



**OCTOBER
2020**

MARKET REPORT





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1. EVOLUTION OF REFERENCE MARKETS



		30/09/2020	31/10/2020	Unidad	Dif	Dif %
Crude Palm Oil (December)	FOB MALASYA	2714	3177	MYR/ MT	463	17,1%
Crude Palm Oil (December)	CIF RDM	717,5	770	USD/ MT	53	7,3%
CCNO Phil/Indo (Dec/Jan)	CIF RDM	1045	1170	USD/ MT	125	12,0%
CPKO (Dec/Jan)	CIF RDM	800	890	USD/ MT	90	11,3%
Crude Sunflower Oil (Jan/Feb/Mar)	FOB 6 PORTS	905	1000	USD/ MT	95	10,5%
Crude Rape Oil (Nov/Dec/Jan)	FOB DUTCH MILL	770	795	€/MT	25	3,2%
Crude Soya Oil (December)	FOB DUTCH MILL	750	775	€/MT	25	3,3%
EUR/USD		1,1714	1,1647		-0,0067	-0,6%
USD/MYR		4,1530	4,1510		-0,0020	0,0%
Brent Crude		40,95	37,94	US \$/ BRL	-3,01	-7,4%
Gas Oils		329,5	305	US \$/ MT	-24,5	-7,4%

During October the upward trend that began in May continued for all vegetable oils. Production was below expectations, mainly in palm, sunflower and coconut, in addition to a complicated cycle start for soybean in South America, coupled with strong buying interest from China as main reasons.

Nonetheless, during the last days of the month, the deepening of the sanitary crisis affected prices in general. The energy sector was the most affected.

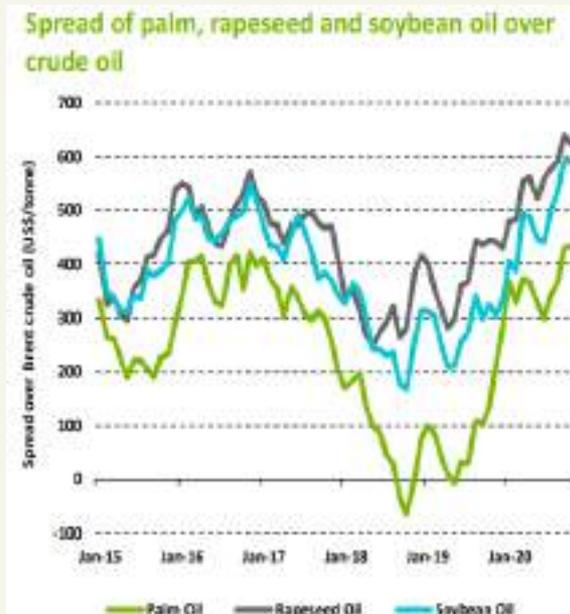
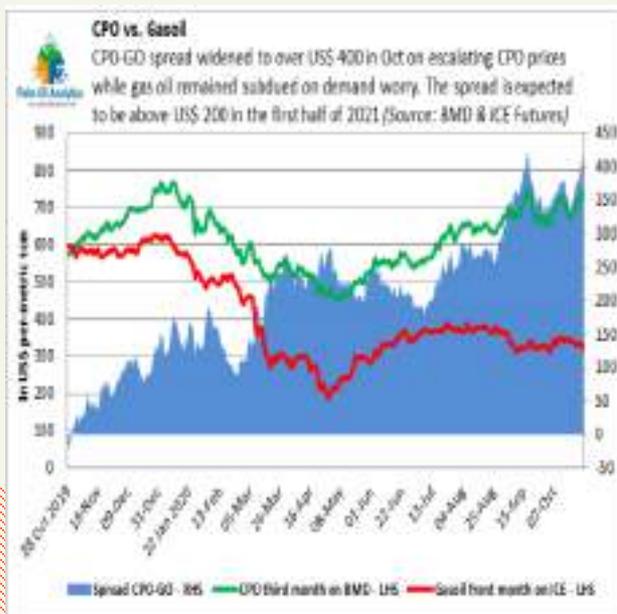


1. EVOLUTION OF REFERENCE MARKETS



The sunflower oil price continues firm approaching its maximum price in 7 years and continues above the rapeseed values. Soybean oil continues supporting the overall oil market.

2. BIOFUELS



With a new worsening of the health crisis, fears about demand in the fuel sector have returned, leading to the price of crude oil dropping to its lowest level since June. The spread between CPO - Gasoil is historically high, and the same occurs with other oils.

Here is the main risk of pressure on prices: will biodiesel programs continue to be financed at this cost level?

