



# LIPSA

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Market report, June 2021

1. Evolution of reference markets
2. External
3. China and India
4. Palm oil (CPO)
5. Lauric oils (CPKO + CNO)
6. Soybean oil (SBO)
7. Sunflower oil (SFO)
8. Rapeseed oil (RSO)

# 1.1 EVOLUTION OF THE REFERENCE MARKETS

		14/05/2021	03/06/2021	Unidad	Dif	Dif %
Crude Palm Oil (Ago)	FOB MALASIA	4506 (*)	4158	MYR/ MT	-348	-7,7%
Crude Palm Oil (Ago)	CIF RDM	1190	1100	USD/ MT	-90	-7,6%
CCNO Phil/Indo (Jul/Ago)	CIF RDM	1640	1640	USD/ MT	0	0,0%
CPKO (Jul/Ago)	CIF RDM	1510	1425	USD/ MT	-85	-5,6%
Crude Sunflower Oil (Jul/Ago/Sept)	FOB 6 PORTS	1635	1410	USD/ MT	-225	-13,8%
Crude Rape Oil (Ago/Sept/Oct)	FOB DUTCH MILL	1170	1045	€/MT	-125	-10,7%
Crude Soya Oil (Ago/Sept/Oct)	FOB DUTCH MILL	1200	1275	€/MT	75	6,3%
EUR/USD	SPOT	1,2153	1,2124		-0,0029	-0,2%
USD/MYR	SPOT	4,129	4,1200		-0,0090	-0,2%
Brent Crude	SPOT	69,42	71,31	US \$/ BRL	1,9	2,7%
Gas Oils	SPOT	564,75	576,25	US \$/ MT	11,5	2,0%

During second half of May, prices of the main vegetable oils have fallen, except for soybean oil, in a very high volatile market environments

It is worth mentioning that prices of sunflower oil have fallen 225 US\$/tone for the 2020/21 campaign.

FUENTE: REUTERS

# 1.2 MARKET EVOLUTION IN PALM, SUNFLOWER AND SOYBEAN



FUENTE : REUTERS

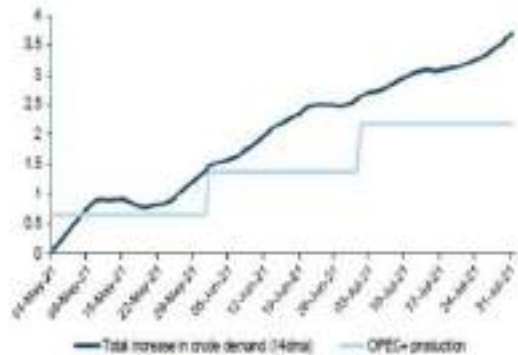
# 1.3 MARKET EVOLUTION IN PALM, COCONUT AND PAM KERNEL



FUENTE : REUTERS

# 2.1 EXTERNAL

**Exhibit 15: Crude markets will return in deficit in mid-June despite OPEC+ ramping up exports**  
Increase in crude demand from higher refinery runs and seasonal cooling demand in Middle East vs OPEC+ production (mb/d)



**Exhibit 10: We forecast that Brent prices will reach \$80/bbl in 3Q; a July restart in Iran exports would only delay this by one quarter**  
Prices in \$/bbl; as of May 21, 2021 close

	Brent		WTI		Brent-WTI	
	GS	Fwd Con	GS	Fwd Con	GS	Fwd
Apr-May		66.4		63.0		3.5
Jun	75.0	66.4	72.5	63.6	2.5	2.9
3Q21	80.0	66.3	77.0	63.0	3.0	3.3
4Q21	75.0	65.1	72.0	61.6	3.0	3.6
2H21	77.5	65.8	74.5	62.3	3.0	3.5
2022	75.0	63.0	72.0	59.0	3.0	4.1



**BIODIESEL (a): World Production by Country ( Mn T )**

	January / December				
	2021F	2020	2019	2018	2017
EU-27	14.80*	15.29*	14.97	14.18	13.87
U.K.	.33*	.31*	.44	.42	.42
U.S.A.	9.00*	7.85	7.35	7.20	6.15
Canada	.66*	.64*	.57	.55	.55
Argentina	1.60*	1.16	2.15	2.43	2.87
Brazil	5.93*	5.62	5.16	4.68	3.75
China	1.80*	1.50*	1.00	.94	.92
Colombia	.58*	.51*	.58	.57	.54
Singapore	1.83*	1.80*	1.75	1.35	1.30
Indonesia	7.70*	7.35*	7.48	5.37	2.97
Malaysia	1.00*	1.11*	1.42	1.09	.72
Thailand	1.70*	1.65*	1.65	1.32	1.15
Oth. ctres	1.63*	1.66*	1.85	1.73	1.50
<b>Total</b>	<b>48.56*</b>	<b>46.45*</b>	<b>46.37</b>	<b>41.83</b>	<b>36.71</b>
Change in (Mn T)	+2.11*	+0.08*	+4.54	+5.12	+2.16

(a) Incl. HVO

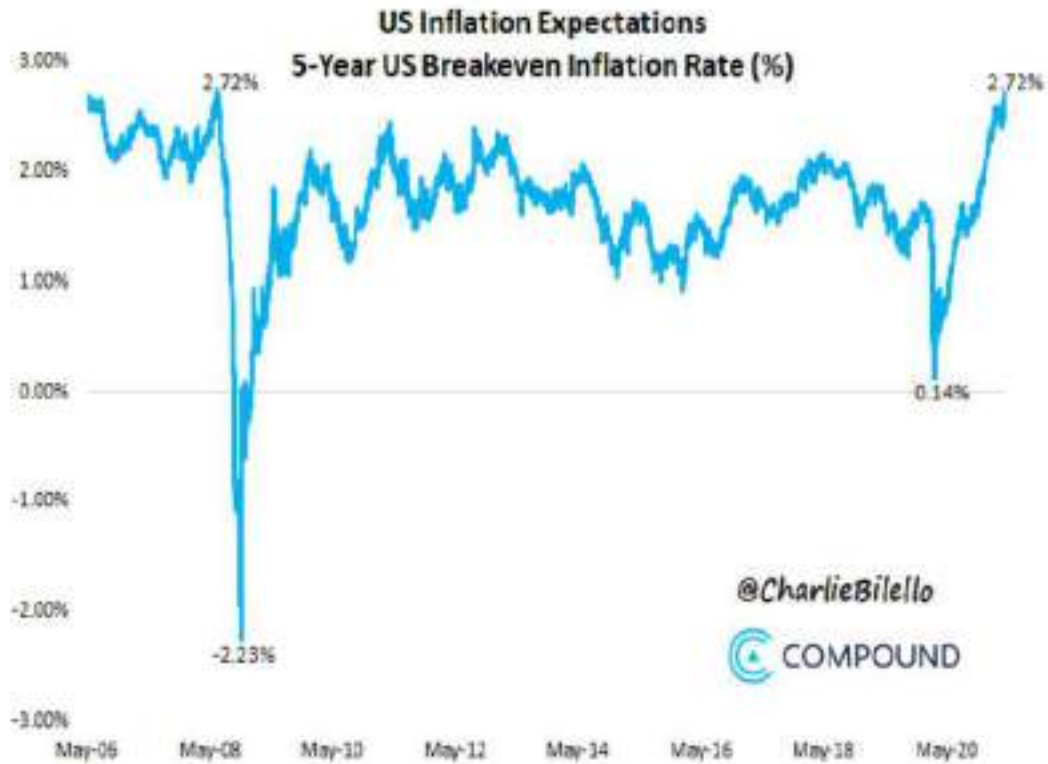
Goldman Sachs estimates the oil price at US\$ 80 per barrel in Q3 and US\$ 75 for Q4, due to a strong growth in demand, currently undervalued according to the investment bank.

