



# LIPSA

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August 2021

# Report

1. Evolution of reference markets
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3. Lauric Oils (PKO + CNO)
4. Rapeseed oil (RSO)
5. Soybean oil (SBO)
6. Sunflower oil (SFO)

# 1.1. EVOLUTION OF REFERENCE MARKETS

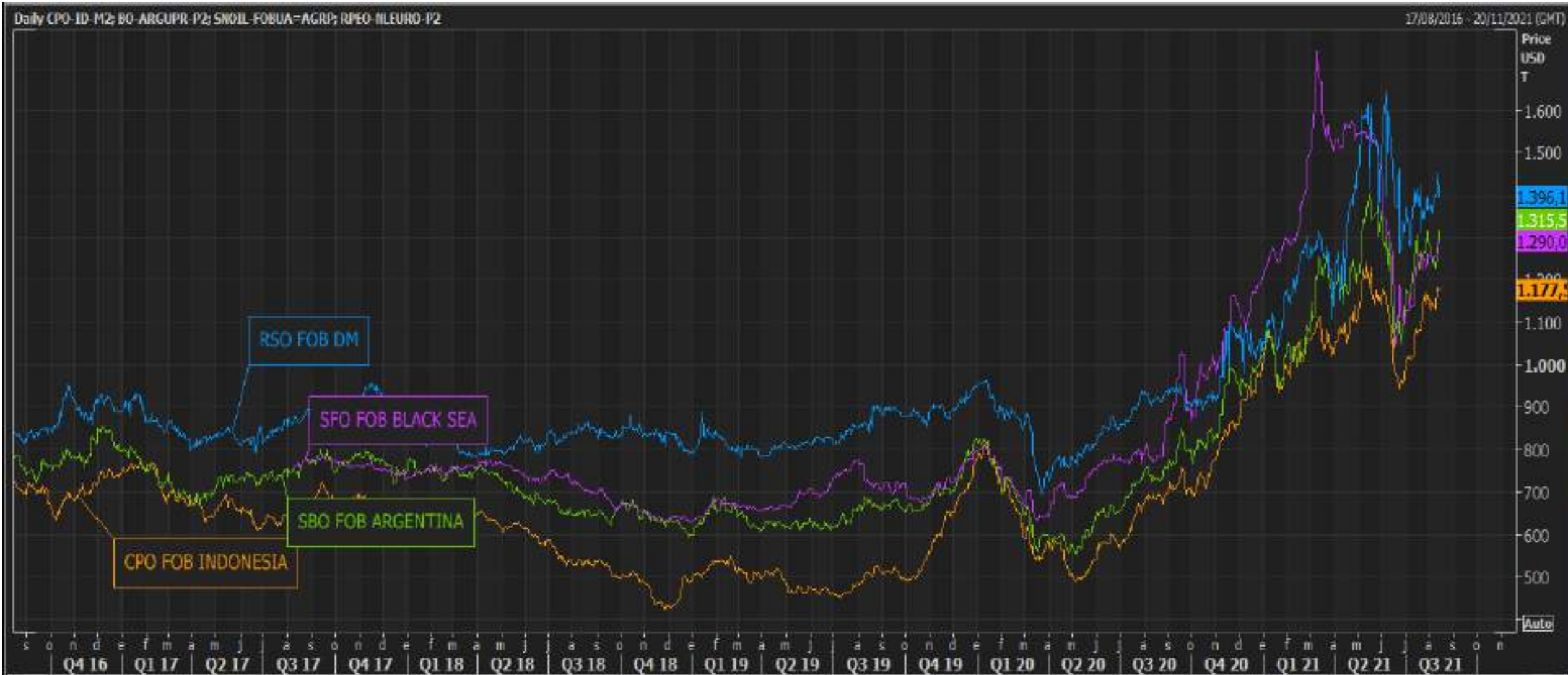
		14/07/2021	13/08/2021	Unidad	Dif	Dif %
Crude Palm Oil (Oct)	FOB MALASYA	4021	4511	MYR/ MT	490	12,2%
Crude Palm Oil (Oct)	CIF RDM	1048	1180	USD/ MT	133	12,6%
CCNO Phil/Indo (Sept/Oct)	CIF RDM	1500	1470	USD/ MT	-30	-2,0%
CPKO (Sept/Oct)	CIF RDM	1190	1300	USD/ MT	110	9,2%
Crude Sunflower Oil (Oct/Nov/Dic)	FOB 6 PORTS	1230	1325	USD/ MT	95	7,7%
Crude Rape Oil (Nov/Dic/Ene)	FOB DUTCH MILL	1145	1230	€/MT	85	7,4%
Crude Soya Oil (Oct/Nov/Dic)	FOB ARGENTINA	1232	1292	USD/ MT	60	4,9%
EUR/USD	SPOT	1,1835	1,1791		-0,0044	-0,4%
USD/MYR	SPOT	4,199	4,2360		0,0370	0,9%
Brent Crude	SPOT	73,92	70,59	US \$/ BRL	-3,3	-4,5%
Gas Oils	SPOT	598,25	582,5	US \$/ MT	-15,8	-2,6%

Once again, the prices of vegetable oils have appreciated during the last month, with the sole exception of coconut oil, and despite the weakness shown by the energy sector as a result of the COVID situation, which is not yet under control.

The critical situation of rapeseed in Canada added to the tight balance of palm in Asia, mainly in Malaysia, in addition to a sunflower production in Russia that will end below expectations, as the main factors of the price increases.