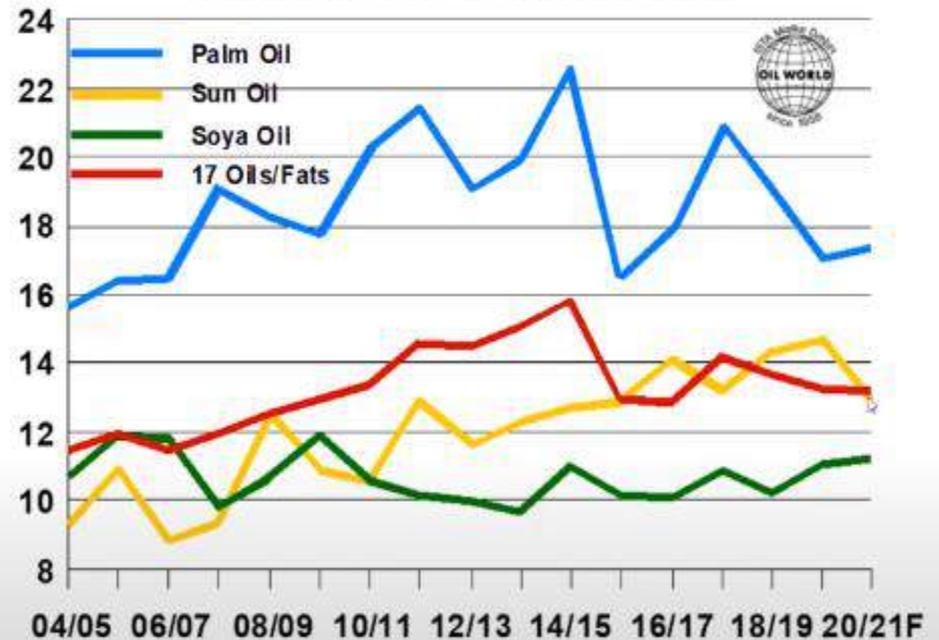
3. MARKET BALANCE: Supply & Demand



17 OILS & FATS : World Supply & Demand (Mn T)

	Forecast	October/September			
	20/21F	19/20	18/19	17/18	16/17
Op'g stocks	31.40*	32.48	32.45	28.13	27.57
Production	241.25*	235.13*	237.13	233.15	220.28
Annual change	+2.6%	-0.8%	+1.7%	+5.8%	+6.9%
Imports	96.43*	95.39*	95.74	88.04	87.47
Exports	96.28*	95.08*	96.06	88.95	88.38
Consumption	240.96*	236.52*	236.79	227.92	218.81
Annual change	+1.9%	-0.1%	+3.9%	+4.2%	+3.3%
End stocks	31.84*	31.40*	32.48	32.45	28.13
Stocks/usage	13.2%	13.3%	13.7%	14.2%	12.9%

17 OILS & FATS Annual Stocks / Usage Ratios (%)



Oil World expects an accurate balance in 2020/21 for the 17 major oils and fats, despite the recovery in production.

The low stocks which ends 19/20 added to an incipient recovery of the demand would leave a relation Stock/Consumption of 13.2%, the lowest of the last 4 campaigns. The situation of the sunflower is practically already assessed, with a large part of the world crop being harvested. However, many questions remain in the case of palm and soya.

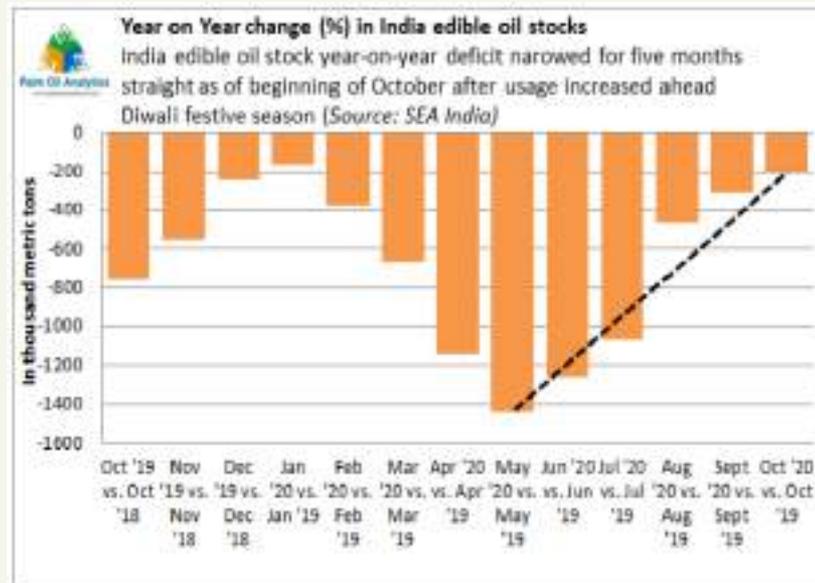
3. MARKET BALANCE: China & India



INDIA: Imports of 6 Major Oils (1000 T)

October / September

	20/21F	19/20	18/19	17/18
Soya oil.	3850*	3650*	3000	3019
Sunflower oil	2300*	2577*	2328	2484
Rapeseed oil	120*	60*	62	279
Palm oil.	8850*	8000*	10042	8841
Palmkern oil.	140*	125*	147	140
Coconut oil	6*	5*	9	5
Total	15266*	14417*	15588	14768



4.17: CHINA: BALANCE SHEET – 4 MAIN VEGETABLE OILS (KT)

	Palm oil			Soy oil			Rape oil			Sun oil			Total 4 oils		
	18/19	19/20	20/21	18/19	19/20	20/21	18/19	19/20	20/21	18/19	19/20	20/21	18/19	19/20	20/21
Carry-in stocks	520	434	406	1939	1087	993	1045	822	494	27	33	42	3530	2376	1934
Production	0	0	0	15126	16343	17205	5814	5619	5843	468	522	549	21408	22483	23597
Imports	6795	6781	7100	783	980	800	1479	1718	1700	1020	1768	1590	10077	11247	11190
Exports	31	30	30	200	140	170	6	6	7	2	2	2	239	178	209
Consumption	6850	6779	7076	1656	17277	17882	7509	7659	7600	1480	2278	2141	32399	33994	34698
Carry-out stocks	434	406	400	1087	993	945	822	494	430	33	42	38	2376	1934	1814
stocks-to-use	6%	6%	6%	7%	6%	6%	11%	6%	6%	2%	2%	2%	7%	6%	6%

