



# LIPSA

---

February 2021

# CONTENT OF THE REPORT

1. Evolution of Reference Market

2. Oil balance

3. Palm Oil (CPO)

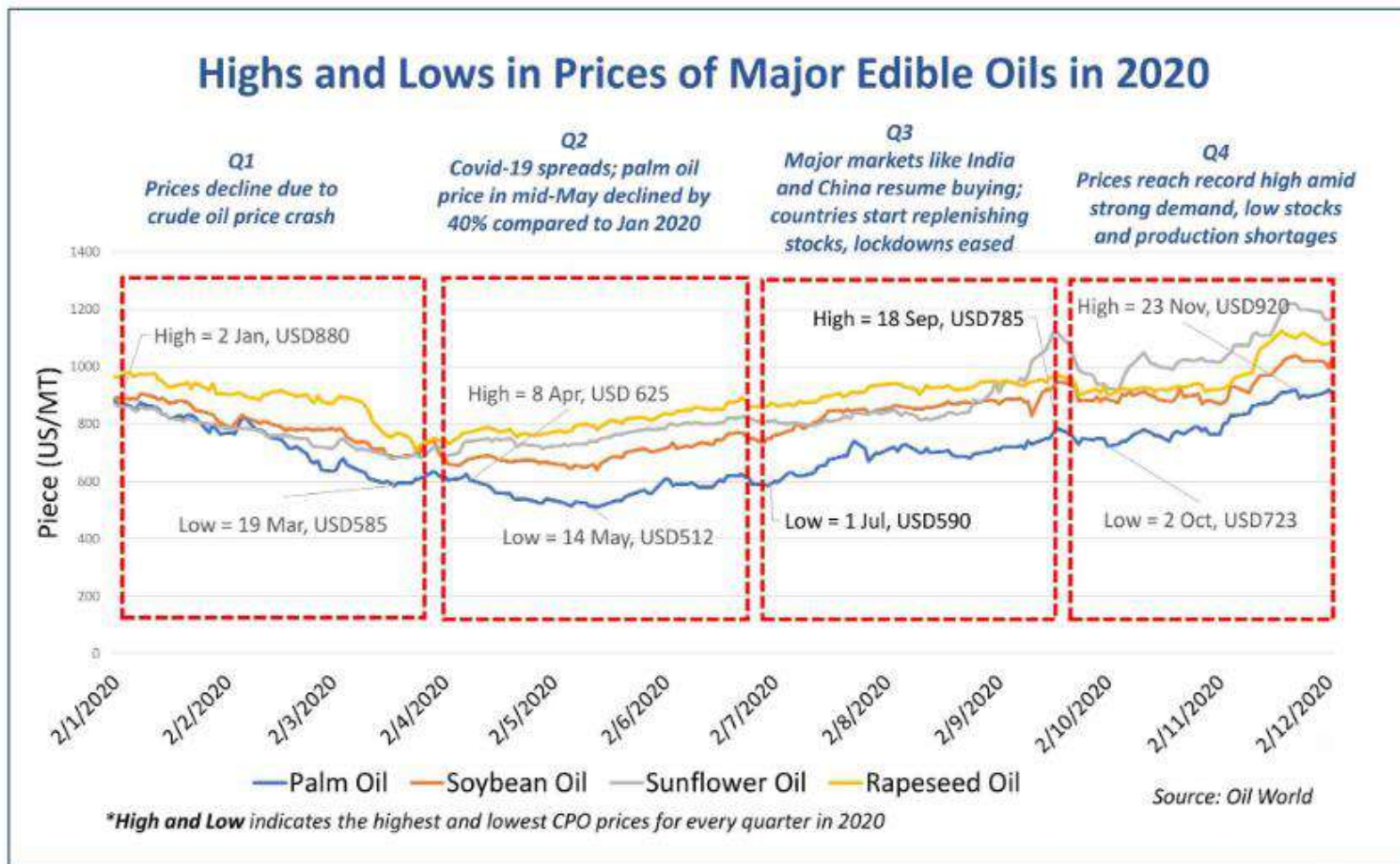
4. Lauric Oils (CPKO + CNO)

5. Soybean Oil (SBO)

6. Sunflower and High Oleic Sunflower Oil (SFO  
+HOSO)

7. Rapeseed oil

# 1.1 EVOLUTION OF REFERENCE MARKETS



After a first quarter o 2020 marked by the crash in oil prices, in Q2 CPO prices reached prices **40% lower** than at the beginning of the year, in the middle of the first wave of COVID-19 worldwide.



Thereafter, the uptrend in vegetable oils started with the **rebuilding of stocks in India and China** during Q3-20, as well as the relaxation in some pandemic measures. In Q4-20 we faced the **loss of more than 5 MTs of sunflower seed**, below-expected US soybean production and a very tight situation for CPO, mainly in Malaysia, which drove prices to five-year highs.

## 1.2 EVOLUTION OF REFERENCE MARKETS

		02/02/2021	01/03/2021	Unidad	Dif	Dif %
Crude Palm Oil (May)	FOB MALASYA	3391	3684	MYR/ MT	293	8,6%
Crude Palm Oil (May)	CIF RDM	885	1030	USD/ MT	145	16,4%
CCNO Phil/Indo (May/Jun)	CIF RDM	1410	1500	USD/ MT	90	6,4%
CPKO (May/Jun)	CIF RDM	1275	1360	USD/ MT	85	6,7%
Crude Sunflower Oil (Abr/May/Jun)	FOB 6 PORTS	1320	1540	USD/ MT	220	16,7%
Crude Rape Oil (May/Jun/Jul)	FOB DUTCH MILL	895	1010	€/MT	115	12,8%
Crude Soya Oil (May)	FOB DUTCH MILL	890	980	€/MT	90	10,1%
EUR/USD	SPOT	1,2042	1,2047		0,0005	0,0%
USD/MYR	SPOT	4,043	4,0550		0,0120	0,3%
Brent Crude	SPOT	57,46	63,69	US \$/ BRL	6,2	10,8%
Gas Oils	SPOT	471,75	526,75	US \$/ MT	55,0	11,7%

During February, we have continued to see a very strong price increase driven by the delays in recovery of CPO production in Asia, delays in soybean harvest in Brazil, dry weather in Argentina during February and tight sunflower oil availability in the Black Sea.

