



LIPSA

December 2021

Agenda

1. Evolución of reference markets
2. External
3. Major oils balance
4. Palm oil (CPO)
5. Sunflower oil (SFO)
6. Rapeseed oil (RSO)
7. Soybean oil (SBO)

1.1 EVOLUTION OF REFERENCE MARKETS

		15/11/2021	14/12/2021	Unidad	Dif	Dif %
Crude Palm Oil (Feb)	FOB MALASIA	4966	4699	MYR/ MT	-267	-5,4%
Crude Palm Oil (Feb)	CIF RDM	1300	1275	USD/ MT	-25	-1,9%
CCNO Phil/Indo (Feb/Mar)	CIF RDM	1875	1650	USD/ MT	-225	-12,0%
CPKO (Feb/Mar)	CIF RDM	1880	1610	USD/ MT	-270	-14,4%
Crude Sunflower Oil (Jan/Feb/Mar)	FOB 6 PORTS	1425	1385	USD/ MT	-40	-2,8%
Crude Rape Oil (Feb/Mar/Abr)	FOB DUTCH MILL	1525	1490	€/MT	-35	-2,3%
Crude Soya Oil (Feb)	FOB ARGENTINA	1325	1297	USD/ MT	-28	-2,1%
EUR/USD	SPOT	1,1367	1,1257		-0,011	-1,0%
USD/MYR	SPOT	4,1600	4,2300		0,070	1,7%
Brent Crude	SPOT	82,05	73,7	US \$/ BRL	-8,35	-10,2%
Gas Oils	SPOT	687	642,25	US \$/ MT	-44,75	-6,5%

Sentiment has changed due to government decisions in Brazil and US about mandates, and additional pressure coming from energy sector. However, vegetable oils prices still showed tight situation except for lauric oils, where we have seen a significant drop in prices in last month.

Very slow farmer selling and lower than expected recovery in palm oil production as main reasons. Focus on South America weather and crushing.

SOURCES : REUTERS

1.2 EVOLUTION OF REFERENCE MARKETS



SOURCES : REUTERS

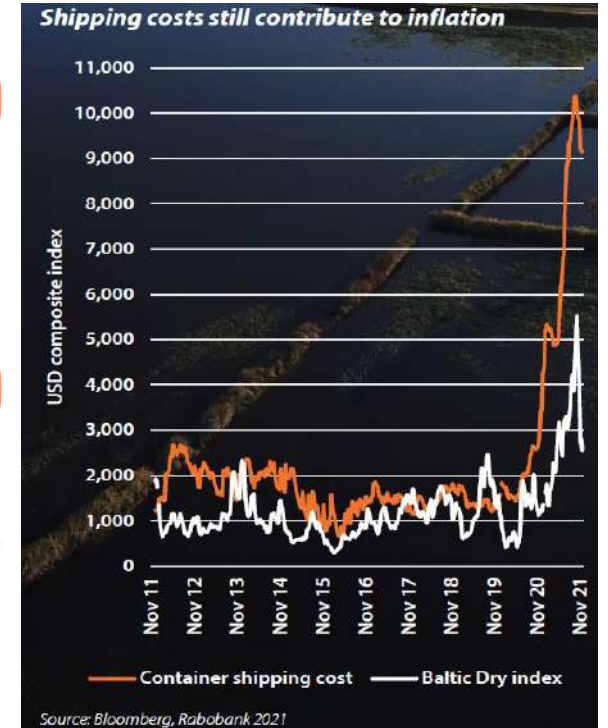
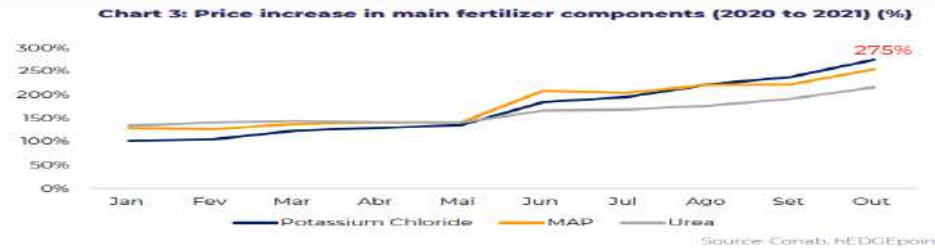
1.3 EVOLUTION OF REFERENCE MARKETS