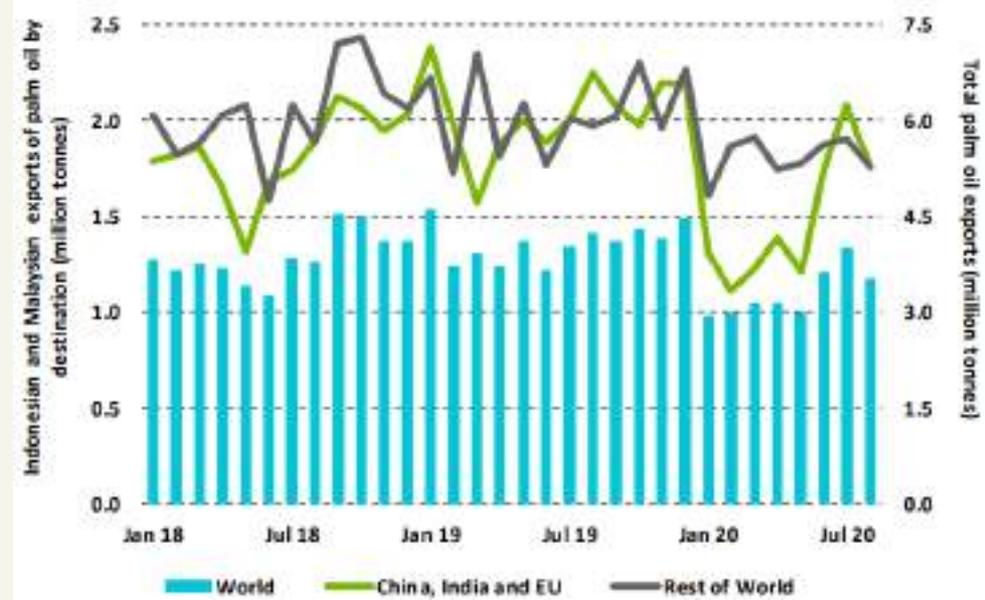
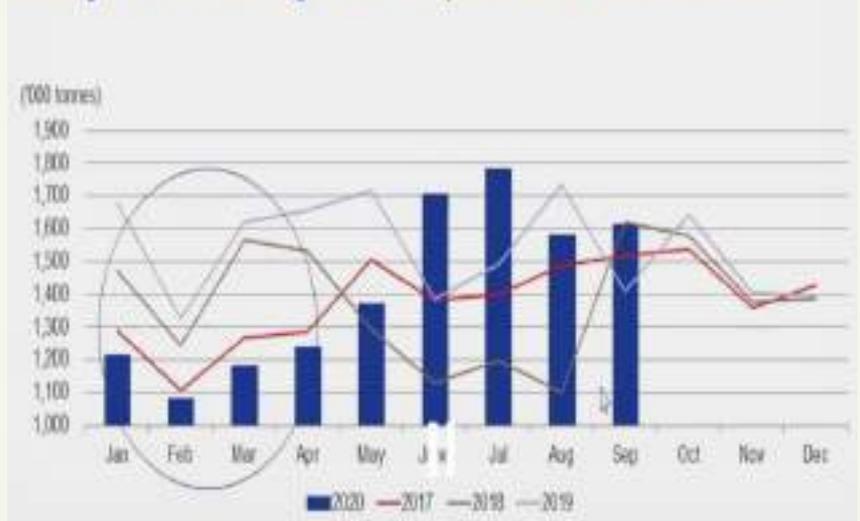
China is the one leading the purchases during the last month. **The main concern is whether it is anticipating future purchases or responding to genuine demand.** India has already made a good restocking.

Both countries are expected to increase their purchases by 20/21, and to shift from SFO to other oils.



4.1 PALM OIL: Malaysia

Malaysia's monthly CPO exports and destination

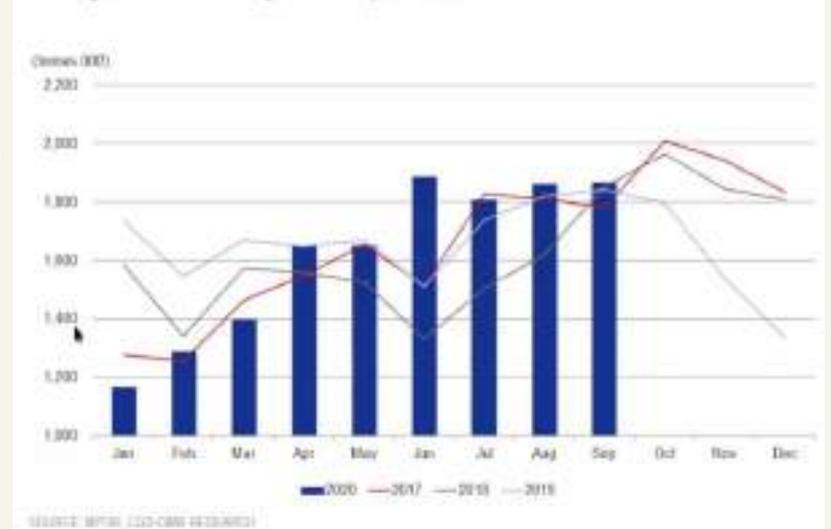


Exports continue improving in Malaysia. +4.32% in October according to Amspec.