FUENTES: REUTERS / OIL WORLD

# 1.2. EVOLUTION OF REFERENCE MARKETS



FUENTES : REUTERS

# 1.3. . EVOLUTION OF REFERENCE MARKETS



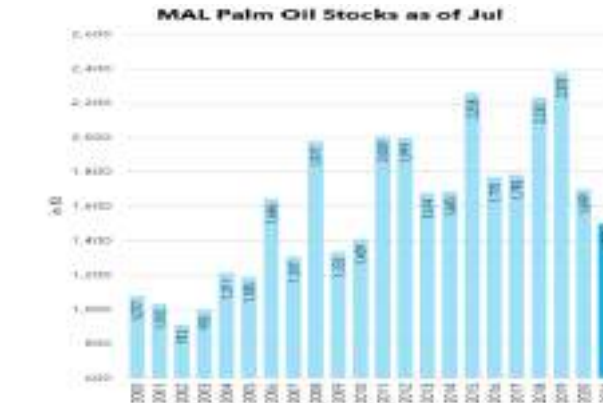
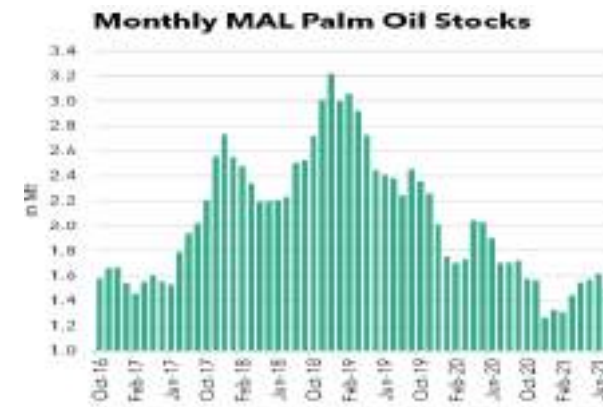
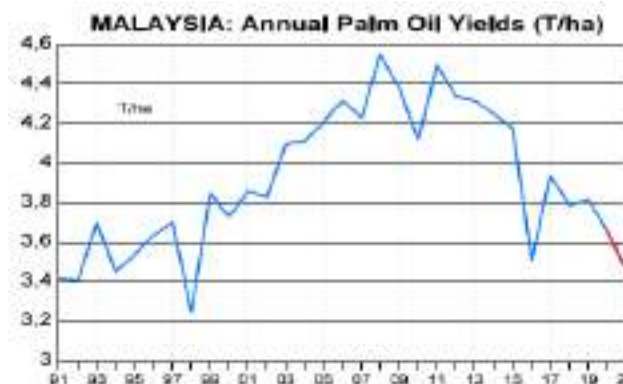
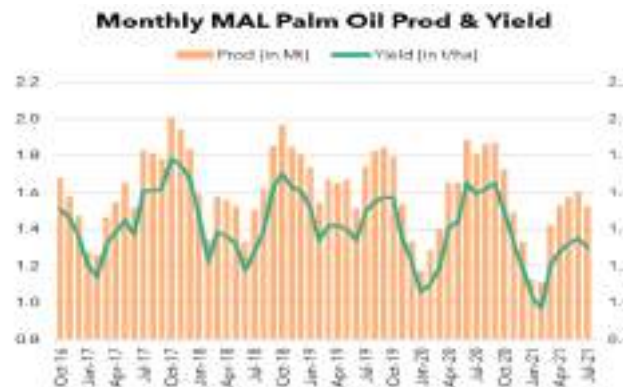
FUENTES : REUTERS

# 2.1. PALM OIL(CPO)



MPOB: Malaysia July 2021 data ACTUAL		
	Jul 2021 ( in million tons)	% change from Jun
Production	1.523	-5.17
Palm Oil Imports	0.054	-51.93
Exports	1.408	-0.75
Biodiesel Exports	0.024	-40.22
Local Disappearance	0.287	12.31
End Month Stocks	1.496	-7.30

	Jul-21 vs est.		Jul-21 vs LM		Jul-21 vs Jul-20	
	in Kt	in %	in Kt	in %	in Kt	in %
Production	-18.8	-1.2%	-83.0	-5.2%	-362.6	-19.2%
Exports	49.3	3.6%	-10.7	-0.8%	-302.3	-17.7%
Imports	-37.4	-40.8%	-58.7	-51.9%	5.5	11.3%
Stocks	-143.5	-8.8%	-117.8	-7.3%	-401.9	-21.2%