The Brent price reacted and is already above 70 US\$, which gives additional support to the price of vegetable oils.

Oil World estimates a recovery in biodiesel production of 2.11 MTs Ending above 48.5 Ms.

FUENTE : GOLDMAN SACH / FUTURES FINVIZ / OIL WORLD

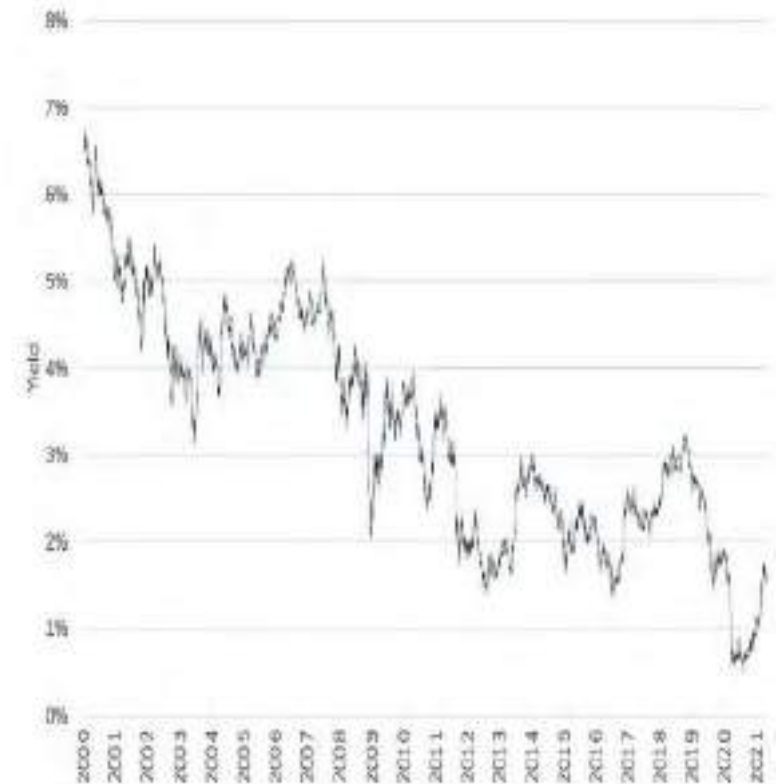
## 2.2 EXTERNAL



Inflation in the US has been rising and we could see an increase in interest rates.

FIGURE 3:  
10-YEAR  
TREASURY  
YIELDS

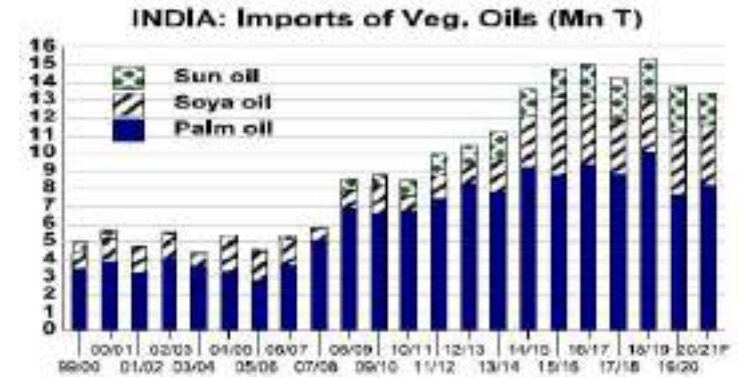
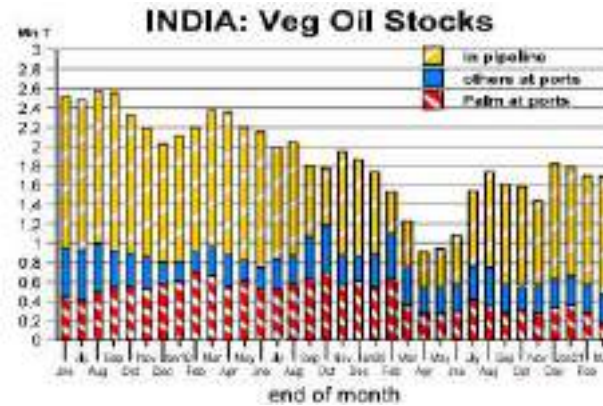
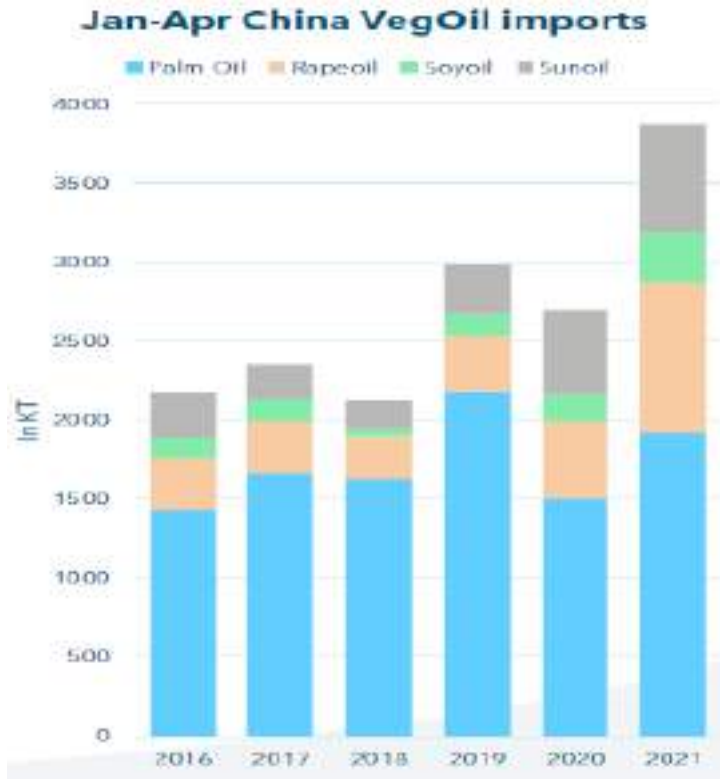
Source: Bloomberg



Higher interest rates would discourage money flowing into commodities, which could pressure prices downwards.