SOURCES : REUTERS

2. EXTERNAL

US dollar expected to strengthen in 2022



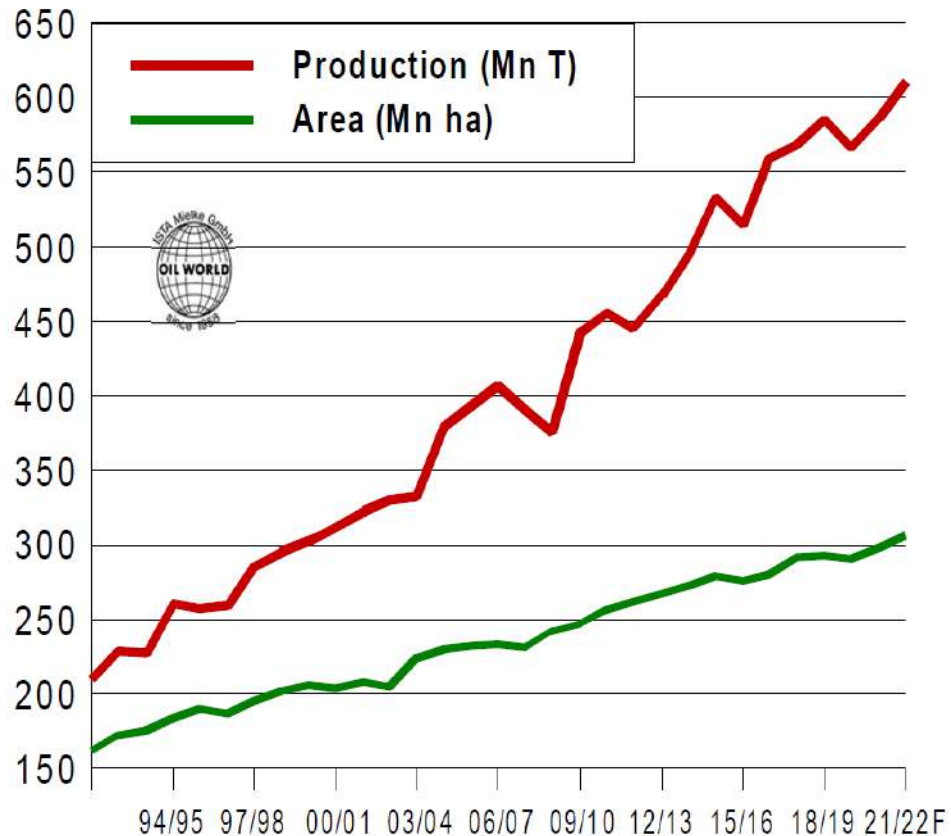
Rabobank expects that USD will be a favored currency in coming months, mainly because the possibility of a Fed rate hike in 2022. Prices of commodities quoted in USD have an inverse relationship to movements in dollar.

Sharp drop of in natural gas prices. These drops should continue to be reflected on fertilizer prices in coming weeks on future prices from February onward. The price of crude oil has also fallen due to fears of the new variant of covid and its effect on the economy. As a result, shipping costs have been under pressure. However, high volatility is expected due to the tensions between the US and Russia, low temperatures expected in the northern hemisphere and new perceptions that Omicron is less worrying than initially expected

SOURCES: RABOBANK / FUTURES FINVIZ- / BLOOMBERG

3.1 MAJOR OILS BALANCE

10 Oilseeds: World Area and Production



World production of oilseeds in 21/22 is expected to increase 25 Mts (million metric tons) reaching a record of 611 Mts. According to **Oil World**, if this production materializes, there will be sufficient supplies of oilseeds to sharply raise crushing and to eliminate the current vegetable oil supply tightness.