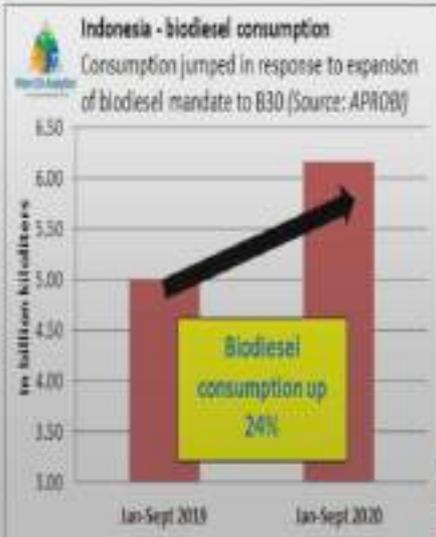
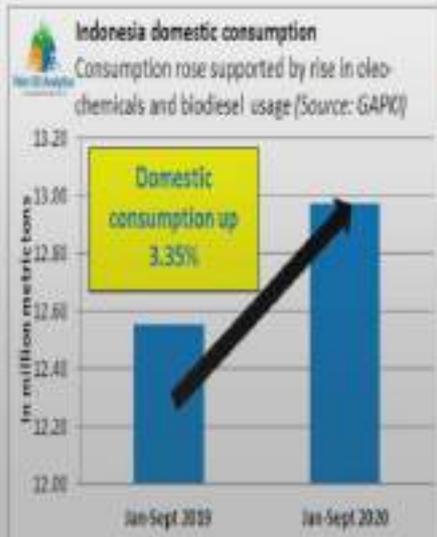
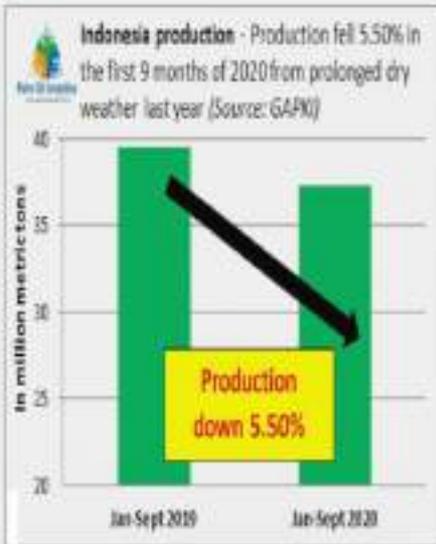
Production in Malaysia is suffering from the short-term effects of La Niña and the restrictions affecting operations and the hiring of foreign manpower.

SPPOMA 1-25 Oct 2020 vs. 1-25 Sept 2020	
FFB yield	: -16.33%
OER	: +0.52%
Production	: -13.59%

Malaysia monthly CPO production



4.2 PALM OIL: Indonesia



Bloomberg Sept 2020 Indonesia palm oil S&D survey

	Sept-20 (est)	Aug-20	Change		% Change
Production	4.700	4.804	-0.104	▼	-2.16
Export	2.600	2.683	-0.083	▼	-3.09
Domestic consumption	1.480	1.381	0.099	▲	7.17
Stocks	4.000	4.362	-0.362	▼	-8.30

In millions of ton

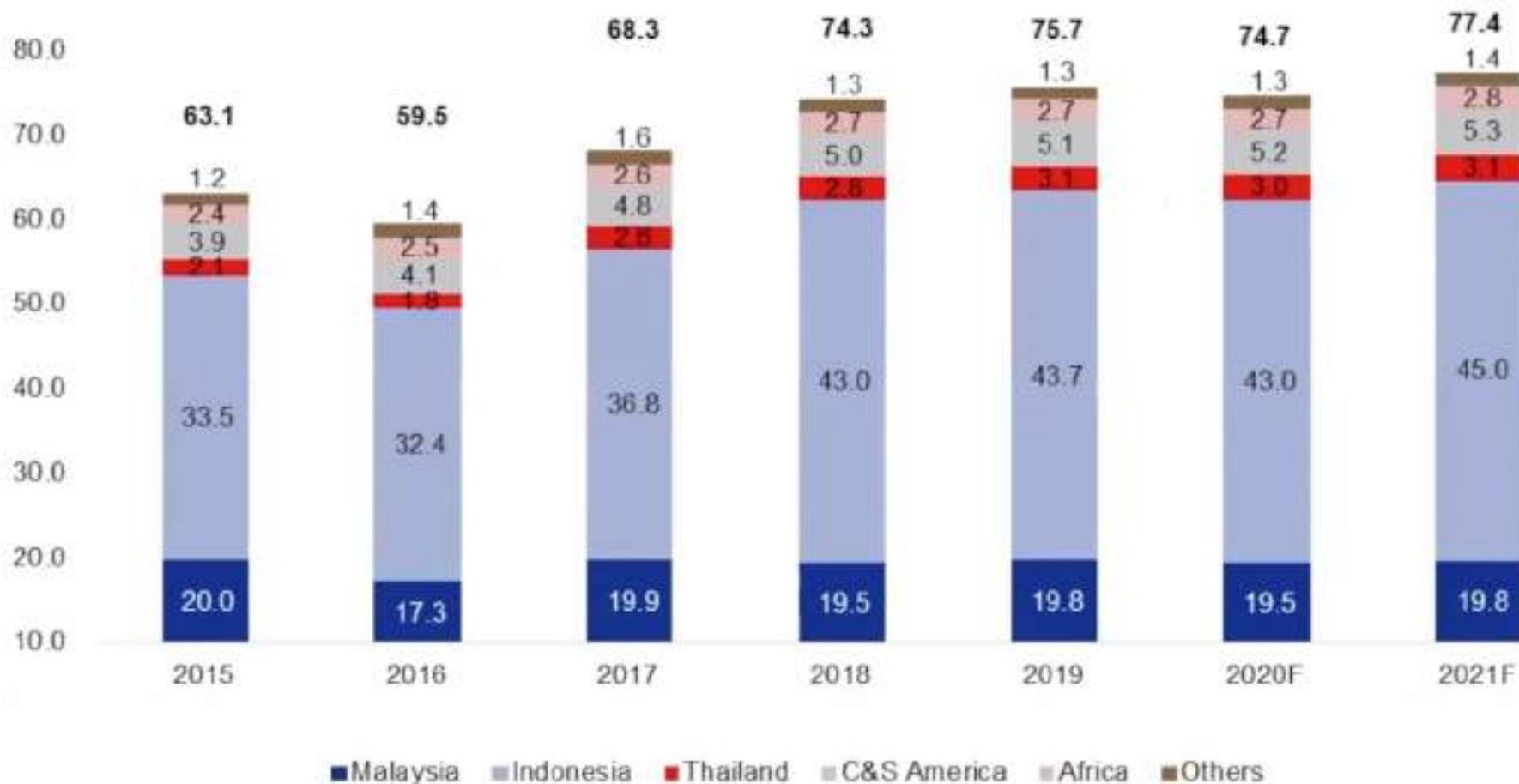
Production in Indonesia is affected by the 2019 drought and low fertilizer use. The manpower situation is better controlled than in Malaysia.