FUENTE : JP MORGAN

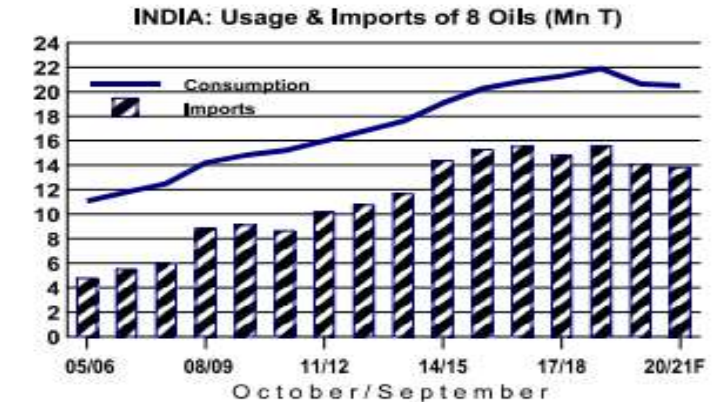
# 3. CHINA AND INDIA



India Vegetable Oil Import: Apr 2021 vs. Apr 2020

	Apr-21	Apr-20	Change	% Change
Import of palm oil	701,795	385,290	316,505	▲ 82.16
RBD Palm olein import	0	29,750	-29,750	▼ -100.00
Soybean oil import	144,020	183,764	-39,744	▼ -21.63
Sunflower oil import	184,097	221,353	-37,256	▼ -16.83
Percentage share between palm oil + soft oil	68 : 32	49 : 51		

Source: Solvent Extractors Association of India. Unit in metric ton



China's demand for oils has been very strong in the first 4 months of the year, as well as for cereals and oilseeds.

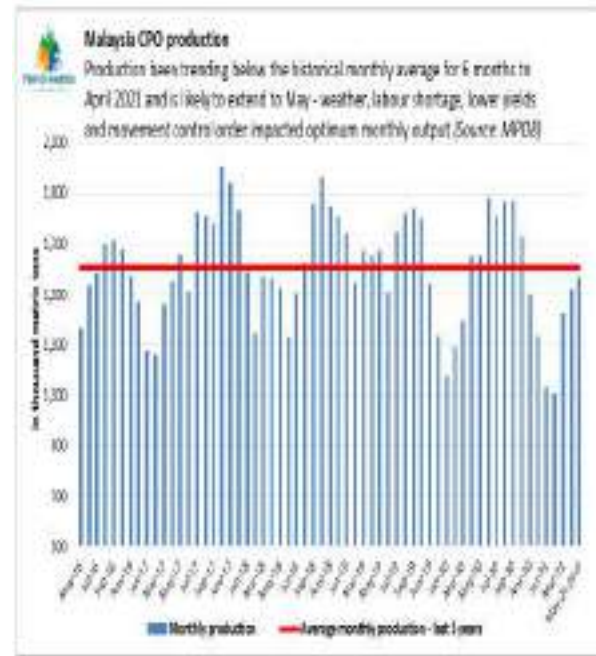
In India, the sanitary situation is complicated and is affecting the consumption of oils and fats: Oil World estimates for 20/21 a consumption of 20.7 MTs vs. 20.9 MTs and 22.2 MTs in the last 2 years.

On the other hand, better local production is expected this year which implies that oil imports in 20/21 will end up falling. In particular, India has dropped its purchases of SFO and replaced them with CPO. Unlike last year, when the current upward trend started, India now has higher stocks of SFO.

FUENTES: AGRITEL / OIL WORLD / SEA / POA



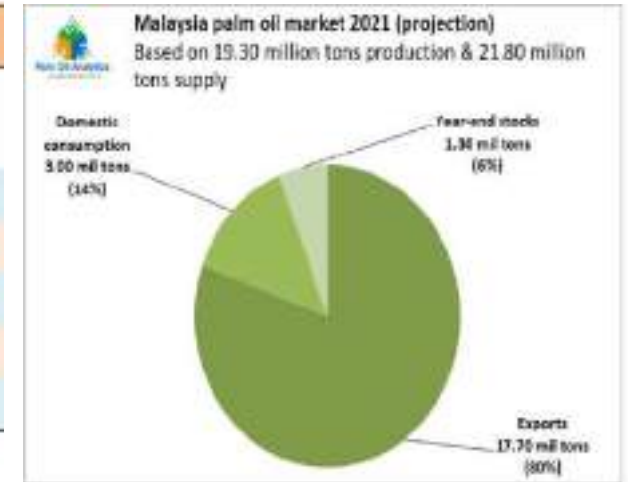
# 4.1 PALM OIL



**Reuters Malaysia May 2021 palm survey**

	May-21	Apr-21	% change
Production	1.580	1.520	3.40
Import	0.100	0.110	-4.00
Export	1.350	1.340	0.90
Local Disappearance	0.227	0.192	18.00
Stocks	1.640	1.550	6.30