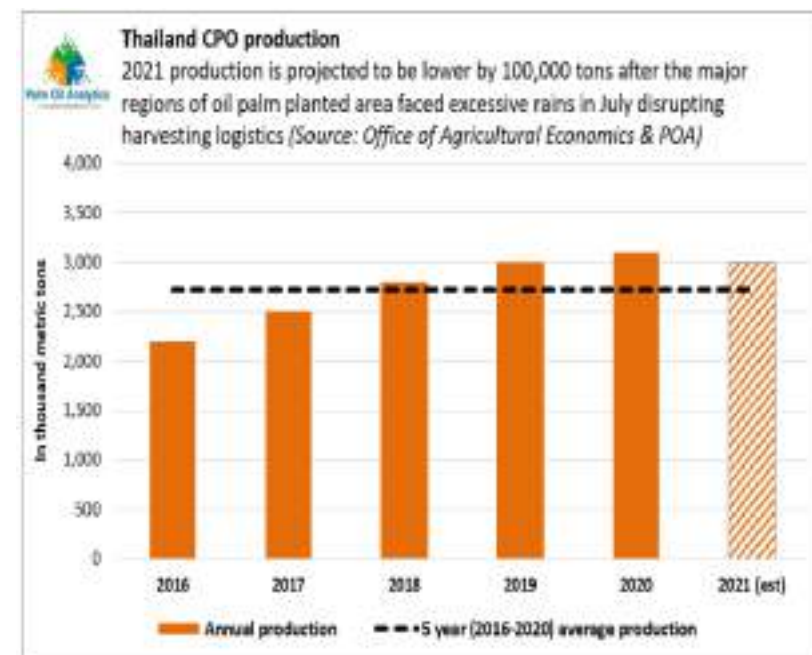
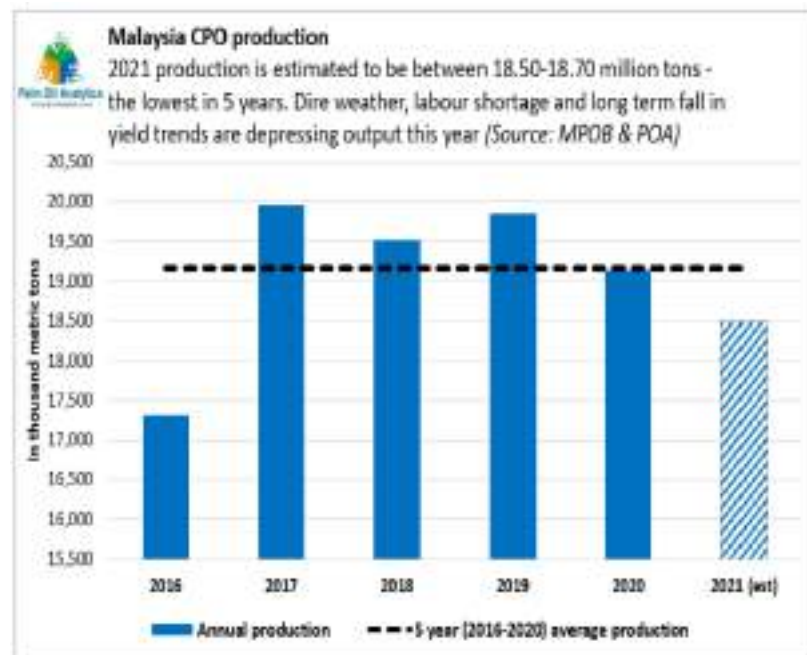
The July MPOB report was bullish and Malaysian CPO futures ended the day higher than 300 MYR. CPO production in Malaysia during July was estimated at 1,523 MTs, slightly below previous estimates. Exports were surprising and ended practically at the same level as the previous month, when the market expected a fall of more than 5%. The result was a fall in stocks of 7.30%, when previous estimations indicated a marginal recovery of around 1%.

The Jan-Jul production reached 9.87 Mts (-8.91% vs 2020), while the stocks at the end of July are the lowest since 2009. The lack of replanting and the consequent deterioration of the age profile of the oil palms are affecting yields in Malaysia, in addition to recent COVID-related problems.

The 2021 yields would be the lowest in more than 20 years.

FUENTES: MPOB / POA / B.BODART / OIL WORLD

## 2.2. PALM OIL(CPO)



CPO production in Indonesia during Jan-May accumulated 17.92 MTs (+ 3.27%) according to GAPKI. For all of 2021, private analysts estimate a production of around 48MTs, which implies a growth of + 2MTs vs 2020, as a result of better yields, good climatic perspectives and an increase in the area.

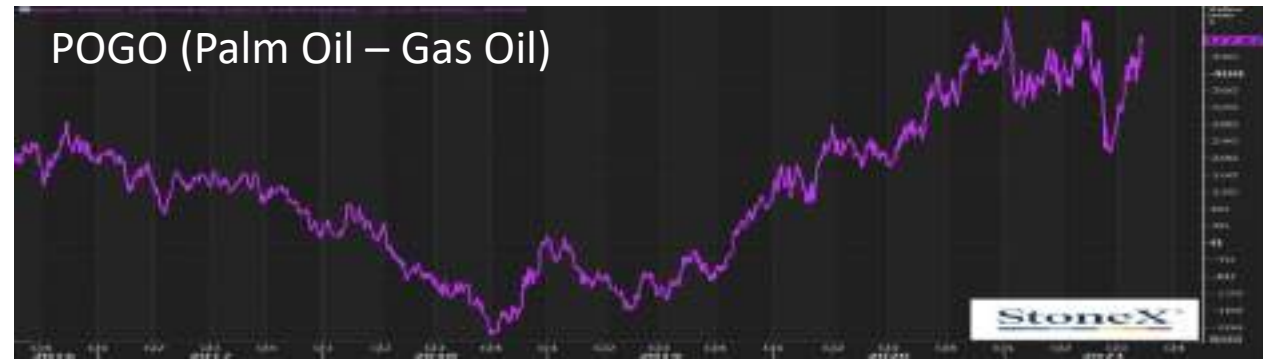
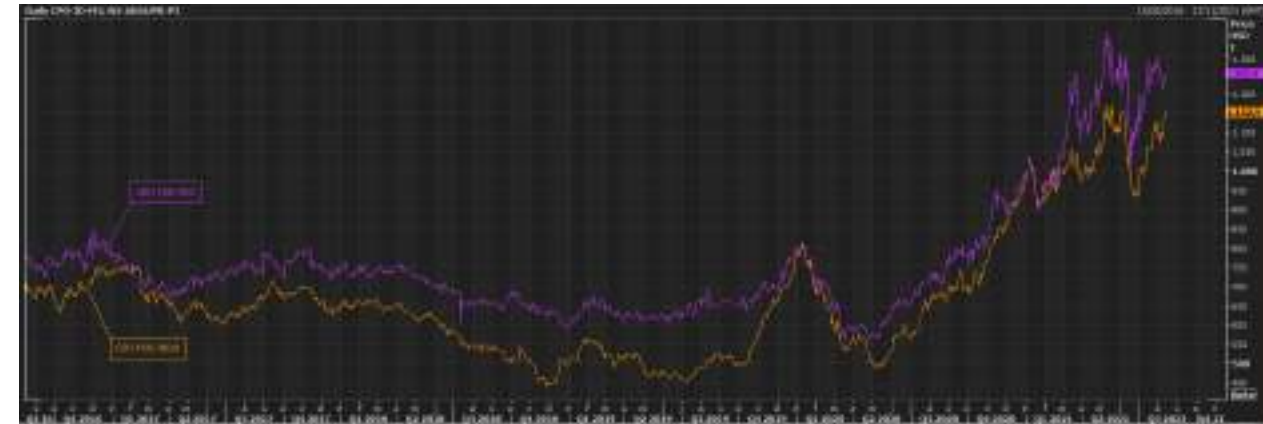
In the case of Malaysia, production has suffered from the lack of foreign labor as a result of entry restrictions as a measure against COVID, as well as the drop in yields discussed above. Production in 2021 is estimated at 18.2-18.7 MTs, which would be the lowest level in the last 5 years. 3.0 Mts are forecast for Thailand, slightly below the previous year.