Stocks of 4.0 MTs drop 13% from the end of 2019 (4.6 MTs)

4.3 PALM OIL: Global



Global palm oil production prospects (m tonnes)



4.3 PALM OIL: Global



PALM OIL : World Supply & Demand (Mn T)

	Oct/Dec		July/Sept		Jan/June	
	2020F	2019	2020	2019	2020	2019
Op'g stocks	13.09*	14.80	12.74	14.93	13.55	15.27
Production	19.45*	18.72	20.04	19.83	35.62	37.95
Indonesia . . .	11.42*	11.35	11.39*	11.32	20.19*	21.53
Malaysia	4.95*	4.67	5.54	5.40	9.05	9.79
Imports	13.64*	14.06	13.47	13.74	23.58	27.49
EU-28	1.94*	1.96	2.07*	2.25	4.24	4.40
China, P.R.	1.95*	2.40	1.83*	1.99	2.66	3.27
India	2.28*	2.42	2.40p	2.69	2.90	4.93
Pakistan79*	.84	.93	.67	1.45	1.66
Exports	14.05*	14.20	14.00	13.84	22.86	26.80
Indonesia . . .	8.13*	8.30	7.29*	7.66	12.40	14.16
Malaysia	4.33*	4.45	4.98	4.63	7.79	9.39
Consumption	19.16*	19.83	19.17	19.86	37.14	38.98
Indonesia . . .	3.74*	3.85	3.70*	3.78	7.55*	7.20
India	2.20*	2.55	2.12*	2.61	3.83*	5.11
EU-28	1.96*	2.06	2.15*	2.22	4.09	4.20
China, P.R.	1.80*	1.96	1.64*	1.80	3.26	3.32
End'g stocks	12.98*	13.55	13.09	14.80	12.74	14.93
Indonesia . . .	4.85*	4.65	5.30*	5.44	4.90*	5.52
Malaysia	1.82*	2.01	1.73	2.45	1.90	2.41
China, P.R.	.98*	1.25	.83*	.82	.64*	.64
India	1.02*	1.32	.86*	1.37	.50*	1.21
Stocks/usage	16.9%	17.1%	17.1%	18.6%	17.2%	19.1%

There are many indicators giving strength to the palm market:

- 1) **Stocks in Malaysia** at the end of September were 1.7 MTs, **the lowest in more than 3 years.** It is expected to be even lower in October. Production is being affected in the short-term by La Niña.
- 2) **Production in Indonesia was below expectations in recent months,** affected by the drought of 2019, lower fertilizer use and low growth of new crops.
- 3) **Tight scenario for the rest of the oils:** sunflower harvest failure, weak rapeseed harvest and many doubts regarding soybean production in drought-affected South America.

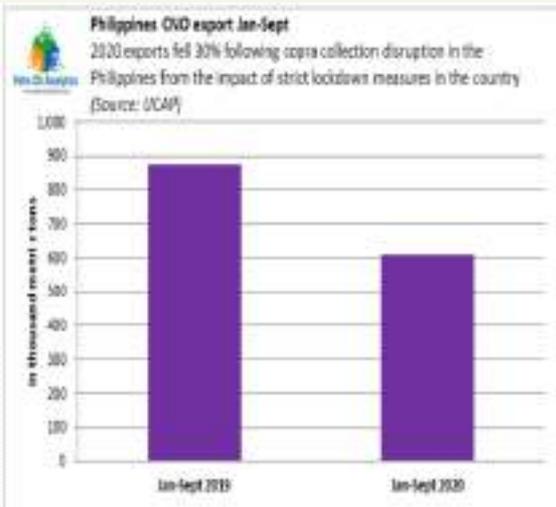
The main risk for prices is the strong price differential between CPO and diesel, with the possibility of a worsening of the sanitary crisis, which could affect the demand for both biodiesel and food in the HORECA sector. Indonesia's biodiesel policy will be the other crucial element for prices in the medium term.

5. LAURIC OILS



MPOB: Malaysia September 2020
Palm kernel production, stocks & exports

PRODUCTION	Sept 2020 (in million tons)	% change from Aug
Palm kernel	466,080	1.39
Crude palm kernel oil	210,760	-9.94
END-MONTH STOCKS		
Palm kernel	176,398	7.24
Crude palm kernel oil	299,722	1.23
Processed palm kernel oil	151,788	-17.42
Total palm kernel oil	445,510	-6.00
EXPORT		
Crude palm kernel oil	49,239	32.66
Processed palm kernel oil	85,475	30.98
Palm kernel oil	134,714	31.58

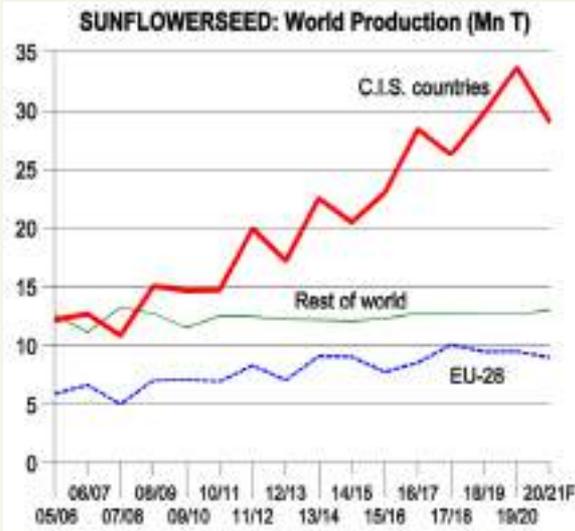


During September, **PKO exports in Malaysia** were the best in 30 months. Stocks were 6% below August, although practically at the same level as 2019. The situation seems to be balanced.