*in millions of tons*



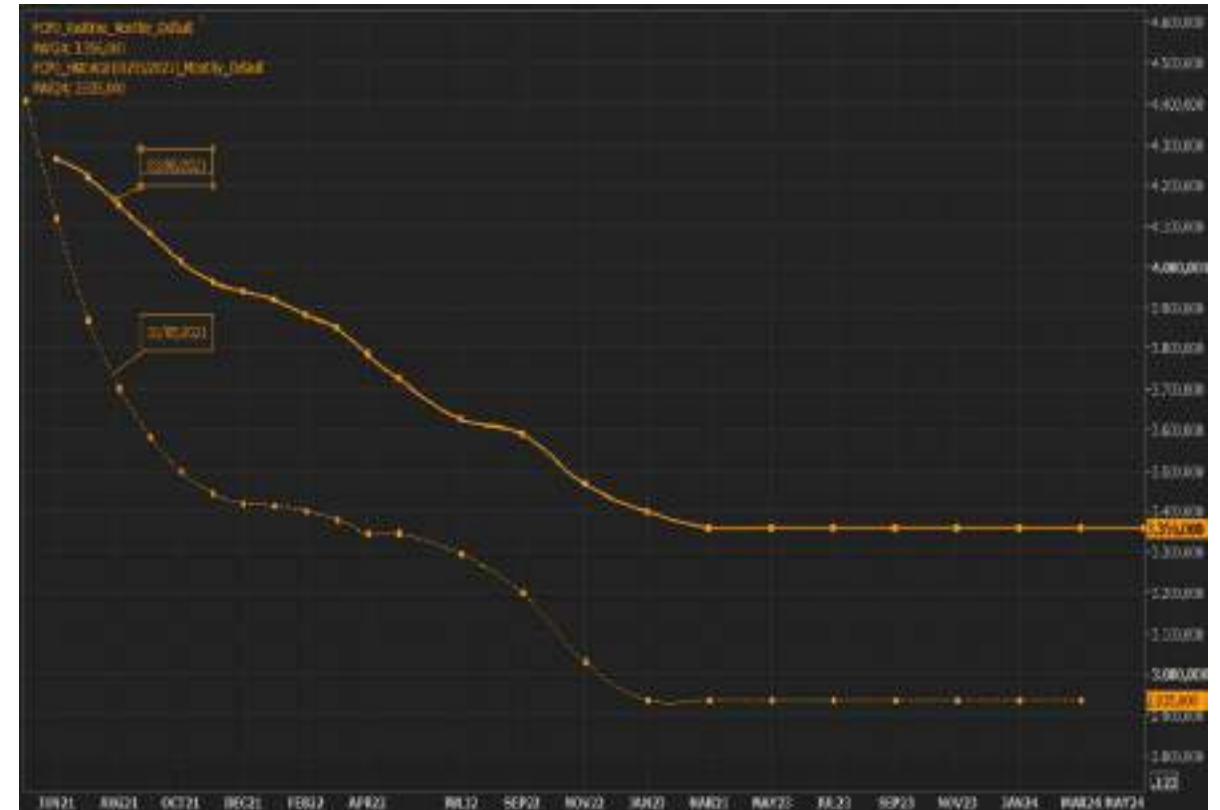
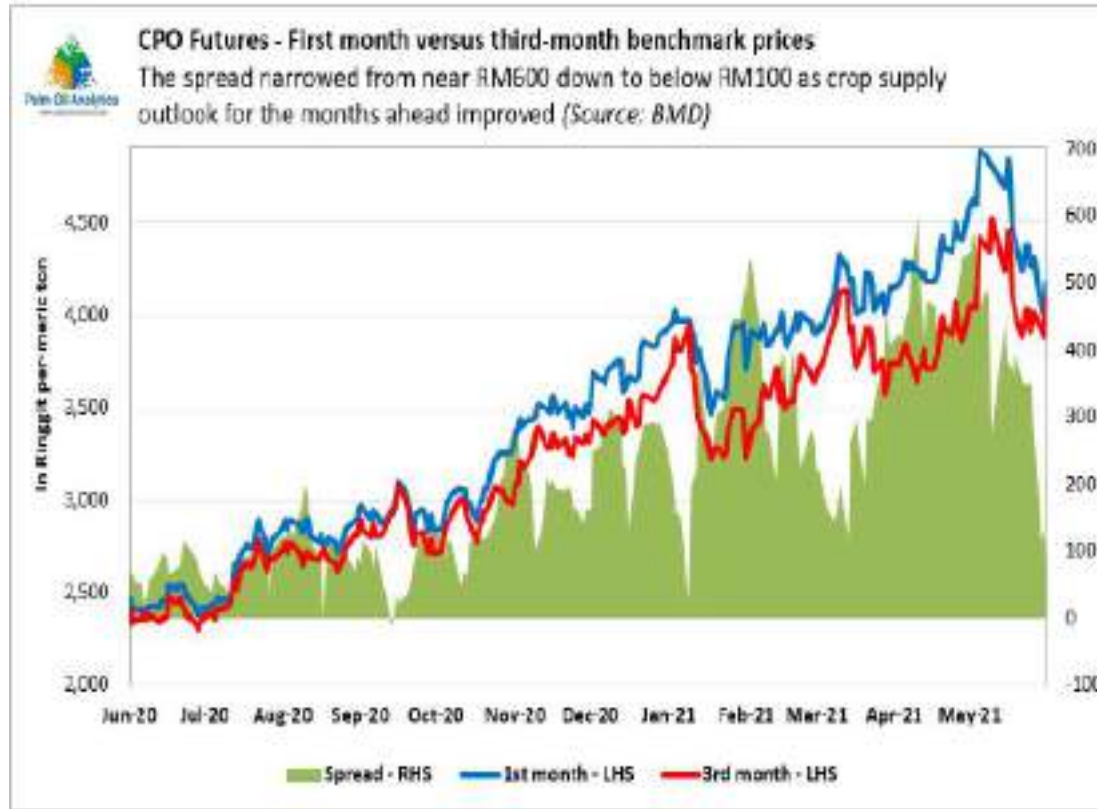
Malaysian CPO production is reported to have recovered slightly during May, although it remains below the 5-year average for the seventh consecutive month. In Indonesia, production is expected to be below the previous month. It will be very important to see how stocks are at the end of May and the pace of production in the coming months. We do not expect the balance to have changed substantially from April. According to Reuters, in Malaysia, stocks are expected to have recovered from 1.55 MTs to 1.64 MTs

June production in Malaysia is expected to be below May, although we could see a rebound in July. However, it is likely that we will see production below historical levels until the end of the year, due to:

- unfavorable weather at the beginning of the year
- persistent labor shortages aggravated by border closures
- lower yields
- local restrictions imposed to fight against pandemic

FUENTE: AGRITEL / POA / MPOB / REUTERS /

# 4.2 PALM OIL



The market inverse continues to fall sharply in BMD. The spread between first and third position has fallen from a high of MYR 598 in mid-April to now just above MYR 100, reflecting a market that expects a slower productive recovery.

FUENTES: POA / BMD / REUTERS

## 4.3 PALM OIL



Despite the price correction of the last 15 days, **palm oil remains at historically high prices.** However, the level of competitiveness against soybean oil is still very strong, which brings support to the market.

FUENTES: REUTERS

# 5. LAURIC OILS



The CNO price has remained above US\$ 1,600, while the PKO has been somewhat weaker, pushing the price differential back above US\$ 200. The expected recovery in CNO production is practically non-existent for 20/21.

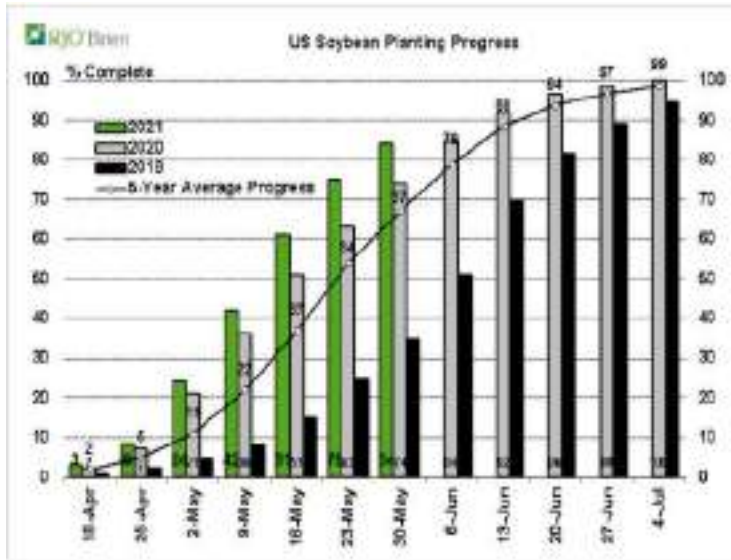
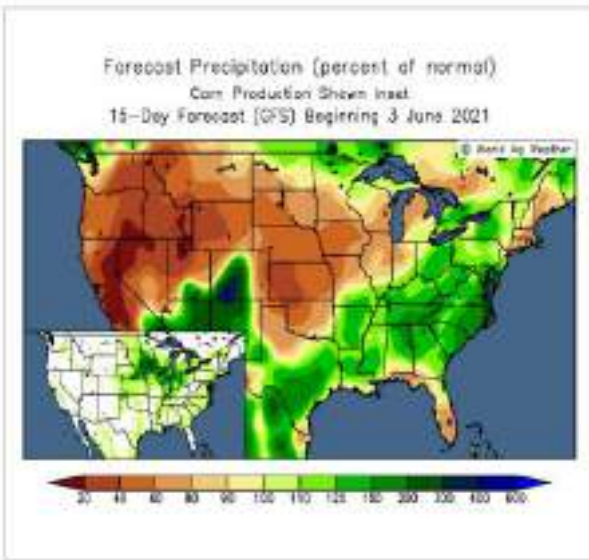
In the case of PKO, despite the production recovery, ending stocks could end up below last year, mainly due to a very tight situation in Malaysia. The RDM market shows a stronger inverse for PKO.