FUENTES: GAPKI / BPS / POA / MPOB / OAE / REFINITV / OIL WORLD

## 2.3. PALM OIL(CPO)



**CPO futures have reacted to worse than expected situation in Malaysia and the sharp reduction in rapeseed estimations for Canada, reaching new highs for the year.**

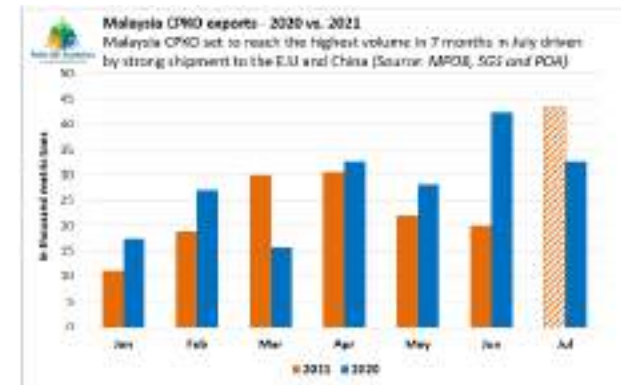
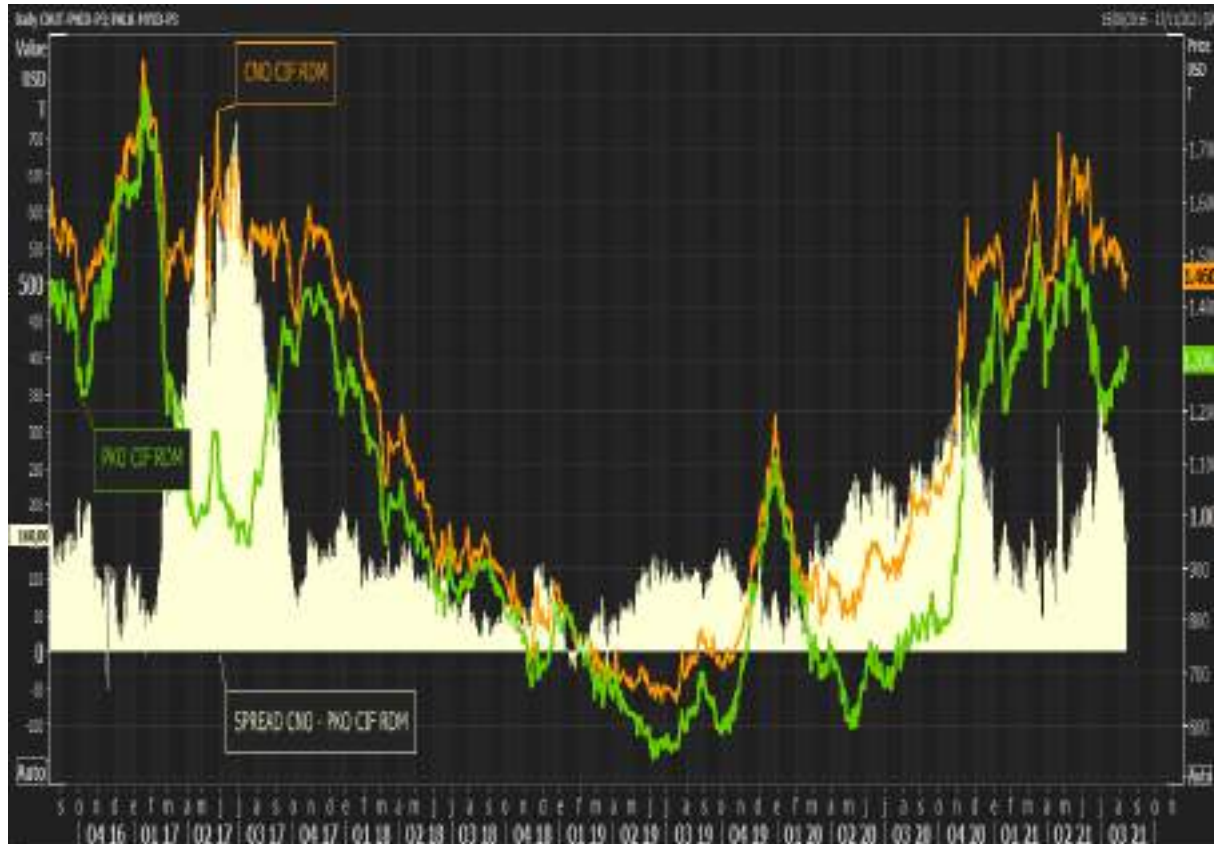


**CPO remains competitive against the rest of the oils. It will be important to see the evolution of demand in the energy sector and the prices of oil and diesel, as well as the performance of oilseeds, although the situation looks tight and we do not expect prices to correct strongly in the short term. On the other hand, we expect the market to remain in reverse.**

