIPPER	CARRIER	DATE
SAN PEDRO SUL	HONDURAS	22,680	DOLE HONDURAS	SBO	KERYX LOGISTIX	DOLE OCEAN CARGO EXPRESS	28-Feb
SAN ANTONIO	CHILE	17,628	HYUNDAI VICTORY	SBO	TROY CONTAINER LINE	HAPAG LLOYD	26-Feb
PNT LISAS	TRINIDAD AND TOBAGO	45,314	PACON	SBO	BRAID LOGISTICS	CMA-CGM	26-Feb
PNT LISAS	TRINIDAD AND TOBAGO	22,702	PACON	SBO	BRAID LOGISTICS	CMA-CGM	26-Feb
PNT LISAS	TRINIDAD AND TOBAGO	22,702	PACON	SBO	BRAID LOGISTICS	CMA-CGM	26-Feb
PNT LISAS	TRINIDAD AND TOBAGO	45,405	PACON	SBO	BRAID LOGISTICS	CMA-CGM	26-Feb
ROTTERDAM	NETHERLANDS	20,093	MSC ALICANTE	SBO	HELVETIA CONTAINER LINE	MSC	26-Feb
ADEN	YEMEN	63,031	EXPRESS ROME	SBO	AGRI INTERNATIONAL	CMA-CGM	23-Feb
PT OF SPAIN	TRINIDAD AND TOBAGO	45,495	VARAMO	SBO	BRAID LOGISTICS	CMA-CGM	19-Feb
PT OF SPAIN	TRINIDAD AND TOBAGO	22,748	VARAMO	SBO	BRAID LOGISTICS	CMA-CGM	19-Feb
TOKYO	JAPAN	18,796	ONE HELSINKI	SBO	TRANSCONTAINER USA	OCEAN NETWORK EXPRESS	18-Feb

Source: IHS Markit's PIERS

Questions

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