Typhoon Molave caused some damage in the provinces of Visayas and Quezon, affecting copra production in the Philippines. This is likely to have negative effects on **CNO** production, which has already suffered heavily across the country from the strict confinement measures in recent months. Exports up to September have accumulated a 30% drop due to the lack of supply.

CNO supply is likely to be tight until at least Q1 2021, so it is expected the CNO-PKO spread to remain historically high, even above US\$200/MT until Q1 2021.

6.1 SUNFLOWER OIL

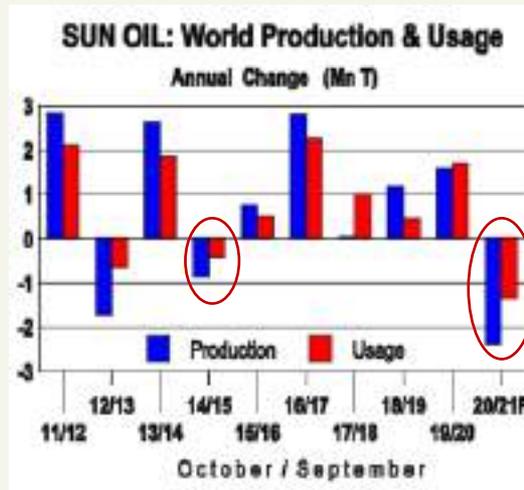


	20/21F	19/20	18/19	17/18
Open'g stocks	3.72	3.61	3.39	3.60
Production	50.76*	55.76	52.04	49.10
EU-28	8.87	9.48	9.48	10.06
Russia	13.00*	15.38	12.76	11.00*
Ukraine	14.50*	16.50*	15.25*	13.40*
Rep. of S. Africa	.90*	.79	.68	.86
U.S.A.	1.27	.89	.96	.97
Argentina	3.00*	3.15*	3.53*	3.40*
Turkey	1.55*	1.70*	1.53*	1.70*
Total supplies	54.48*	59.37	55.43	52.70
Crush (Sept/Aug)	45.85*	50.55	46.85	44.40
Other use	5.15*	5.10	4.97	4.91
End'g stocks	3.48*	3.72	3.61	3.39
EU-28 (July 31)	.73*	.92	.85	.89
Russia & Ukraine	.40*	.48*	.72	.43
Argentina (Sep 30)	.95*	1.16*	.96	.99

With the harvest nearly finished in the Black Sea, 5 MTs are lost worldwide, with Russia and Ukraine well below the previous campaign.

The EU also finishes below expectations. The only big left is Argentina, where seeding is at 60% and the situation has partially improved in the last 15 days.

Oil World estimates a drop in SFO production of 2.5 MTs, which will be the first since 14/15. The S/C ratio worldwide could be the lowest of the last 5 campaigns.



	Oct Sept 20/21F	Oct Sept 19/20	Oct Sept 18/19	Oct Sept 17/18	Oct Sept 16/17
Ending stocks					
EU-28.....	600*	685*	581*	506*	502*
Russia.....	200*	190*	180*	170*	200*
Ukraine.....	270*	285*	355*	315*	230*
Argentina.....	116*	115*	103	121	106*
China,PR.....	235*	288*	152*	76*	80*
India.....	200*	218*	255*	321*	300*
Turkey.....	130*	230*	90*	115*	90*
Oth countries..	832*	1091*	1101*	893*	1049*
Total.....	2583	3102	2816	2517	2557
Stocks/Usage(b)	13.0%	14.6%	14.4%	13.1%	14.1%

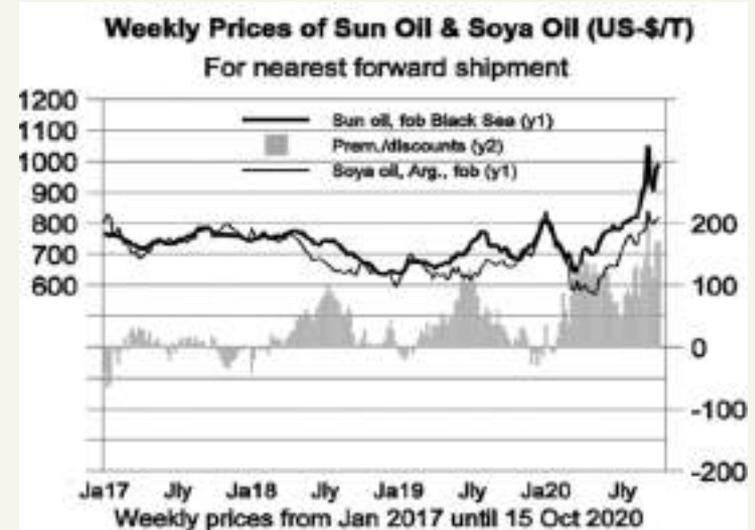
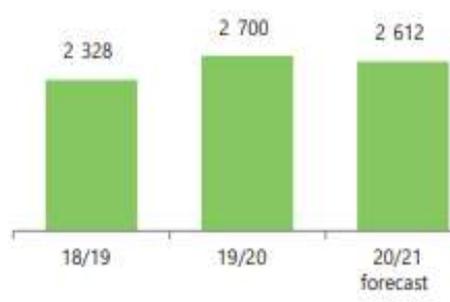
6.2 SUNFLOWER OIL