Brent price prices rose more than 10%, touching 14-month highs, which gave extra support to the oil complex.

FUENTE: REUTERS

# 1.3 EVOLUTION OF REFERENCE MARKETS



FUENTE : REUTERS



## 2. OIL BALANCE

**4.8: 2021/22 PRODUCTION CHANGES COMPARED WITH 2020/21**

	20/21	21/22	<i>Δ/prev. report</i>	<i>Δ/20/21</i>
Rape oil	29.1	29.3	0.0	0.2
Soy oil	59.8	61.6	0.0	1.8
Palm oil	76.1	78.4	0.0	2.3
Sun oil	19.0	20.8	0.0	1.8
<b>Total</b>	<b>184.0</b>	<b>190.1</b>	<b>0.0</b>	<b>6.1</b>

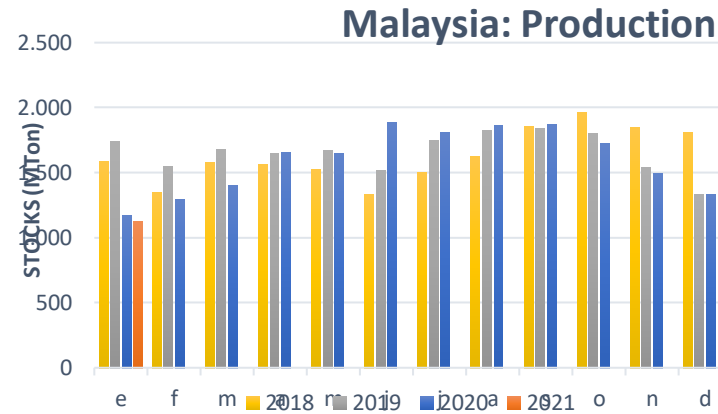
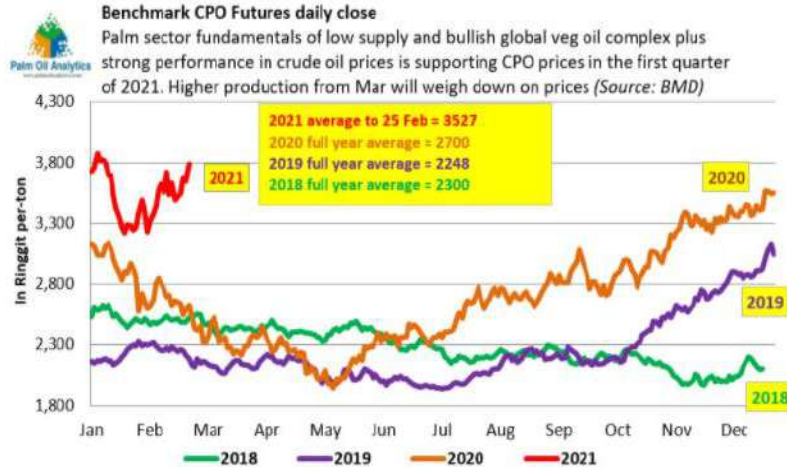
Strategie Grains estimates an increase in production of the 4 main oils for 21/22 of 6.1 MT, although RSO production would remain virtually unchanged.

	<b>Total 4 oils</b>			
	2020/21	<i>Δ/prev. report</i>	2021/22	<i>Δ/prev. report</i>
Carry-in stocks	21.8	0.1	21.7	
Production	184.0	3.2	190.1	
Trade	76.4	-1.2	80.4	
Industrial use	45.6	0.1	47.7	
Food use	135.3	-2.1	138.7	
Animal uses	3.2	2.0	3.3	
Total Demand	184.1	0.0	189.7	
<b>Carry-out stocks</b>	<b>21.7</b>	<b>3.3</b>	<b>22.2</b>	

Despite the 3.3% increase in production, final stocks would grow only 2.3% due to the recovery in demand for biodiesel and human food.

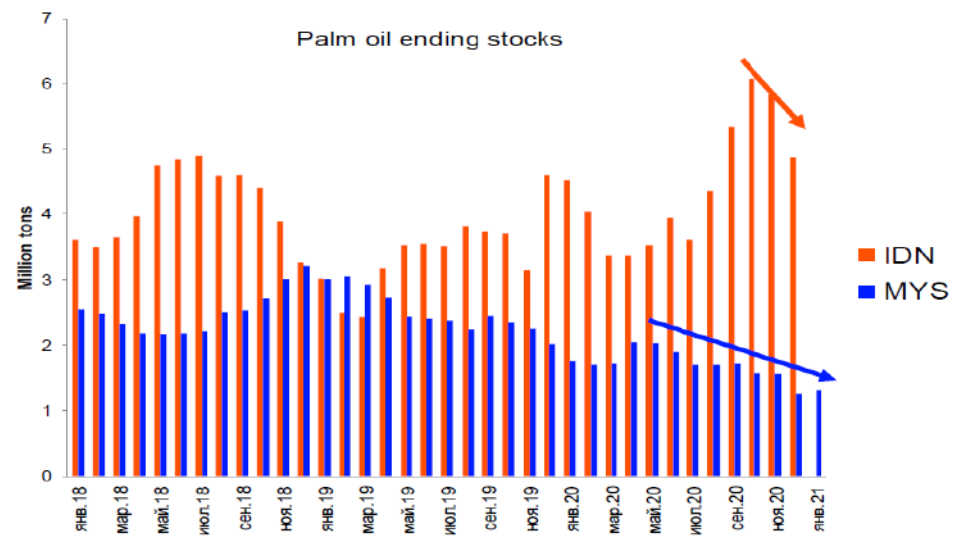
FUENTE: STRATEGIE GRAINS

# 3.1 PALM OIL



Bloomberg Jan & Feb 2021 estimate of Indonesia palm oil S&D

	Feb-21	Jan-21	Change	% Change
Production - CPO-CPKO	3.500	3.680	-0.180	-4.89
Export	2.680	2.980	-0.300	-10.07
Domestic consumption	1.450	1.500	-0.050	-3.33
Stocks	3.710	4.100	-0.390	-9.51