However, transition of the tightness in last season to wider supplies is difficult. Indeed, we still see some potentially bullish risks:

1. Production: La Niña and its effect in South America production, labor shortages in Malaysia and historical high prices in fertilizers
2. Biofuel policies (Indonesia, Brazil and US)
3. Farmer selling (inflation and devaluation of local currencies)

SOURCES: OIL WORLD / GODREJ INT

3.2 MAJOR OILS BALANCE

7 OILSEEDS : World Crushings & Product Output (Mn T)

Crushings	Sept / Aug			Sept/Nov	
	21/22F	20/21	19/20	2021	2020
Soybeans.	326.19*	315.76	310.68	79.27*	79.37
Cottonseed	31.20*	30.51	32.74	7.59*	7.59
Grdnuts, shelled	11.25*	10.62	10.23	2.86*	2.73
Sunflowerseed	50.90*	45.75	50.39	12.77*	13.44
Rapeseed	62.12*	66.31	61.91	16.44*	16.55
Palmkernels. . . .	18.42*	17.72	17.60	4.87*	4.79
Copra.	4.73*	4.22	4.36	1.17*	1.03
Total	504.80	490.89	487.91	124.97	125.50
Output 7 oils . .	128.64	124.76	124.49	32.24	32.31
Output 7 meals	351.46	342.88	338.14	86.62	87.01

FARMER SELLING!

Despite an excellent production, very slow crushing in the first 3-4 months of this season.

Crushing remains below of previous year due to:

- delay in sunflower harvest and
- **FARMER SELLING:** market sentiment is still bullish, high prices in other products and good financial conditions, so farmers are still reluctant to sell.

Farmers are no longer price takers, but they have an important role in the market.



SOURCES: OIL WORLD / GODREJ INT

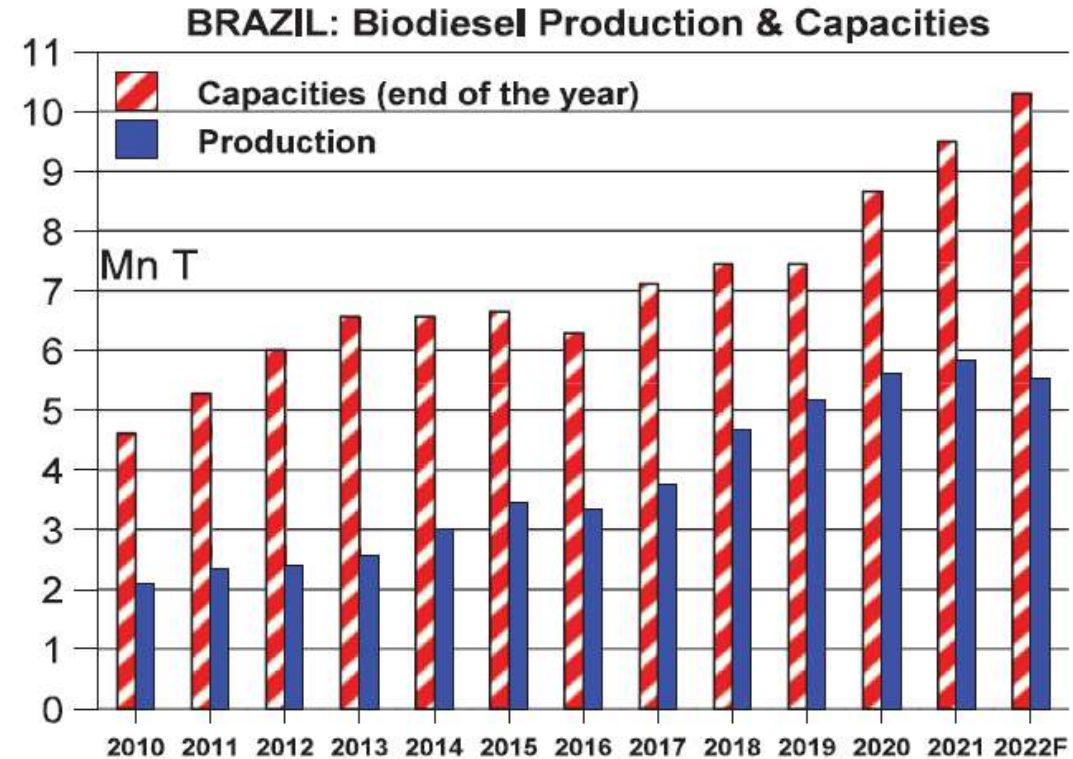
3.3 MAJOR OILS BALANCE

MANDATES:

USA (bearish) The Biden administration will propose retroactively cutting biofuel quotas for 2020 and modestly increasing them for next year, in a blow to producers of ethanol and biodiesel, according Stonex. Rumors of Assistance of 700 million US\$ for biodiesel industry.

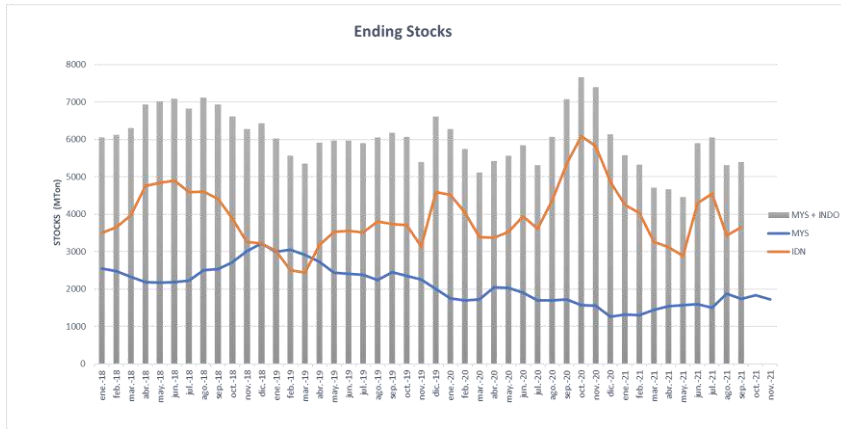
BRAZIL (bearish): Government has decided to limit biodiesel mandate to 10% in 2022 instead of raising it to 13/14%. Brazilian biodiesel production will decline in 2022 when we expected an increased of around 1MTs. Less domestic demand of SBO.

INDONESIA (Neutral): The Indonesian government has extended its B30 mandate program until 2022. In addition, it has announced it is set to test B40 biodiesel fuel mix in series of road test next year. However, it is not clear if the B40 blend rate will be implemented in 2022 given the sustained wide POGO disparity averaging US\$412 this year versus US\$240 last year or 73% higher year-on-year making the cost of sub-sidy to soar.



SOURCES: STONEX / POA / OIL WORLD / GODREJ INT

4.1 PALM OIL (CPO)



ITS : Indonesia export 1-30 November vs. 1-31 October 2021 (in mt)

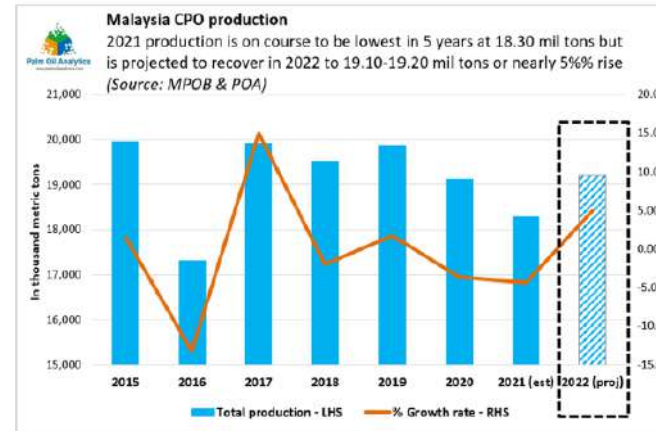
Total: 1,481,781 vs. 2,099,330 (-617,549 or down 29.42%)

CPO: 63,268 vs. 82,170 (-18,902 or down 23.00%)

RBD Palm olein: 538,478 vs. 848,077 (-309,599 or down 36.51%)

RBD Palm stearin: 118,062 vs. 177,816 (-59,754 or down 33.60%)