FUENTE: STONEX / REUTERS

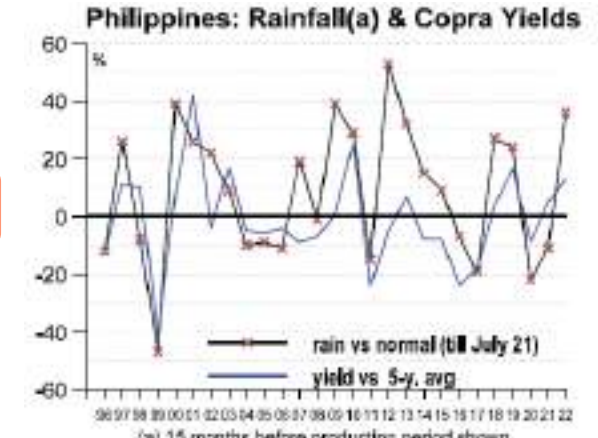


# 3.1 LAURIC OILS (PKO + CNO)



**COCONUT OIL - Monthly Exports (1000 T)**

	Philippines			Indonesia		
	2021	2020	2019	2021	2020	2019
Jan	56	118	77	42	57	56
Feb	58	63	44	55	46	58
Mar	76	96	122	43	47	59
Apr	61	67	124	44	46	36
May	85p	63	101	67	36	62
June	105p	95	135	49	53	49
July	71p	23	95	67	51	51
Aug		89	99	36	45	
Sept		86	75	51	38	
Oct		63	101	46	52	
Nov		66	68	45	45	
Dec		59	102	51	63	
Jan/Dec		889	1142	582	614	
Jan/July	511p	526	698	352	371	
Jan/June	441	503	603	299	286	321

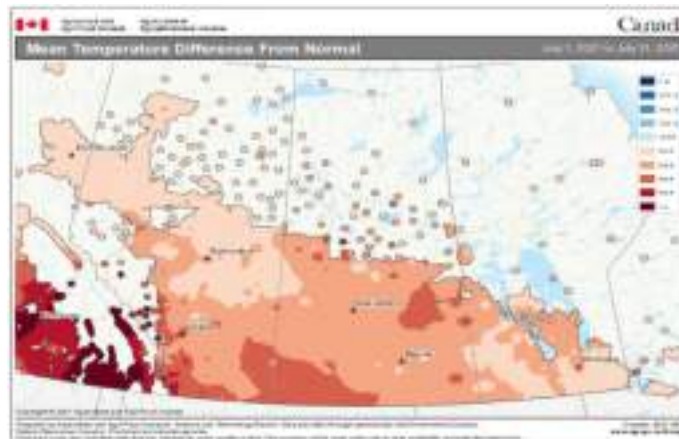
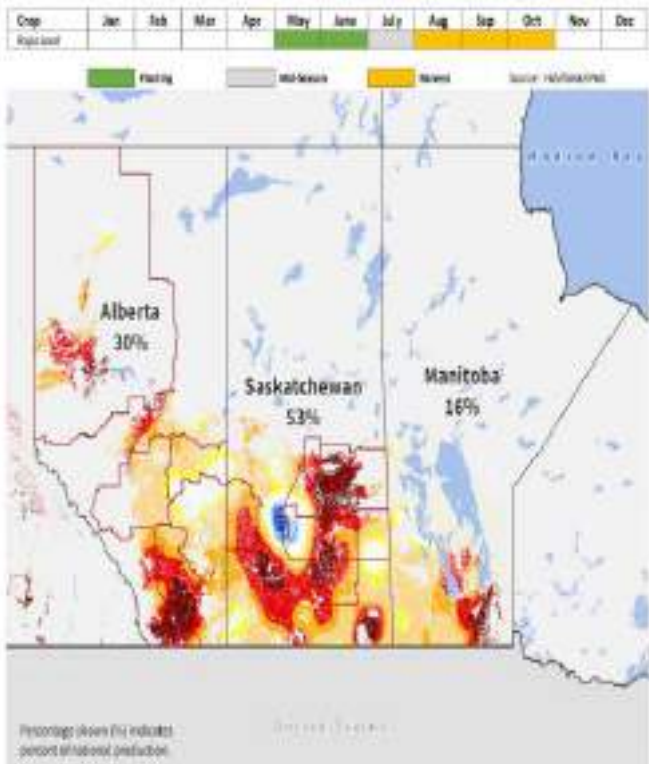


Lauric oil prices have shown less volatility than those of the CPO. The recovery in CNO production and exports in the Philippines are bringing respite to the market. In the case of the PKO, we have observed strong exports to China and the EU during July, mainly from the oleochemical sector. With stronger demand and production not growing as expected, the PKO balance is somewhat tighter than we expected. The result was a gradual fall in the price differential between both products..

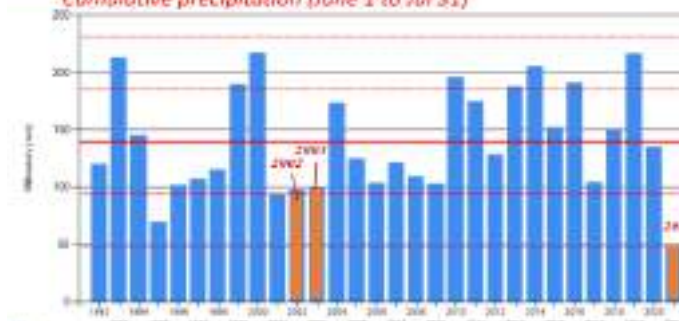
SOURCES: REUTERS / POA / MPOB / SGS / UCAP / OIL WORLD

# 4.1. RAPESEED OIL(RSO)

Rapeseed Areas in the Canadian Prairies: Intensifying Drought



Saskatchewan, Northeast  
Cumulative precipitation (June 1 to Jul 31)



Alberta Crop Conditions 2021

	% good/excellent		
	Spring Wheat	Durum Wheat	Canola
June 15	84	77	80
June 28	71	48	71
July 13	39	33	33
July 27	22	22	17

Saskatchewan Crop Conditions

	2021 % good/excellent		
	Spring Wheat	Durum Wheat	Canola
June 14	77	74	64
June 28	58	45	38
July 12	25	12	18
July 26	16	11	14

Canada Rapeseed	Unit	MY2021/22	Change from Previous Month	MY2020/21	Change from Previous Year	5-Year Average	Record
Area	million hectares	8.7	-3.3%	8.3	+4.6%	8.7	9.3 (17/18)
Yield	metric tons per hectare	1,839	-18.1%	2,283	-19.5%	2,312	2,372 (16/17)
Production	Million metric tons	16.0	-20.8%	19.0	-15.8%	20.1	21.5 (17/18)

As we have been commenting, the situation of rapeseed crops in Canada is very worrying and the damage is already irreversible. The drought intensified in the prairies during July, with scattered and scant rains. Thus, in its latest report, the USDA have reduced its production estimation by 4.0 MTs to 16.0 MTs (-20.8% vs. previous month). At the beginning of the year we estimated a production that will be around 19.5 Mts, so the production loss is 3.5 - 4.0 MTs so far. This is without a doubt one of the most important bullish factors in the market.