The CPO on the Malaysian Stock Exchange (BMD) came back to 3,800 Ringgit/ton, due to the low availability and bullish oil scenario, coupled with rising energy prices. Stocks at the end of January in Malaysia were the **second lowest** since 2004 and a strong recovery is **not expected** in February.

In Indonesia, from 6.1 MTs in October we would go down to 3.7 MTs during the last month, which implies a drop of 2.4 MTs. The recovery in Asian production is slower than expected, due to the heavy rains of last few months coupled with labor shortages and low yields. In South America, production is also running at a **slower pace than previously expected**.

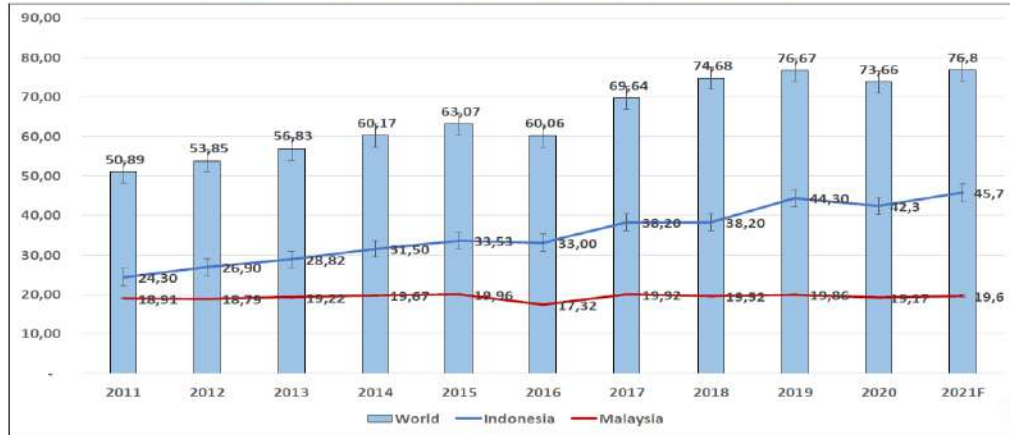
FUENTES: POA / BMD / MPOB / BLOOMBERG / MPOC / LSEG / REFINITIV



# 3.2 PALM OIL

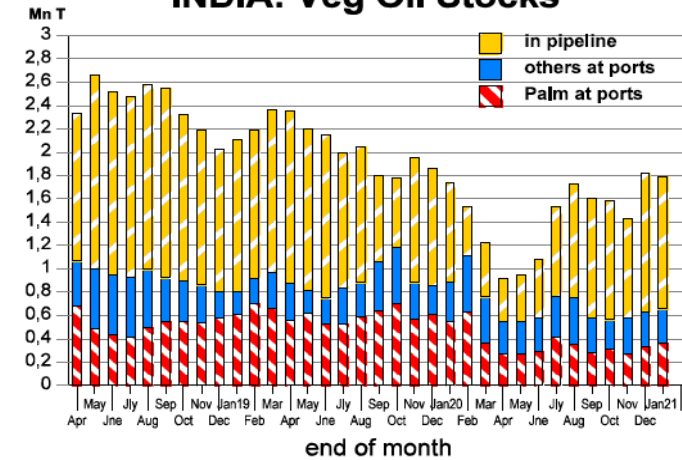


## Palm Oil Production Analysis



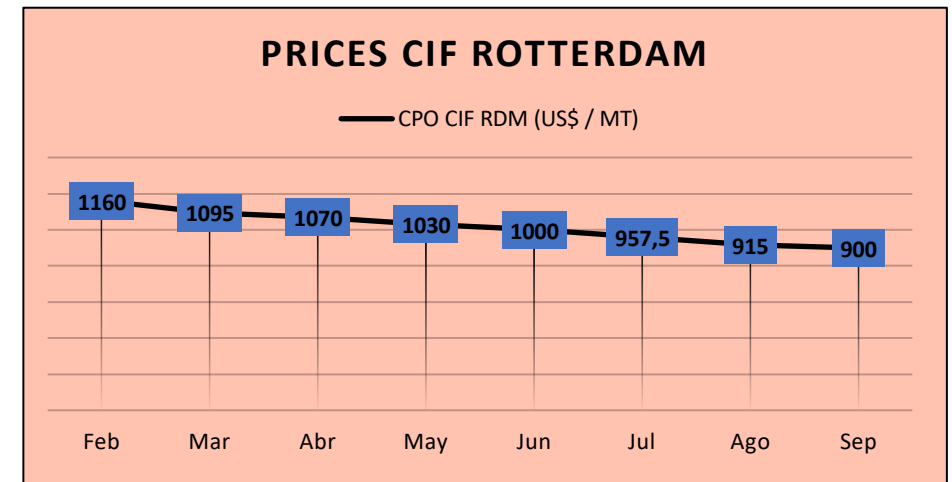
Country	2019/20 imports million tons	2020/21 <sup>E</sup> imports million tons
India	7.4	8.7
EU	7.5	7.3
China	6.7	6.9

## INDIA: Veg Oil Stocks



- Production recovery is expected, mostly led by Indonesia. However, this is not expected to occur until late Q2 - early Q3, which could delay the expected price correction.
- China's demand is **expected to be better** in Q1 than Q2 and slightly better for all of 2021. India has increased its oil stocks and CPO has lost competitiveness against other oils with the new tariffs, although its imports are expected to grow for all of 2021 due to the low record in 2020. **Europe could import less CPO during 2021.**
- The market is trading with a strong inverse, reflecting tight availability and the prospect of an improvement in the medium term.