CPKO : 4,620 vs. zero (+4,620)



Malaysia 1-15 Dec 2021 vs. 1-15 Nov 2021 export (in mt)

ITS : 772,137 vs. 882,385 (-110,248 or down 12.49%)

Amspec : 725,600 vs. 798,399 (-72,799 or down 9.12%)

SGS :

USDA

	15/16	16/17	17/18	18/19	2019/20	2020/21 Est.	2021 Oct	22 Proj. Nov
								Millones de Toneladas
Inventarios Iniciales	2.61	1.46	2.02	2.53	2.50	1.79	1.32	1.71
Producción	17.70	18.86	19.68	20.80	19.26	17.85	19.70	19.70
Importaciones	0.56	0.63	0.54	1.06	0.79	1.30	0.90	0.90
Oferta Total	20.87	20.95	22.24	24.38	22.55	20.94	21.92	22.31
Uso Doméstico	2.74	2.62	3.24	3.52	3.54	3.37	3.37	3.37
Exportaciones	16.67	16.31	16.47	18.36	17.21	15.87	17.22	17.22
Uso Total	19.41	18.94	19.71	21.88	20.76	19.24	20.59	20.59
Inventarios Finales	1.46	2.02	2.53	2.50	1.79	1.71	1.33	1.72
Índice Inv. Final/Usado (%)	7.5%	10.6%	12.8%	11.4%	8.6%	8.9%	6.5%	8.3%

	15/16	16/17	17/18	18/19	2019/20	2020/21 Est.	2021 Oct	22 Proj. Nov
								Millones de Toneladas
Inventarios Iniciales	2.89	2.86	2.11	3.09	2.91	4.63	5.47	5.98
Producción	32.00	36.00	39.50	41.50	42.50	43.50	44.50	44.50
Importaciones	0.00	0.01	0.00	0.08	0.01	0.00	0.00	0.00
Oferta Total	34.89	38.87	41.61	44.67	45.42	48.13	49.97	50.48
Uso Doméstico	9.12	9.13	11.56	13.49	14.55	15.28	15.45	15.45
Exportaciones	22.91	27.63	26.97	28.28	26.25	26.87	29.50	29.50
Uso Total	32.03	36.76	38.52	41.76	40.79	42.15	44.95	44.95
Inventarios Finales	2.86	2.11	3.09	2.91	4.63	5.98	5.03	5.53
Índice Inv. Final/Usado (%)	8.9%	5.7%	8.0%	7.0%	11.3%	14.2%	11.2%	12.3%

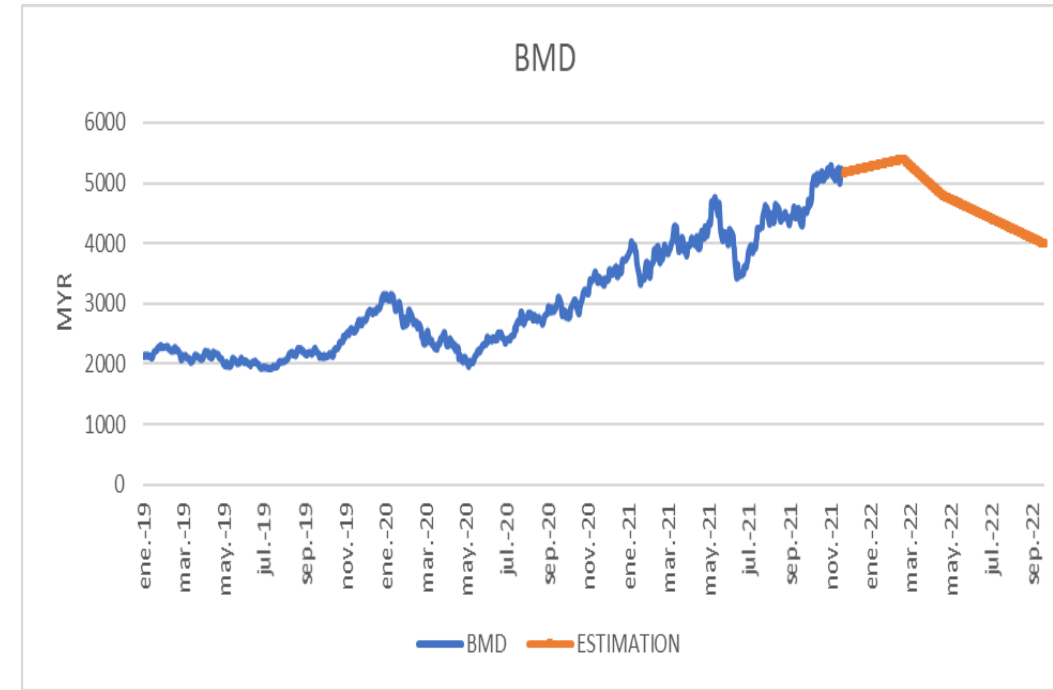
Once again, Malaysia full month CPO production fell much lower than expected plunging by 5,2% to 1,63 Mts in Nov, according to MPOB. Due to modest growth in exports, ending stocks stayed at 1.8MTs, 1% below the previous month and in line with market expectations. Total Production in 2021 will be the lowest in 5 years. The situation for Dec-21 + Q1-22 will remain tight.