China: import of sunflower oil, thsd tonnes

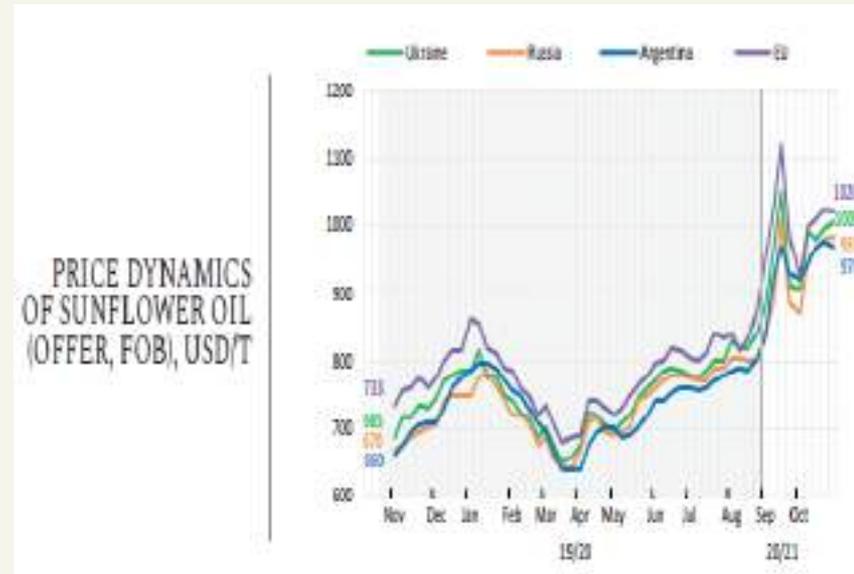


India: import of sunflower oil, thsd tonnes



The supply of oil for the rest of the year is low, so the market is in reverse. **The price of SFO should be high enough vs. the rest of oils to drive a rationalization of demand. Therefore, in the medium term it is expected that prices will be high for sunflower vs. other oils.**

An important high oleic harvest, in addition to the effect that the first phase of covid-19 had on high oleic demand, reduced premiums upon conventional oil. It is not expected that high oleic premiums will recover in the short-term. New restrictive measures in Europe could even put further pressure on the high oleic premium level.



7. SOYBEAN OIL



SOYBEANS : World Supply and Demand (Mn T)

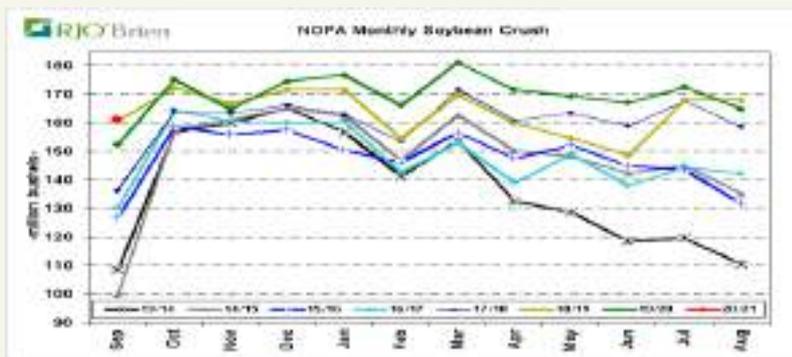
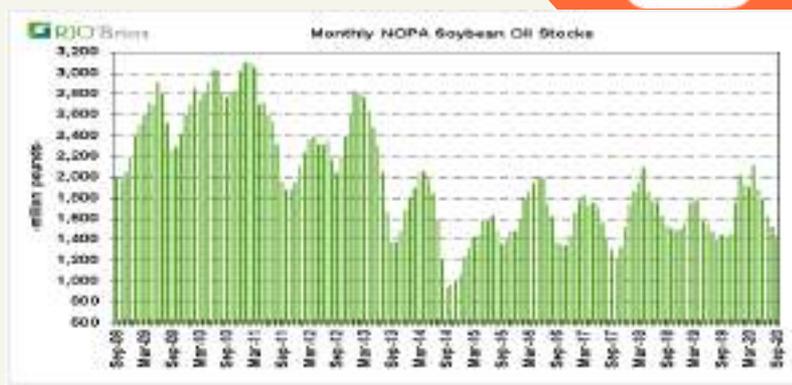
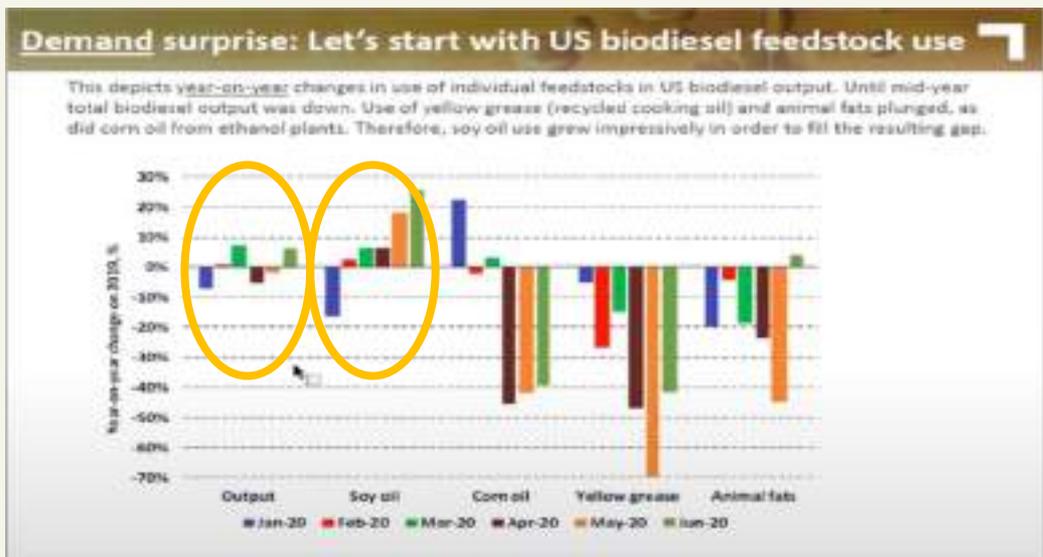
	<u>20/21F</u>	<u>19/20</u>	<u>18/19</u>	<u>17/18</u>
Opening stocks	97.20	111.00	93.42	93.77
Production	366.73*	338.30	360.99	343.25
N. Hemisphere	166.55*	144.53	169.60	168.58
EU-28	2.72*	2.75	2.85	2.68
Russia&Ukraine	8.42*	9.20*	8.83*	8.12*
Canada	6.14	6.15	7.42	7.72
U.S.A.	116.15	96.67	120.51	120.07
China, P.R.	17.90*	15.97	14.34	16.66
India	9.80*	8.50*	10.50*	8.30*
S. Hemisphere	200.18*	193.77	191.39	174.67
Argentina	50.50*	49.60*	54.30*	34.80*
Brazil	131.50*	126.50*	120.75*	123.38*
Paraguay	10.30*	10.55	8.52	9.95*
Uruguay	2.70*	2.35*	2.95*	1.50*
Total supply	463.93*	449.30	454.41	437.02
Crush (Sept/Aug)	320.83*	309.10	301.76	302.90
Other use	44.00*	43.00	41.65*	40.70
Ending stocks	99.10*	97.20	111.00	93.42
U.S.A. Aug 31	9.13*	14.25	24.74	11.92
Argentina Aug 31	37.50*	33.20*	32.90*	23.60*
Brazil Aug 31	23.90*	22.55*	36.08*	35.42*
Other countries	28.57*	27.20*	17.28*	22.48*
Stocks/usage	27.2%	27.6%	32.3%	27.2%