## PRICES CIF ROTTERDAM

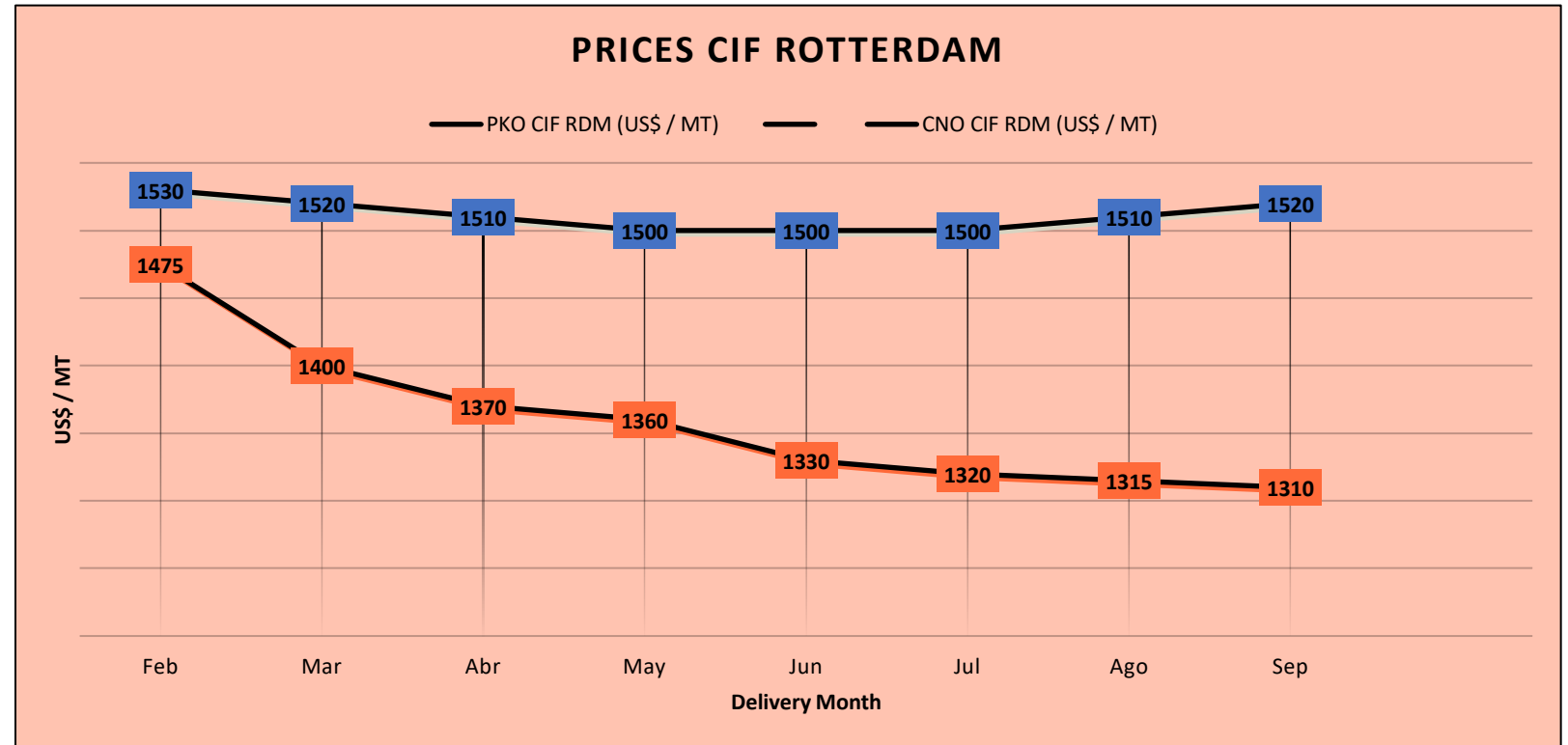


FUENTES: OIL WORLD / MPOC / LSEG / REFINITIV / REUTERS

# 4. LAURIC OILS



	Oct Sept 20/21F	Oct Sept 19/20	Oct Sept 18/19	Oct Sept 17/18
<u>Coconut oil</u>				
Open'g stocks	.42	.50	.43	.34
Production	2.79	2.69	2.95	2.75
Imports	1.94	1.90	2.08	1.76
Exports	1.92	1.91	2.15	1.77
Disappear.(a)	2.78	2.77	2.82	2.65
Ending stocks	.46	.42	.50	.43
<u>Palmkern oil</u>				
Open'g stocks	1.36	1.41	1.15	.89
Production	8.12	7.85	8.16	7.70
Imports	3.61	3.48	3.50	3.33
Exports	3.62	3.42	3.54	3.28
Disappear.(a)	8.16	7.96	7.87	7.49
Ending stocks	1.31	1.36	1.41	1.15



For Jan/Mar 2021, only marginal growth in PKO production is expected due to heavy rains in Indonesia and virtually unchanged production in the case of CNO. PKO production in South America **also remains low**, so the situation will be adjusted for some more time. However, stronger production improvements are expected for **April/Sept**.