## LAURIC OILS: World Supply & Demand (1000 T)

	October / September				
	20/21F	19/20	18/19	17/18	16/17
<b>Palmkern oil</b>					
<b>Op'g stocks</b>	1371*	1411	1154	892	772
<b>Production</b>	8086*	7856	8162	7702	7058
Indonesia...	4711*	4427*	4527*	4225	3861
Malaysia ...	2138*	2232	2431	2312	2149
<b>Imports</b> ....	3569*	3484	3518	3347	3148
EU-27 .....	710*	702*	704*	731	760
U.S.A. ....	410*	379	334*	377	361
China, PR ...	770*	783	890	701	595
<b>Exports</b> ....	3583*	3435	3552	3283	3151
Indonesia...	1980*	1859	1980	1754	1804
Malaysia ...	1130*	1125	1039	979	920
<b>Consumption</b>	8168*	7945	7870	7504	6936
Indonesia...	2768*	2614*	2480*	2262	1959
Malaysia ...	1402*	1432*	1533*	1516	1467
<b>End. stocks</b>	1275*	1371	1411	1154	892
<b>Coconut oil</b>					
<b>Op'g stocks</b>	415	504	434	338	345
<b>Production</b>	2712*	2695	2955	2751	2480
Philippines ..	959*	1018*	1226*	1030	953
<b>Imports</b> ....	1941*	1930	2111	1791	1673
EU-27 .....	560*	619	654	591	494
U.S.A. ....	430*	490	452	448	470
China, PR ...	155*	148	177	140	134
<b>Exports</b> ....	1887*	1940	2171	1791	1698
Indonesia...	610*	599	621	642	521
Philippines...	860*	958	1173	855	850
<b>Consumption</b>	2760*	2774	2824	2655	2462
<b>End. stocks</b>	421*	415	504	434	338

FUENTES: REUTERS / OIL WORLD

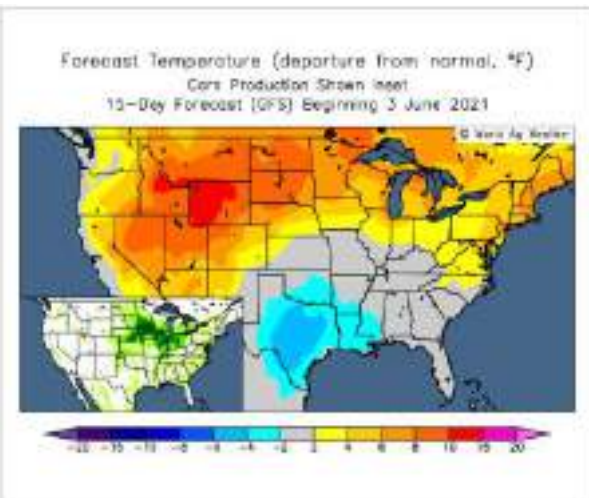
# 6.1 SOYBEAN OIL



ARGENTINA: Oilseed Crushings (1000 T)

	April		Jan/April		Oct/April	
	2021	2020	2021	2020	2021	19/20
Soybeans	4207	3668	13685	11373	20593	20987
Cottonseed	4	16	5	17	6	28
Groundnuts(a)	4	11	49	64	71	124
Sunflowerseed	396	312	1152	1036	1441	1506
Rapeseed	-	-	-	-	-	-
Linseed	-	-	1	1	1	1
<b>Total</b>	<b>4611</b>	<b>4007</b>	<b>14892</b>	<b>12491</b>	<b>22113</b>	<b>22645</b>

(a) Shelled.

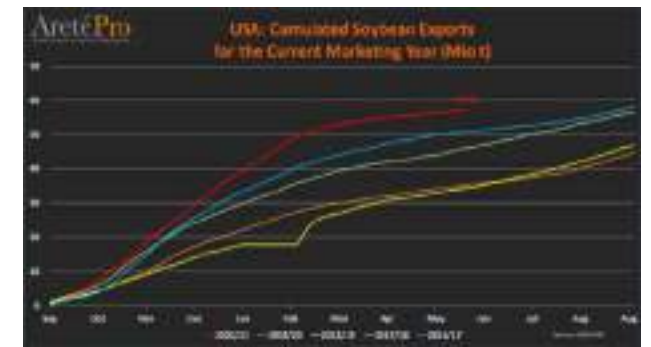
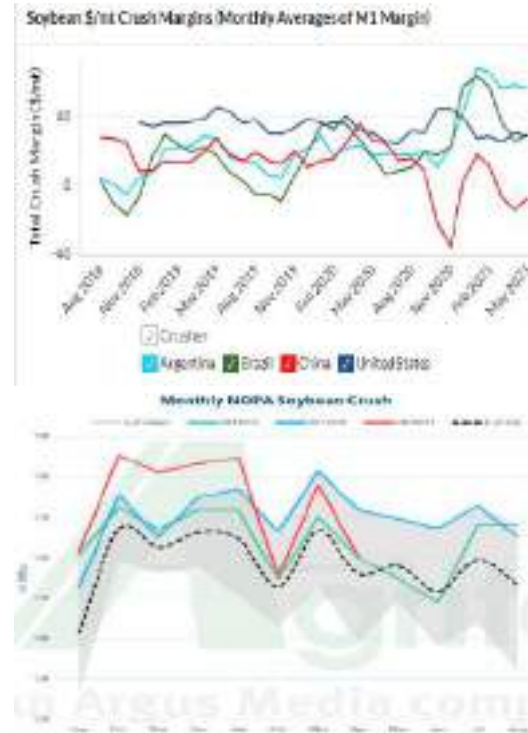


The harvest in Argentina is close to its end, with yields slightly above expectations. The Buenos Aires Grain Exchange estimates 43.5 MTs Milling is progressing at a very good pace, and in April has exceeded 4MTs, a 5-year high.

Planting in the US is progressing at a very fast pace. Conditions have not changed much: 23% of crops are suffering from dry conditions. Dry forecasts and above normal temperatures are a concern in the main growing regions.

FUENTE: WAGW / RJO OBRIEN / USDA / BCR / OIL WORLD

# 6.2 SOYBEAN OIL



The Biden administration is proposing a huge package of tax rebates for the use of sustainable fuels, as well as incentives. **This has driven soybean oil prices in Chicago to historically high levels.** As a consequence, milling has slowed somewhat, but remains very strong.