In the **medium/long term**, the most important factor is **production**: according to Oil World it will increase +3.5 / 3.8 MTs, but Godrej is less optimistic with +2.5Mts. Malaysia is expected to release about 35,000 Work Permits for migrant workers to arrive and work on palm plantations. **It will be difficult to see a real impact on production before May.**

According to Mr Mistry, If global production fails to expand by 2.5 million tons, palm stocks will simply go from Extremely Tight in FH 2022 to Tight in LH 2022

SOURCES: MPOB / POA / GAPKI / STONEX / USDA / OIL WORLD / GODREJ INT

4.2 PALM OIL (CPO)



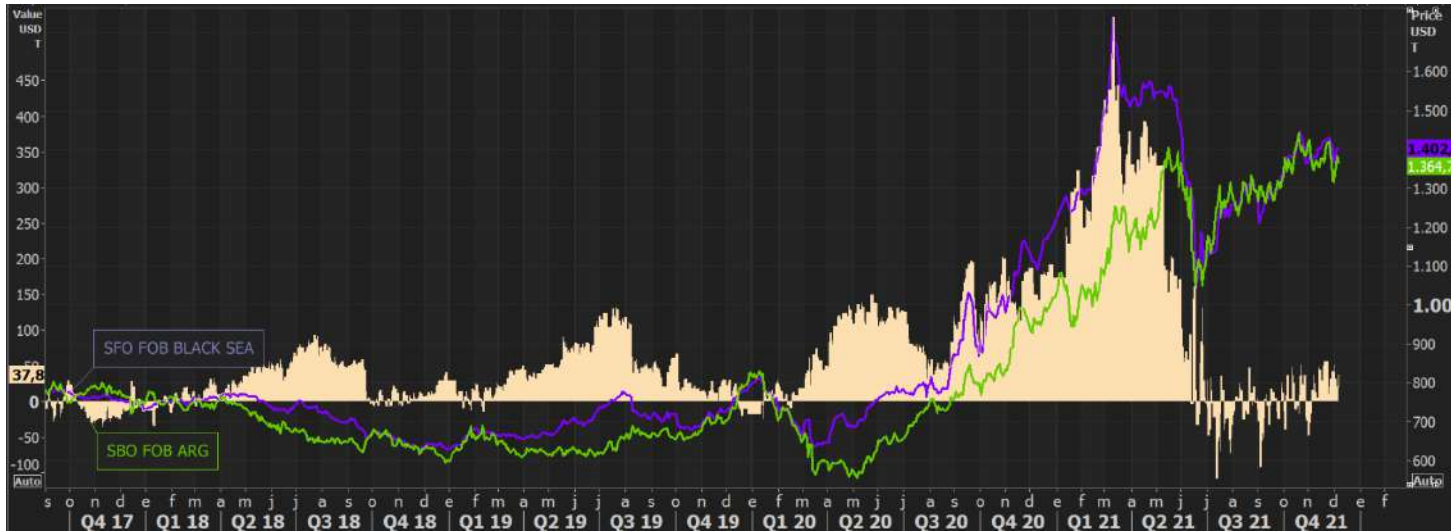
Despite pressure coming mainly from government decisions regarding mandates and energy sector prices, added to lower than expected exports during last month in Malaysia and Indonesia, market sentiment remains cautious for coming months, with intense volatility due to high levels of prices. According to Mr. Mistry:

- (Now – March 22): BMD prices will remain high due to current tight situation helped by export levy in Indonesia. Futures historically high until Feb and slightly lower in March.
 - (April 22 – Sept 22): BMD futures will decrease from 4,800 MYR to 4,000 MYR.

Assumptions: good production in South America for soybean, “normal” growing conditions for palm oil, no big changes in mandates; covid situation under control and moderation in energy prices.

SOURCES: REUTERS / GODREJ INT

5. SUNFLOWER OIL(SFO)



Sunseed (Mt)	2020/21		2021/22	
	29/10/21	03/12/21	29/10/21	03/12/21
August-July				
carry-in	3.7	3.7	2.9	2.9
production	49.5	49.6	56.6	57.2
trade	2.9	2.9	2.8	2.7
crush	45.8	45.8	51.5	51.5
other cons.	4.6	4.6	4.6	4.6
carry-out	2.9	2.9	3.4	4.1
stock/use ratio	5.8%	5.8%	6.1%	7.3%

World sunflower production 21/22 at 57 / 57.6 Mts (+7Mts vs 20/21). Ukraine better than expected. In Argentina crop conditions have improved but remains worse than previous year.

Despite that, crushing Sept/Nov 2021 below previous year due to very slow farmer selling. It is the reason behind sun oil prices remain high. However, for full season we will see a significant increase in crushing. Sun oil should be the price leader downward from March onwards. Not clear prices for new season, but offers are around 1250 US\$ / Mt.

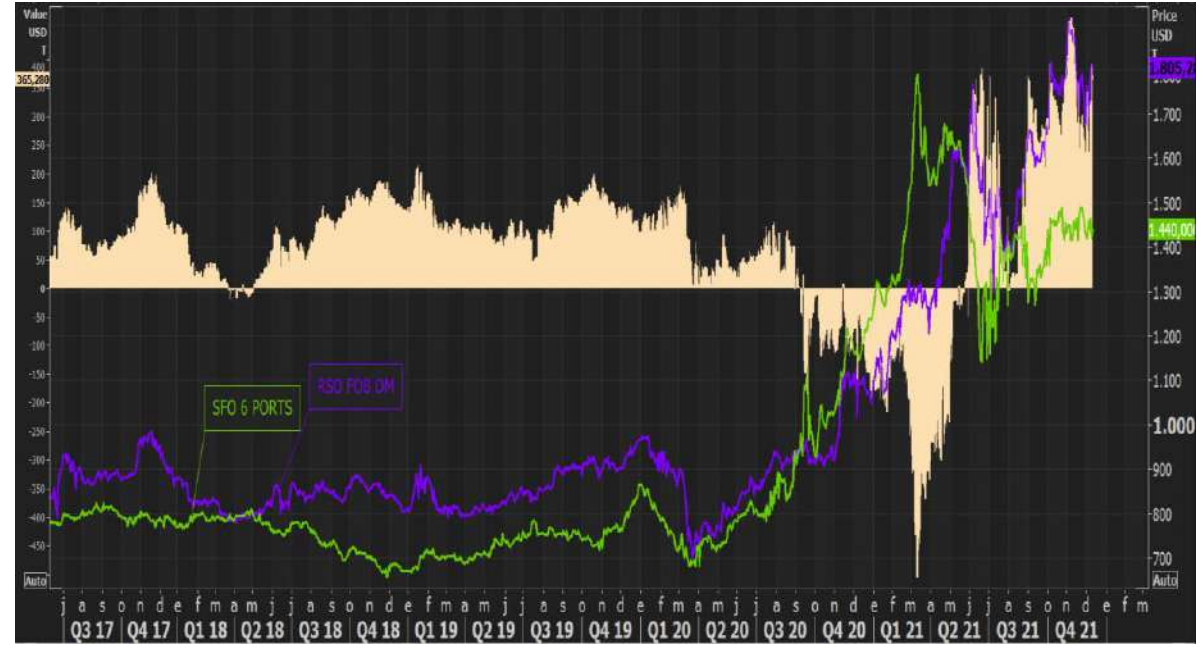
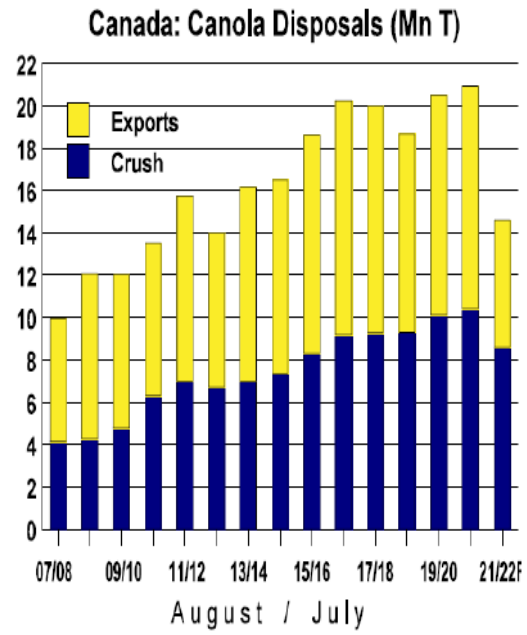
Clearer high oleic market: offers around U\$ 250. Until now, the demand does not validate higher prices