Like the CPO, the PKO is trading with a strong inverse in Rotterdam market. The CNO is back to 1500 US\$ / MT. The spread between CNO - PKO ranges from 55 US\$ to 210 US\$ / MT, which could influence demand towards one

FUENTES: OIL WORLD / REUTERS / ABOISSA

# 5.1. SOYBEAN OILS



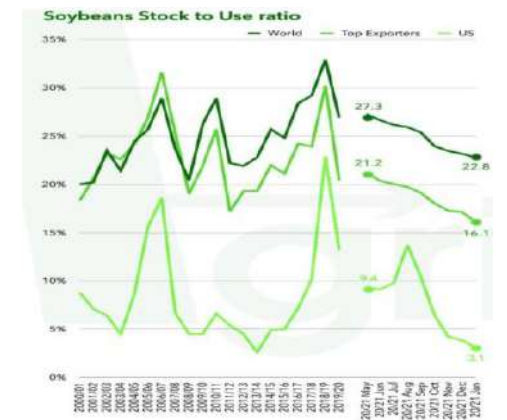
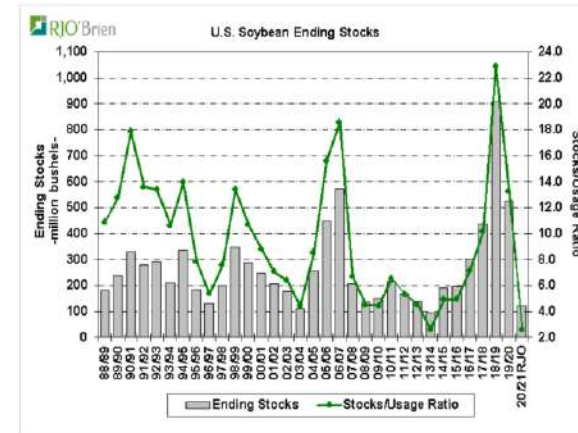
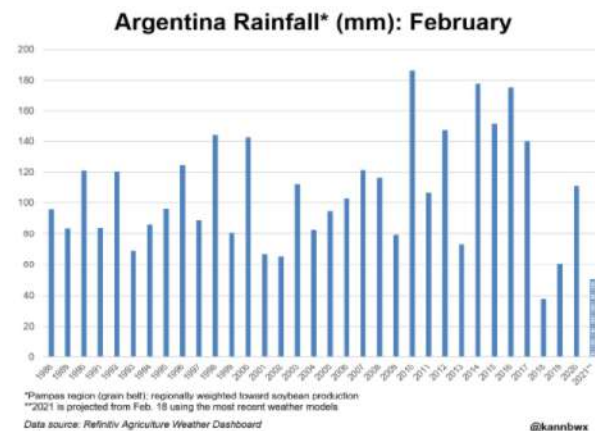
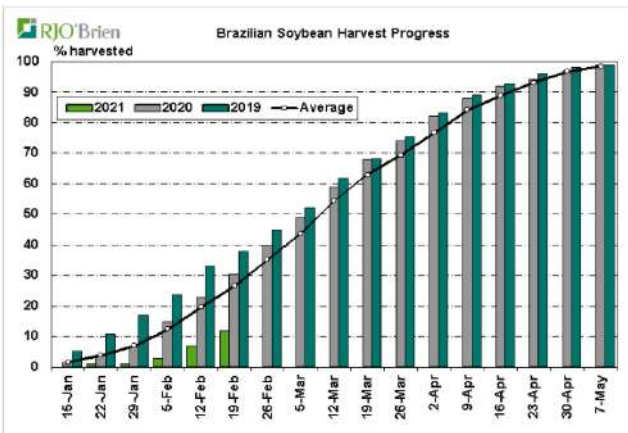
SBO price has been very tight during February and has been the main driver of prices of the oil complex in general.

The harvest in **Brazil** is delayed, which has caused February exports to be very low. This could be compensated during March, but the lack of immediate availability in China has generated a renewed buying interest in the US for the whole soybean complex.

Weather in Argentina during February hasn't been good, and production is not yet assured, especially for later planted and second planting soybeans.

The **US** will end the 20/21 season with the **second lowest soybean stock level** since at least 88/89, including more than 1MTs of imports, which leaves a very tight start to the 21/22 season.

Rising energy prices have contributed to the price escalation.



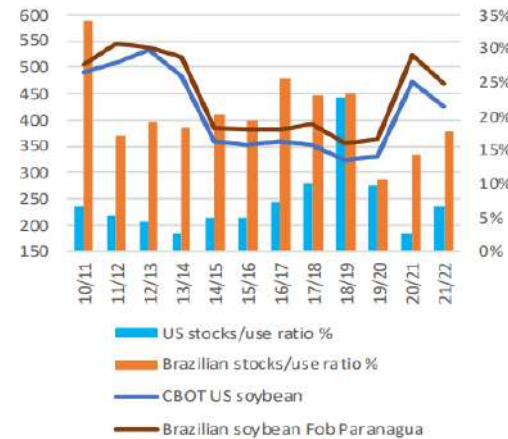
FUENTE: RJO / KAREN BRAUN / AGRITEL / AGRICENSUS