The result is a large stock of soybean meal, which has pushed prices down sharply and this has deteriorated crushing margins. **At some point, if demand for oils drops, it could pressure prices for the whole complex.**

On the other hand, bean exports continue to be very strong due to demand from China. Stocks in the US for 21/22 are again expected to be very low, as in Brazil.

FUENTE: REUTERS / AGRICENSUS / AGRITEL / ARETEPRO / RJO OBRIEN

# 6.3 SOYBEAN OIL



Soybean oil prices FOB Argentina at a huge discount to Chicago prices. Argentina's basis is as low as -10.00 cents/ bushell, which shows that the focus is on the US situation.

The final definition of the new emission policies and climate will be fundamental to determine prices in the short term.



Investment funds maintain a strong buying position in beans and soybean oil, although the first one has been slowly decreasing in the last few days. It will be very important to follow their behavior in the market.

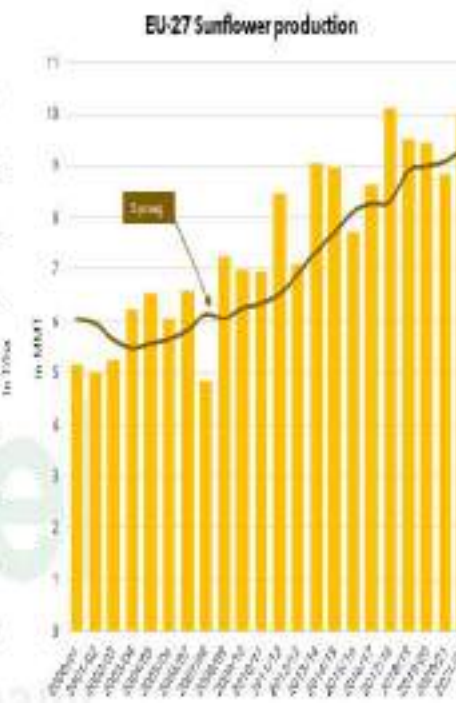
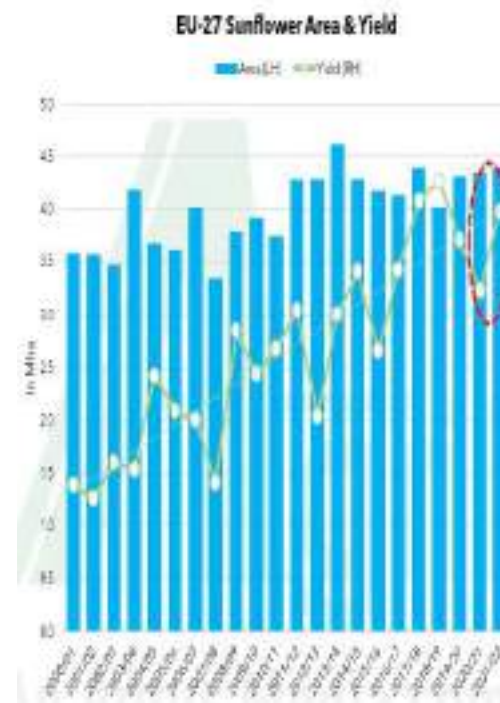
FUENTES: REUTERS / RJO OBRIEN

# 7.1 SUNFLOWER OIL AND HIGH OLEIC SUNFLOWER



**AretePro** EU COMM. MARS BULLETIN - May  
**MAJOR CROPS 2021 Yield F.cast**

	2020	2021 F.cast		Change vs.	
		Apr	May	2020	Apr
Soft wheat	5.71	5.86	5.91	+3.5%	+0.9%
Durum wheat	3.46	3.47	3.56	+2.9%	+2.6%
Corn	7.30	7.81	7.81	+7.0%	=
Soybean	2.81	3.01	2.99	+6.4%	-0.7%
<b>Sunflower</b>	2.00	2.21	2.21	<b>+10.5%</b>	<b>=</b>
Rapeseed	3.16	3.19	3.21	+1.6%	+0.6%
Sugar beet	n.a	75.60	75.50	n.a.	-0.1%



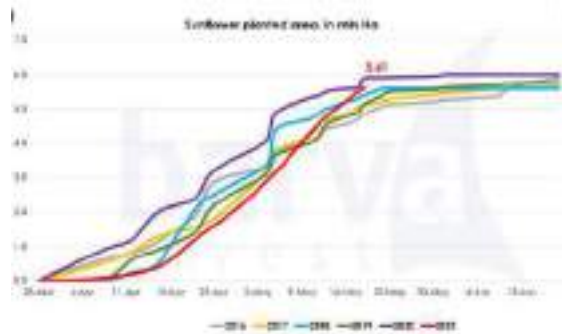
The cold and somewhat dry weather in early April in Europe has improved and crops are generally doing well.

Although below the 5-year average (2.29 ton/ha), yields in Europe are expected to be better than last year, mainly in Eastern Europe.

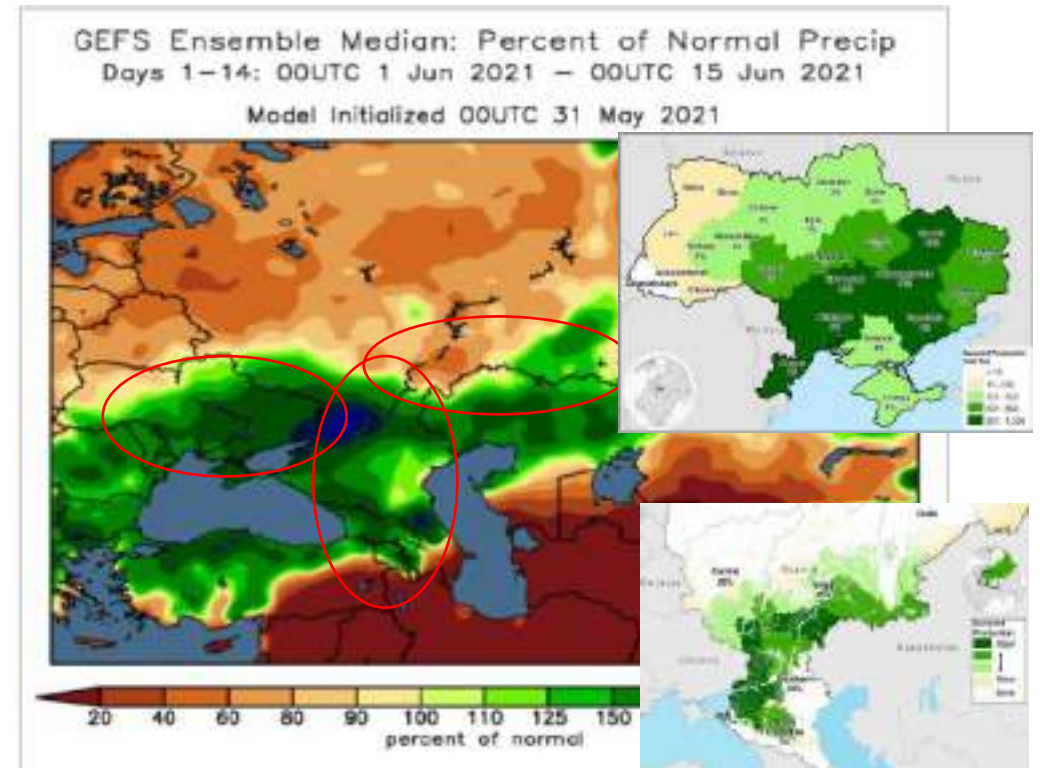
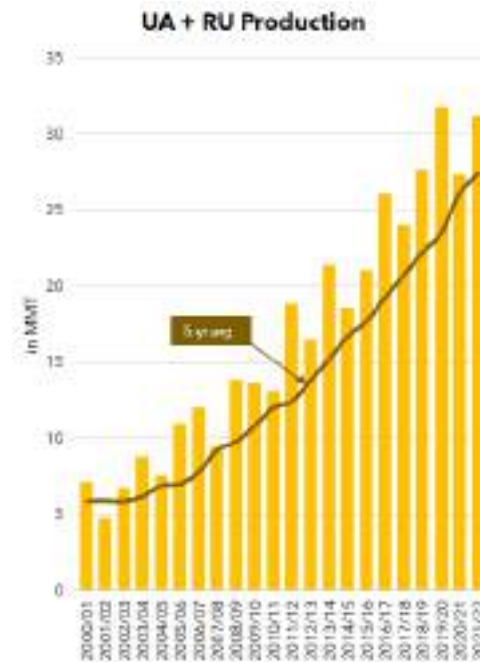
FUENTES: ARETÉPRO / EU COMMISSION / AGRITEL