According to USDA data, 83% of the US crop was harvested on 25/10, compared to 73% historically. The market now follows closely the long line ups over its ports, which could delay deliveries mainly to China.

Brazil, Paraguay and Argentina have received very necessary rains in the last 3 weeks, however the lack of humidity continues. With an 80% chance of having a typical La Niña climate in the next 3 months, the risk of dry weather for South America is high. In Brazil there was a quick progress in seeding in the last 10 days, something that had the market very worried.

Dependence on soybeans will increase during the new campaign. To a balance that seems fair (even being optimistic for South America), we must add that much of the stocks are in Argentina, where the producer does not sell and therefore are not available for the market.

7. SOYBEAN OIL



The first phase of covid-19 proved that lock-in does indeed have a strong impact on fuel demand and therefore on biofuels. However, **the low supply of other feedstocks (such as OCU or Animal Fat) has increased the use of soybean oil in the US.** Stocks for September are in line with previous years, but crushing was a record for this month.

The situation looks firm since the **USA** is with a major part of the used capacity, **Brazil** reduced import tariffs of the whole complex to relieve the internal situation and in **Argentina** the Farmer selling is almost null, consequently the level of crushing is very low. Added to this is the loss of sunflower production, which could imply a higher demand for soybean oil.

The investment funds still have a very strong purchased position in the soybean complex. **Again the climate in South America and the demand from China will be the main factors to follow.**

8. RAPESEED OIL



1.4: RAPESEED PRODUCTION IN MAIN COUNTRIES IN 2020/21

	Area (Mha)			Yield (t/ha)			Production (Mt)		
	2019/20	2020/21	Δ/ prev. report	2019/20	2020/21	Δ/ prev. report	2019/20	2020/21	Δ/ prev. report
Canada	8.46	8.32	0.00	2.30	2.31	-0.05	19.48	19.19	-0.40
China	6.55	6.68	0.00	2.03	2.02	0.00	13.28	13.49	0.00
EU 28	5.57	5.47	0.00	3.11	3.13	0.01	17.32	17.14	0.05
India	6.90	7.14	0.00	1.10	1.10	0.00	7.60	7.85	0.00
Australia	1.80	2.38	0.00	1.30	1.45	0.06	2.33	3.44	0.15
Russia	1.46	1.43	0.00	1.44	1.43	0.14	2.11	2.05	0.20
Ukraine	1.32	1.11	0.00	2.67	2.44	0.00	3.52	2.72	0.00
USA	0.78	0.75	0.01	2.04	2.03	-0.02	1.58	1.51	0.01
Belarus	0.34	0.38	0.02	1.68	1.88	0.05	0.58	0.71	0.06
World	34.57	35.06	0.01	2.01	2.00	0.00	69.63	69.96	0.00

EU-28 : Rapeseed Supply & Demand (Mn T)

	July / June				
	20/21F	19/20	18/19	17/18	16/17
Opening stocks	1.28*	2.05	2.20	1.29	1.16
Output	16.99*	17.20	20.06	21.96	20.48
<i>thereof: France</i>	3.26	3.50	4.98	5.24*	4.74
<i>Germany</i>	3.51	2.83	3.68	4.28	4.58
<i>Poland</i>	2.67*	2.51*	2.26*	2.65*	2.17
<i>U.K.</i>	1.07	1.75	2.01	2.17	1.78
<i>Czech Rep.</i>	1.25	1.16	1.41	1.15	1.36
<i>Romania</i>	.53*	.69*	1.61	1.85*	1.73
Imports (a)	6.33*	5.98	4.29	4.24	4.96
<i>thereof: Ukraine</i>	2.17*	2.87	2.17	1.73	1.00
<i>Canada</i>	2.04*	2.03	.42	.47	.76
<i>Australia</i>	1.90*	.86	1.44	1.86	3.12
Exports (a)	.02*	.03	.06	.13	.32
Crushings	22.82*	23.20*	23.62	24.19	24.17
Other use (b)	.71*	.72*	.81	.97	.83
Ending stocks	1.05*	1.28*	2.05	2.20	1.29

(a) EU intra-trade is excluded. (b) Residual.

Rapeseed oil prices in Europe followed only partially to the rest of oils. A very tight situation is observed in the upcoming months resulting in a spread of 40 Euros / MT between the Nov-Dec-Jan and Feb-Mar-April positions.

On the **supply** side we find elements of firmness for prices, with another weak harvest in the EU and UK, as well as a bad start in Ukraine, an important EU supplier. On the **demand** side, it is perceived as strong for human consumption but there are many doubts about the energy sector, based on low oil prices and new lock-in measures in Europe. This will be a key factor to follow during the next month.



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