# 5.2. SOYBEAN OILS

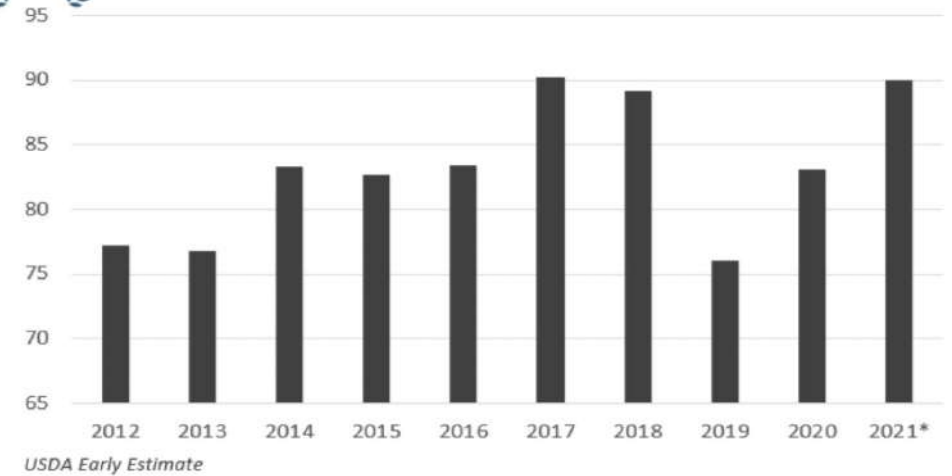


Soybean (Mt)	2020/21		2021/22	
	04/12/20	29/01/21	04/12/20	29/01/21
October-September				
carry-in	103.6	104.5	97.0	
production	357.3	355.9	378.7	
trade	164.6	164.0	167.6	
crush	317.9	319.6	327.7	
other cons.	44.2	43.8	43.4	
carry-out	98.8	97.0	104.6	
stock/use ratio	27.3%	26.7%	28.2%	

3.29: SOYBEAN STOCKS-TO-USE RATIO AND PRICES - USA AND BRAZIL (\$/T)

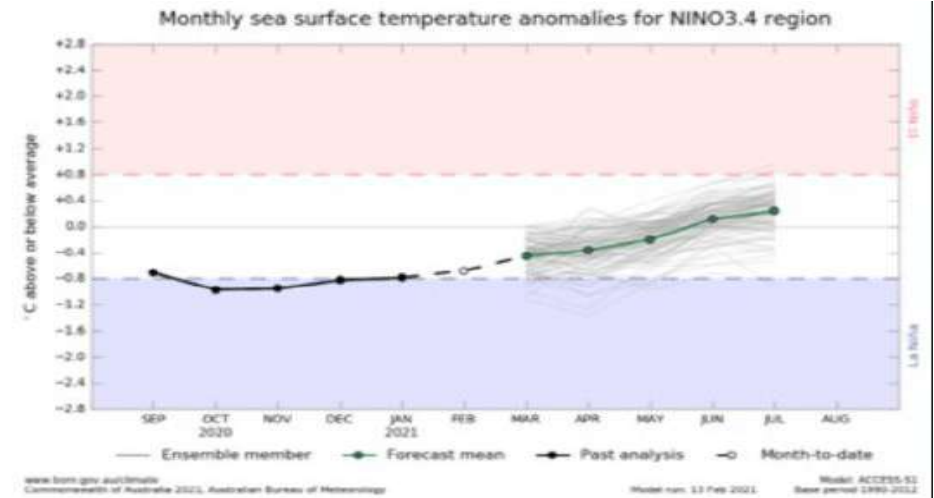


US Planted Area - Soy Mha



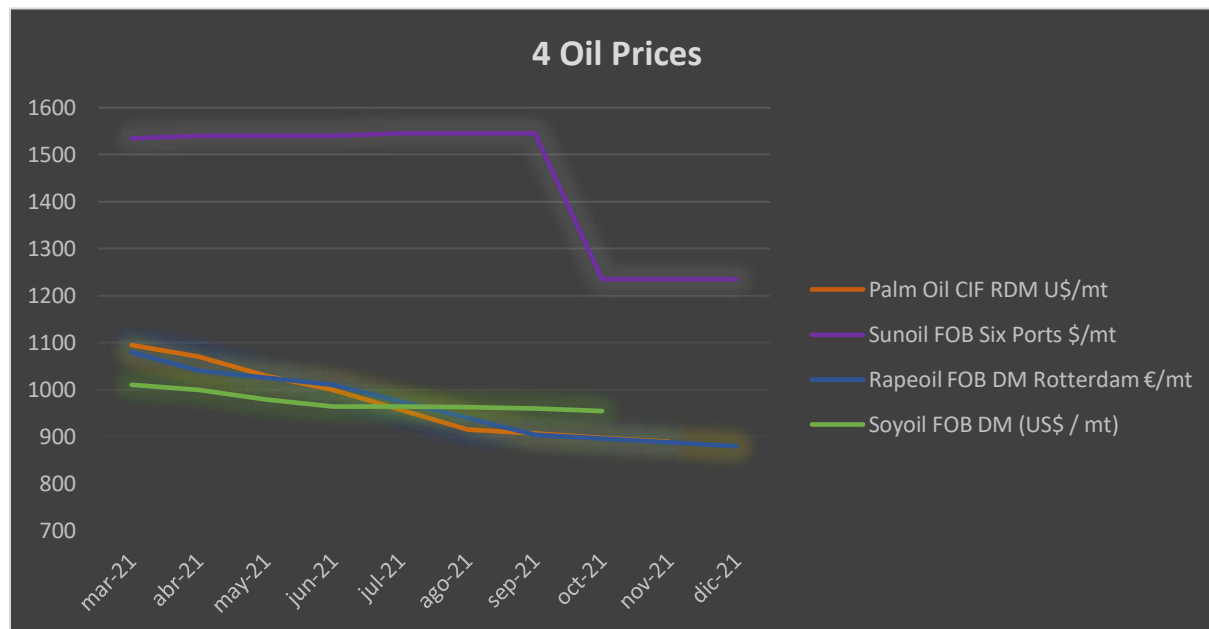
World production could experience a strong recovery in 20/21, mainly in the USA due to a significant growth in planted area, but also in Brazil and Argentina, although it is still too early for that. Current prices invite to an increase in planted area. Regarding weather patterns, it is expected that La Niña will be neutralized, which would help production in South America, but anyhow there is no strong rebuilding of stocks.

The behavior of demand will be key, as well as what happens with the rest of the oilseeds. On the other hand, 53% of the stock of Top-3 countries will be in Argentina, where farmer selling is very low, so it will be very important to see the future evolution in Argentina.