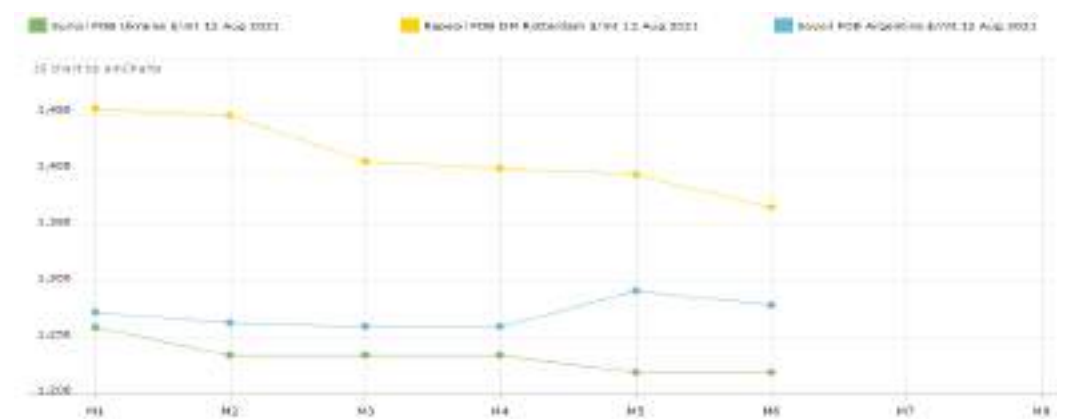
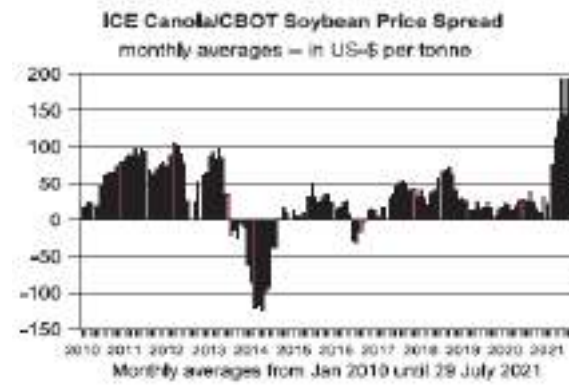
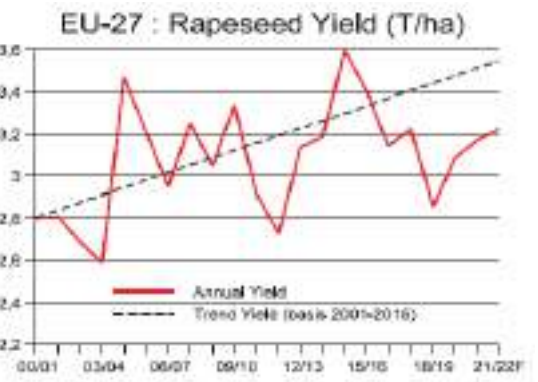
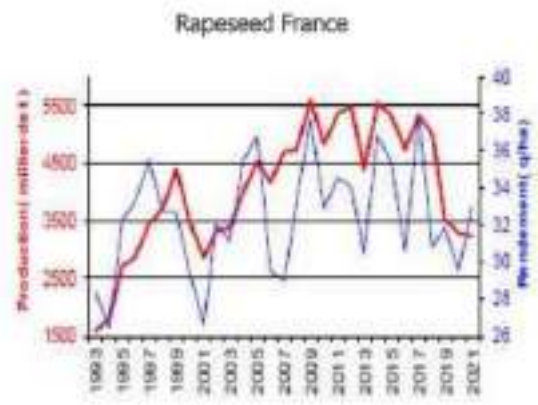
FUENTES: USDA / K. BRAUN / CANADA STATS / OIL WORLD

# 4.2. RAPESEED OIL(RSO)

**EU- 27 : Rapeseed Supply & Demand (Mn T)**

	July / June				
	21/22F	20/21	19/20	18/19	17/18
Opening stocks . . .	.82*	1.00	1.77	1.89	1.09
<b>Output . . . . .</b>	<b>16.73*</b>	16.55	15.56	18.05	19.80
Imports (a) . . . . .	6.22*	6.68*	6.08	4.29	4.38
<i>from: Australia . . .</i>	<i>3.12*</i>	<i>2.21*</i>	<i>.99</i>	<i>1.34</i>	<i>1.86</i>
<i>Ukraine . . . . .</i>	<i>2.20*</i>	<i>2.02*</i>	<i>2.75</i>	<i>2.17</i>	<i>1.73</i>
<i>Canada . . . . .</i>	<i>.50*</i>	<i>2.12*</i>	<i>2.03</i>	<i>.42</i>	<i>.47</i>
Exports (a) . . . . .	.29*	.19*	.34	.28	.32
Crushings . . . . .	22.18*	22.69*	21.55	21.65	22.37
Other use	.52*	.54*	.52	.53	.67
<b>Ending stocks . . .</b>	<b>.78*</b>	<b>.82*</b>	<b>1.00</b>	<b>1.77</b>	<b>1.89</b>

(a) Intra-EU trade is excluded.