# 7.2 SUNFLOWER OIL AND HIGH OLEIC SUNFLOWER



Arcté Pro		RUSSIA, CROP PROGRESS (%)			
	Crop Stage	May-17	May-11	Last Year	
Spring Wheat	planted	90%	65%	92%	
Corn	planted	96%	83%	100%	
Sunflower	planted	96%	79%	92%	
Spring Rape	planted	97%	75%	83%	
Soybeans	planted	63%	39%	67%	
Sugar Beet	planted	95%	91%	98%	



After an initial worrying delay, very good planting progress in both Ukraine and Russia leaves practically all sunflower planted on time. According to Oil World, we could see more area than expected in both countries, as well as in Moldova, Kazakhstan and Romania.

With this, the production increase in the 2 main producing countries could be even higher than the expected 3.9 MTs. If this production materializes, sunflower prices could continue to fall.

At the moment, conditions in Russia, Ukraine and Eastern Europe are good. Forecasts are also favorable.

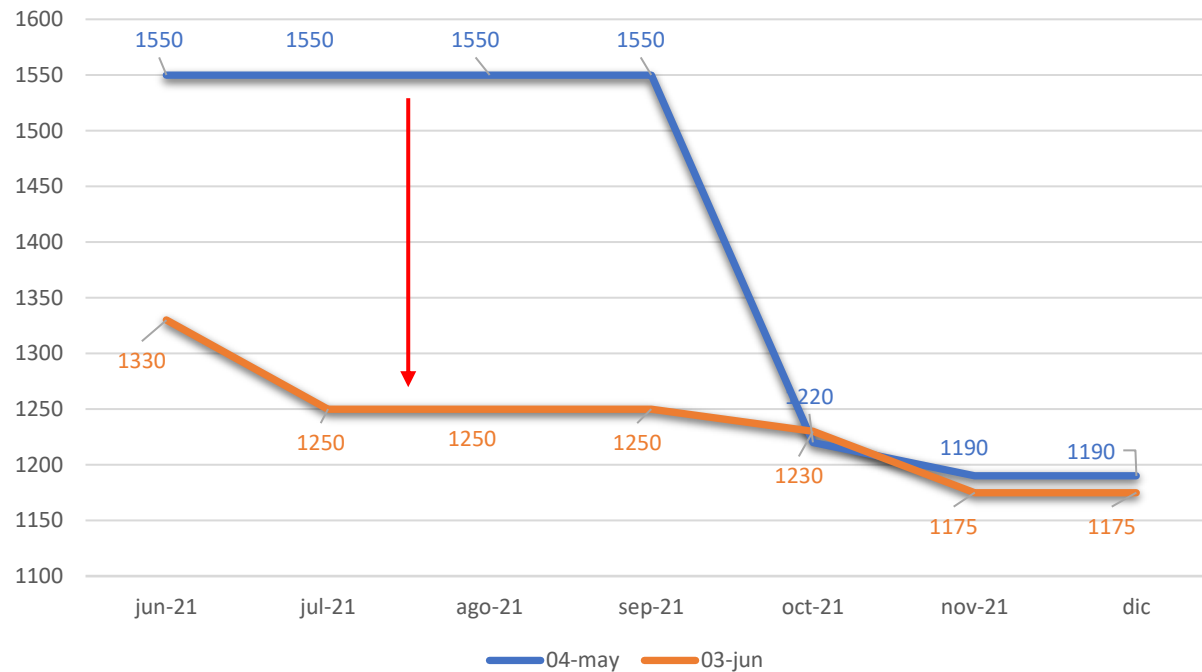
June and July will be the critical months that will determine the price evolution

FUENTES: HARVA / ARETÉPRO / AGRITEL / WAGW / USDA

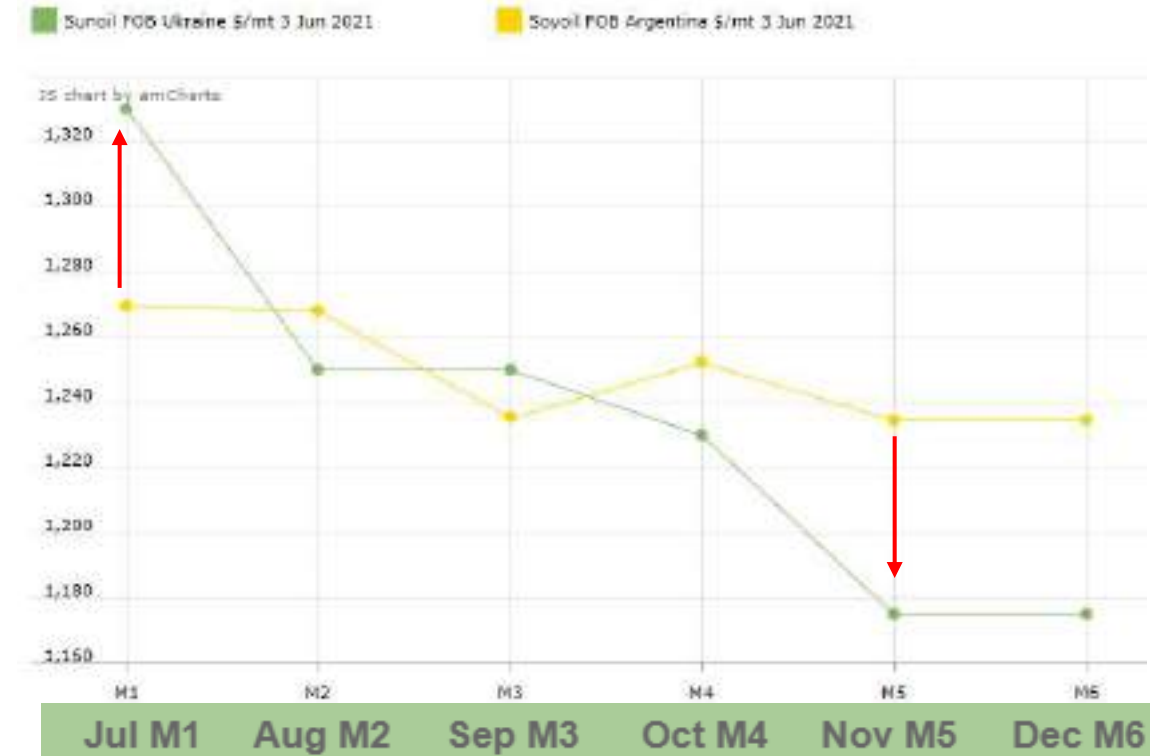
# 7.3 SUNFLOWER OIL AND HIGH OLEIC SUNFLOWER