FUENTE: STRATEGIE GRAIN / CRM AGRI / BOM / OIL WORLD

# 6.1 SUNFLOWER AND HIGH OLEIC SUNFLOWER

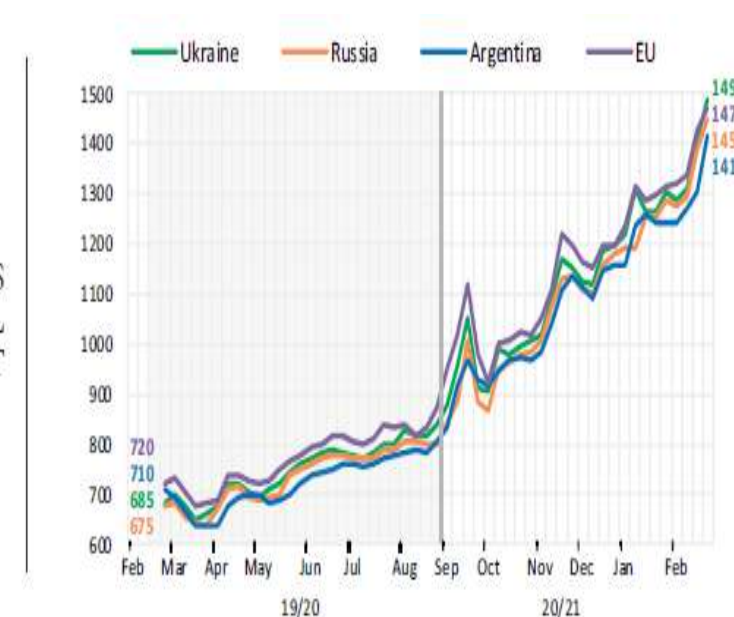


During **February** we continued to see **rises** in SFO prices, which have gained more than US\$ 250/MT so far this year.

A combination of domestic and external fundamentals has fueled the rises: the delay in the recovery of CPO production in Asia, the delay in the Brazilian harvest and the rise in energy prices, which further strained the vegetable oil market, were compounded by constant rumors of export restrictions in Russia to protect domestic prices and the very low pace of sales in this country.



PRICE DYNAMICS OF SUNFLOWER OIL (OFFER, FOB), USD/T



The harvest in Argentina would be somewhat **worse than expected**.

World availability remains very low. Although the spread SFO vs. other oils continues to be huge, exports from the main countries show that the rationalization of demand is not yet noticeable.

**Attention will now turn to area planted and weather in Europe and the Black Sea, as well as planting progress, which will begin to outline 21/22 production.**

The current price differential between crop is 310 US\$ / MT (20.6%).

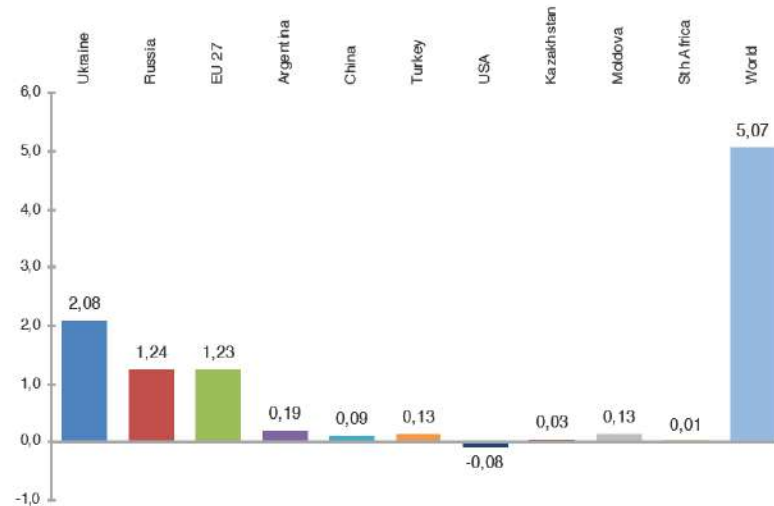
FUENTES: AGRICENSUS / OIL WORD / BCBA / APK / AGIOIL / OLEOCOM / HENDRIX

# 6.2 SUNFLOWER AND HIGH OLEIC SUNFLOWER

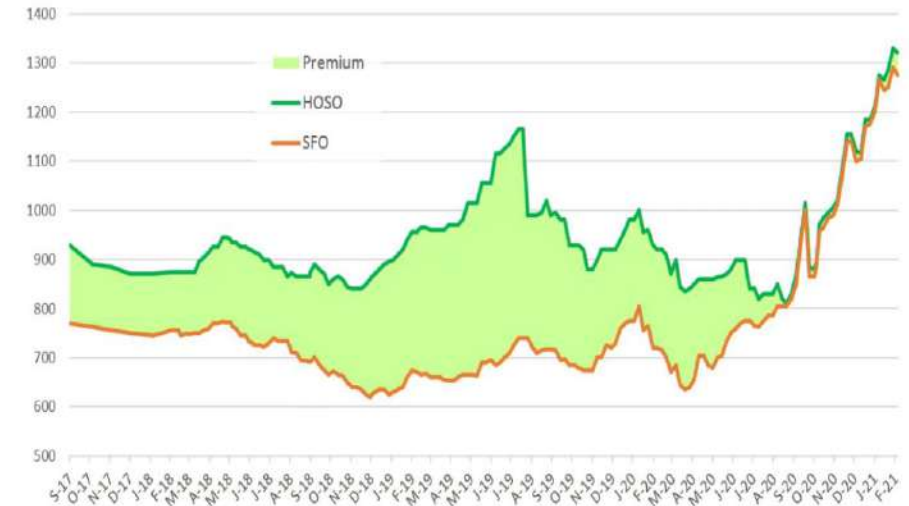


Sunseed (Mt)	2020/21		2021/22	
	04/12/20	29/01/21	04/12/20	29/01/21
August-July				
carry-in	3.7	3.7	3.2	3.2
production	49.3	49.8	54.9	54.9
trade	2.7	2.7	3.1	3.1
crush	45.4	45.6	49.5	49.5
other cons.	4.4	4.6	4.8	4.8
carry-out	3.2	3.2	3.8	3.8
stock/use ratio	6.4%	6.4%	7.1%	7.1%