The French production ends somewhat better than expected, according to the latest Agreste publication that estimates 3.22 MTs, although still below the previous year and being the lowest in many years. In Germany, the official estimate is 3.67 MTs and it ends up being a campaign somewhat worse than expected. The EU balance sheet will be very tight, even more than expected at the beginning of the year.

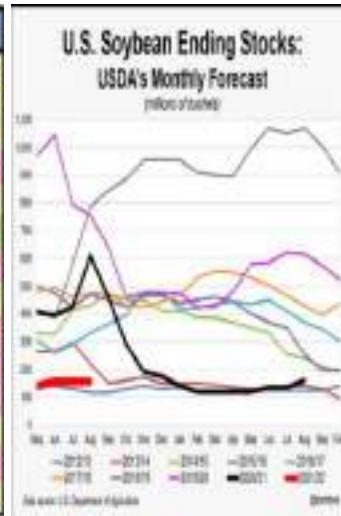
Due to production problems in Canada and EU production that continues to not recover, we expect an even tighter balance in RSO for 21/22. Part of the demand from the EU and China behaves quite inelastic, which reinforces the idea that RSO will have a higher premium than average vs the rest of the oils in 21/22

FUENTES: OIL WORLD / HASHTAGRI / STONEX / STRATEGIE GRAINS / AGRICENSUS

# 5.1. SOYBEAN OIL(SBO)



Systems	18-19	19-20	20-21(Est)	21-22 (AUG)	21-22 (AUG)	%Chg
Area Planted	25.2	25.1	23.1	27.5	27.5	0.0%
Area Harvested	27.9	24.3	22.3	26.7	26.7	0.0%
Yield per Harvested Acre	50.9	47.4	50.2	50.9	50	-1.8%
Beginning Stocks	430	303	325	135	140	11.0%
Production	4420	3552	4135	4405	4333	-1.5%
Imports	14	5	20	35	35	0.0%
-Total Supply	4886	4475	4880	4575	4533	-0.9%
Crackings	2092	2465	2165	2225	2285	-0.9%
Exports	1752	1679	2280	2075	2055	-1.0%
Seed	80	35	12	104	104	0.0%
-Total Use	3211	3352	4820	4402	4329	-0.5%
Ending stocks	303	325	180	155	155	0.0%



Soybean Oil	21-22 (JUL)	21-22 (AUG)	%Chg
Beginning Stocks	1733	1733	0.0%
Production	25345	25710	-0.3%
Imports	600	600	0.0%
-Total Supply	28338	28103	-0.8%
Domestic Disappearance	25400	25200	-0.8%
-Biodiesel Usage	8300	7900	-4.8%
-Food, Feed & other Industrial	13400	13700	2.2%
Exports	1450	1450	0.0%
-Total Use	26850	26650	-0.7%
Ending Stocks	1488	1453	-2.4%

in million tons		2021/22 Proj.	2021/22	2020/21
		August	July	August
<b>Production</b>	<b>World</b>	<b>383.61</b>	<b>385.22</b>	<b>363.28</b>
including	USA	110.16	110.08	112.55
	Argentina	52	52	40
	Brazil	144	144	137
	Paraguay	10.5	10.5	9.9
	China	19	19	19.6
<b>Imports</b>	<b>World</b>	<b>170.01</b>	<b>171.71</b>	<b>164.71</b>
including	China	101	102	97
	EU-27	15	15	15
<b>Domestic Use</b>	<b>World</b>	<b>378.89</b>	<b>381.09</b>	<b>396.1</b>
including	USA	63.24	63.61	61.52
	Argentina	50.35	50.35	48.7
	Brazil	50.35	50.35	49.4
	China	117.7	119.7	112.5
	EU-27	17.63	17.62	17.82
<b>Exports</b>	<b>World</b>	<b>172.33</b>	<b>172.65</b>	<b>164.95</b>
including	USA	55.11	56.47	61.51
	Argentina	6.35	6.35	3.7
	Brazil	0.1	0.1	22.5
<b>Ending Stocks</b>	<b>World</b>	<b>96.15</b>	<b>94.49</b>	<b>92.82</b>
including	USA	4.21	4.22	4.34
	Argentina	25.3	25.5	25.3
	Brazil	27.4	27.64	26.1
	China	33	31	30.6