SFO FOB Ukraine



Very sharp fall in SFO prices for the 20/21 season, due to fast planting progress in the Black Sea, good weather combined with good short-term forecasts and a total lack of demand.

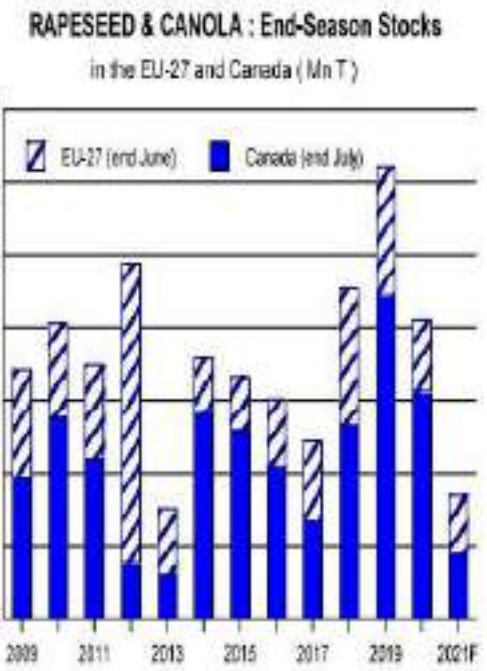
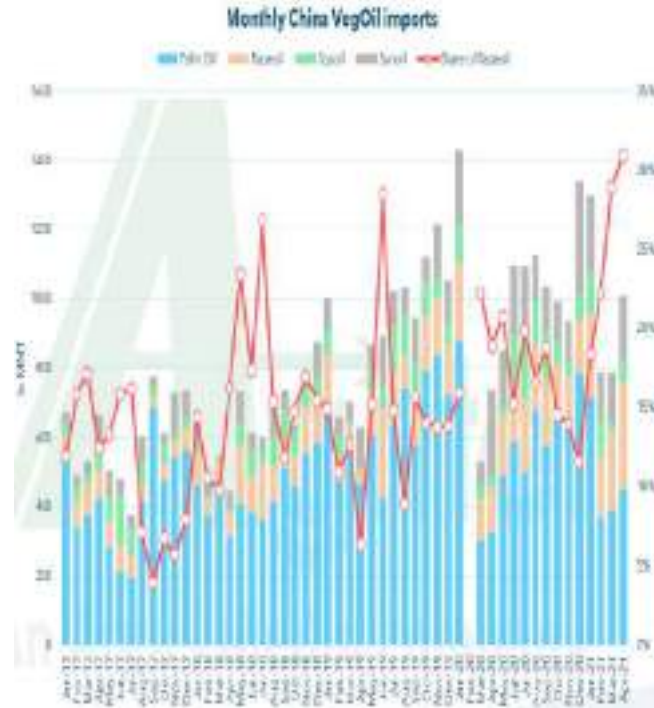
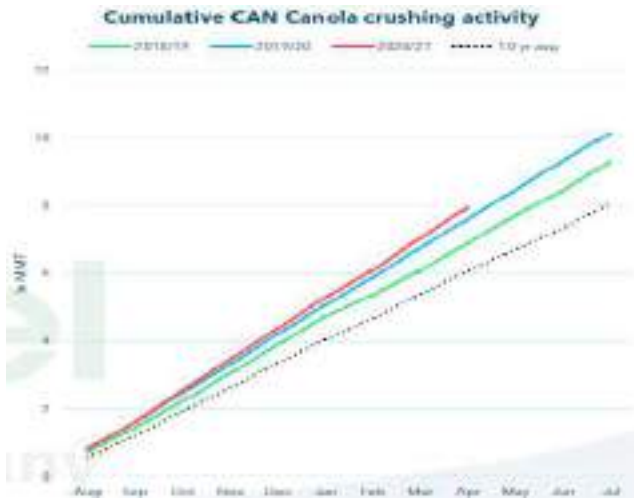


The SFO is quoted at a discount to the SBO for the new season. This makes it more competitive and supports 21/22 prices.

However, if the expected production for Black Sea and Europe materializes, we will go to lower sunflower prices. It will also be very important what happens with the rest of the oils.

FUENTES: ARETÉPRO / OIL WORLD / AGRICENSUS

# 8.1 RAPESEED OIL



	Jan/Apr		Oct / Apr		
	2021	2020	20/21	19/20	18/19
Soybeans	5.44*	5.38	9.30*	9.02	9.24
Sunseed	2.77*	3.12	5.23*	5.78	5.45
Rapeseed	7.67*	7.15	13.66*	12.91	12.68
Total	15.88*	15.65	28.19*	27.70	27.37

Crushing in the EU remains very strong, and RSO exports have been very good due to strong demand from China, with a historically high share of rapeseed purchases in total oils.

As we have seen, stocks in Canada and the EU end up being very low this season.

FUENTE: AGRITEL / OIL WORLD

# 8.2 RAPESEED OIL

	Rape oil		
	2020/21	2021 /22	<i>Δ/prev. report</i>
Carry-in stocks	2.0	2.2	0.0
Production	29.6	29.6	0.1
Trade	6.0	6.0	0.1
Industrial use	8.0	8.2	0.0
Food use	21.4	21.5	0.1
Animal uses	0.1	0.1	0.0
Total demand	29.4	29.8	0.1
Carry-out stocks	2.2	2.0	0.0
stocks-to-use	7.4%	6.8%	



We continue to see a very tight RSO balance for the 21/22 season.

Weather in Canada and use of rapeseed in biofuel, as well as demand from China will be critical in the short term.

Despite the tight balance we expect, the RSO price has eased in the last few days, also pressured by the fall in SFO. We could see a tighter situation in the medium term.

FUENTE: STRATEGIE GRAINS / AGRICENSUS

The logo for LIPSA, featuring a stylized 'L' symbol followed by the word 'LIPSA' in a bold, sans-serif font.

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