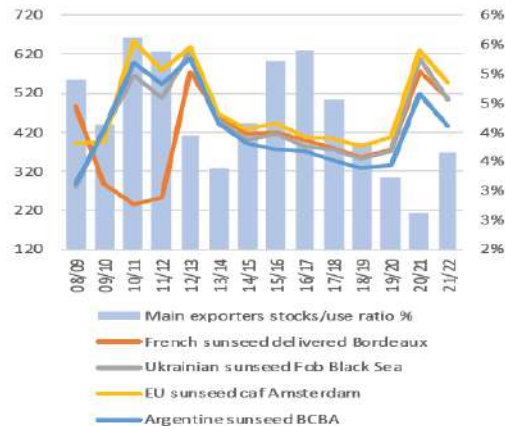
2.15: MAIN SUNSEED PRODUCTION CHANGES IN 2021 COMPARED WITH PREVIOUS MARKETING YEAR (MT)



HOSO Premium over conventional SFO - FOB Ukraine, USD/mt



2.21: SUNSEED STOCKS-TO-USE RATIO AND WORLD PRICE (\$/T)



As mentioned, 20/21 ending stocks will be very low. Strategie Grains estimates an increase in world production of 5.1 MTs of sunseeds for 21/22, which is very reasonable with "normal" weather conditions and even if the increase in acreage is less than expected.

Thus, a less tight balance is expected for the next season, although not at all comfortable.

There is no margin for another year with production problems, especially in the Black Sea area.

High oleic sunflower premiums have been somewhat firmer during February, although they remain very low.

We continue to see a recovery in the medium term, taking into account the expectation of lower acreage and recovery of the HORECA sector, mainly in Europe.

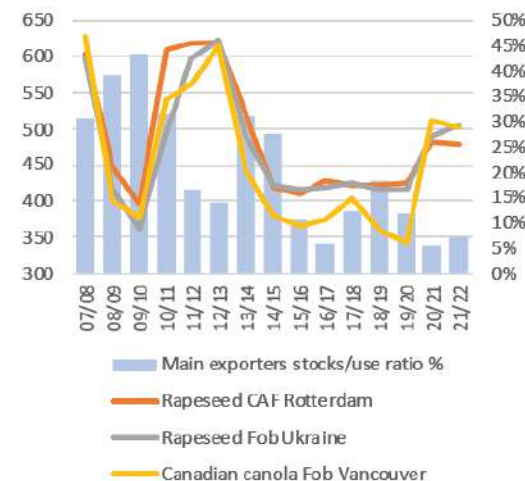
FUENTES: STRATEGIE GRAINS / KERNEL

# 7. RAPESEED OILS

## RAPESEED & CANOLA: World Production (Mn T)

	<u>21/22F</u>	<u>20/21</u>	<u>19/20</u>	<u>18/19</u>
<b>Total</b> .....	<b>65.33*</b>	<b>63.69</b>	<b>61.74</b>	<b>65.07</b>
<i>EU-27</i> .....	<i>16.52*</i>	<i>16.05</i>	<i>15.48</i>	<i>18.04</i>
<i>UK</i> .....	<i>1.04*</i>	<i>1.07</i>	<i>1.75</i>	<i>2.01</i>
<i>Russia</i> .....	<i>2.60*</i>	<i>2.57</i>	<i>2.06</i>	<i>1.99</i>
<i>Ukraine</i> .....	<i>2.60*</i>	<i>2.70*</i>	<i>3.48*</i>	<i>2.88*</i>
<i>Canada</i> .....	<i>20.30*</i>	<i>19.30*</i>	<i>19.61</i>	<i>20.72</i>
<i>U.S.A.</i> .....	<i>1.62*</i>	<i>1.58</i>	<i>1.55</i>	<i>1.64</i>
<i>China</i> .....	<i>5.35*</i>	<i>5.10*</i>	<i>5.00*</i>	<i>4.80*</i>
<i>India</i> .....	<i>7.90*</i>	<i>8.10*</i>	<i>7.40*</i>	<i>7.55*</i>
<i>Australia</i> .....	<i>4.02*</i>	<i>4.05</i>	<i>2.33</i>	<i>2.37</i>

1.18: STOCK-TO-USE RATIO FOR RAPESEED AND CANOLA AND WORLD PRICES (\$/T)



World rapeseed production could recover 1.64 MTs during 21/22. A very good harvest will be needed in Australia and Canada: planted area in the EU-27 and UK will be lower than expected.

In Ukraine, the reduction in planted area limits the possibility of a significant production recovery. There is not much room for production failures considering that the recovery in Europe and the Black Sea will not be significant. Initially, an area growth of around 10% is expected in Australia and around 4-5% in Canada.

The recovery in energy prices has been a strong driver for RSO prices, as have the rises in SFO prices. The market inverse in Europe between immediate and Aug/Sept/Oct delivery positions is EUR 160/MT.

FUENTE: OIL WORLD / STRATEGIE GRAINS / AGRICENSUS

The LIPSA logo features a stylized 'L' symbol to the left of the word 'LIPSA' in a bold, sans-serif font. The background is a black and white photograph of an industrial facility with large storage tanks and a truck.

LIPSA

A WORLD OF VEGETABLE OILS

[www.lipsa.es](http://www.lipsa.es)