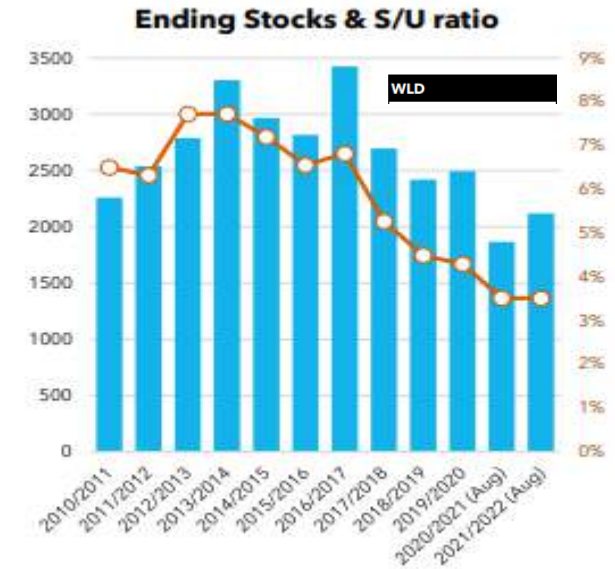
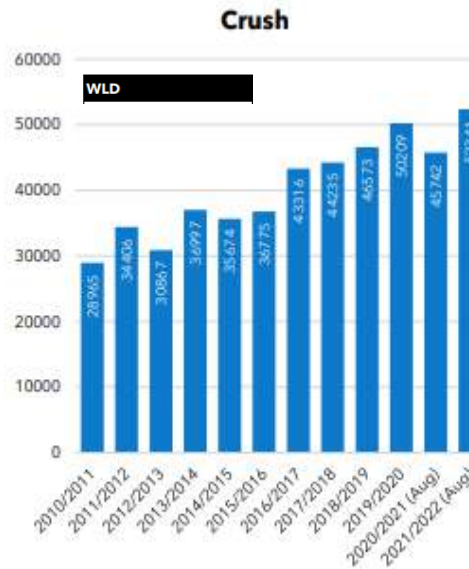
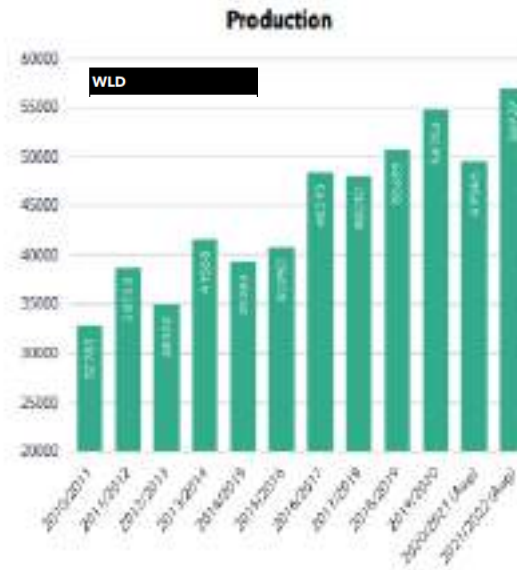
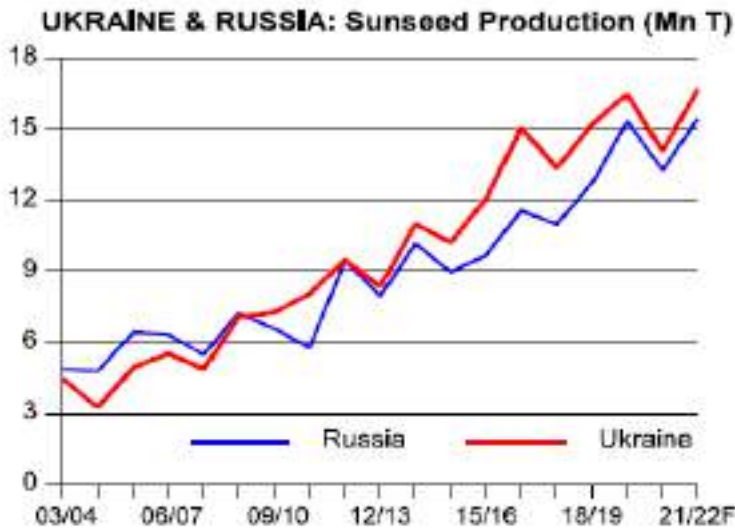
USDA surprised in its latest report by reducing the 21/22 soybean production estimate in the US by 1.8MTs, when the market expected a more moderate reduction in tone to 1.0 MTs. However, the final stocks 21/22 were practically unchanged, when the market expected to see a slight increase. The lower production estimate was offset by higher initial stocks, lower exports (mainly to China) and lower crushing. Worldwide, production fell from 385.2 MTs to 383.6 Mts, although final stocks went from 94.5 Mts to 96.1 Mts. In the case of oil, despite the reduction in the use of biodiesel, final stocks for the United States fell 2.4%.

Now the most important thing will go through the evolution of crops in the US and demand from China, which has suffered due to the fall in crushing margins since the beginning of the year. At the moment, 60% of the crops are in good / excellent condition. The next 30 days are fundamental in the formation of yields, so the weather will have a strong impact on prices.



SOURCES: RJO O'BRIEN / USDA / HEARTLAND

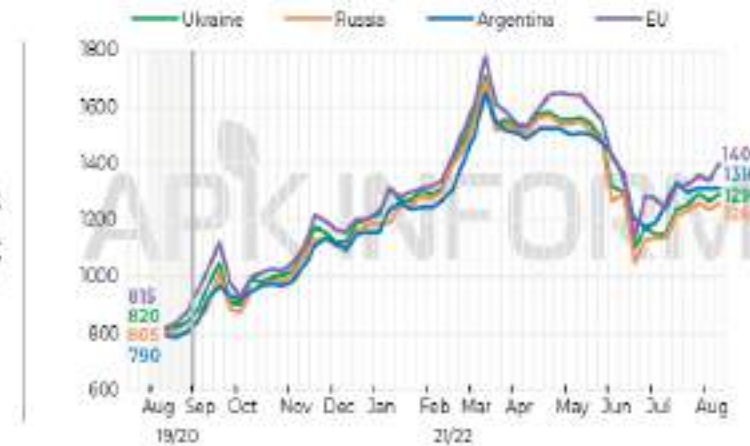
# 6.1. SUNFLOWER OIL(SFO)



Sunflower crop conditions have deteriorated in both Russia and Ukraine since the end of August, due to lack of rain combined in some parts with high temperatures. However, although the situation is worse than we observed a month ago, the humidity conditions decidedly better than last year together with an area record make us expect a strong production recovery: Oil World estimates Russia's production at 15.5 MTs (vs 13.3 MTs 20/21) and that of Ukraine at 16.7 MTs (vs 14.1 MTs); USDA is a bit more optimistic for the latter case, estimating 17.5 MTs. World production could have a recovery around 6 - 7 Mts.

The lack of rains in the Black Sea together with the delicate situation of rapeseed in Canada and the appreciation of vegetable oils in general have supported the prices of sunflower, which will have to satisfy part of the demand for the rest of the products, situation contrary to what was observed in the campaign that is coming to an end.

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



SOURCES: OIL WORLD / USDA / B.B BODART / APK INFORM



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A WORLD OF VEGETABLE OILS  
[www.lipsa.es](http://www.lipsa.es)