SOURCES: REUTERS / AGRICENSUS / STRATEGIE GRAINS / OIL WORLD / GODREJ INT

6. RAPESEED OIL(RSO)



Rapeseed (Mt)	2020/21		2021/22	
	29/10/21	03/12/21	29/10/21	03/12/21
July-June				
carry-in	8.0	7.9	6.1	6.3
production	73.6	73.9	68.6	69.8
trade	17.4	17.4	15.0	14.6
crush	73.6	73.4	68.5	69.6
other cons.	1.9	2.2	1.9	2.3
carry-out	6.1	6.3	4.3	4.2
stock/use ratio	8.1%	8.3%	6.1%	5.8%



WCE – Estacional Futuros Canola desde 2011



World rapeseed production 21/22 to a 13-year low with very low carry-in. Canadian crop only 13.4 Mts or less, drought losses around 7 Mts. Lower than expected crops in Europe, China and US. Australia will have a record crop of aprox. 5.7 MT. During last weeks, prices under pression due to lower energy prices.

European farmers have already reacted and boosted winter rapeseed plantings to a multi-year high. A significant expansion of canola sowings is also expected in Canada. However, the impact in prices of this season will be limited, because we expect a shortage during April/June 2022. Pression over HOSO in food demand.

SOURCES: STRATEGIE GRAINS / OIL WORL / REUTERS

7. SOYBEAN OIL(SBO)

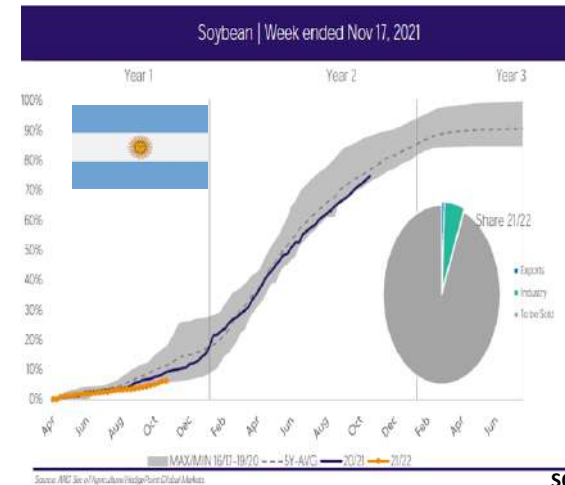
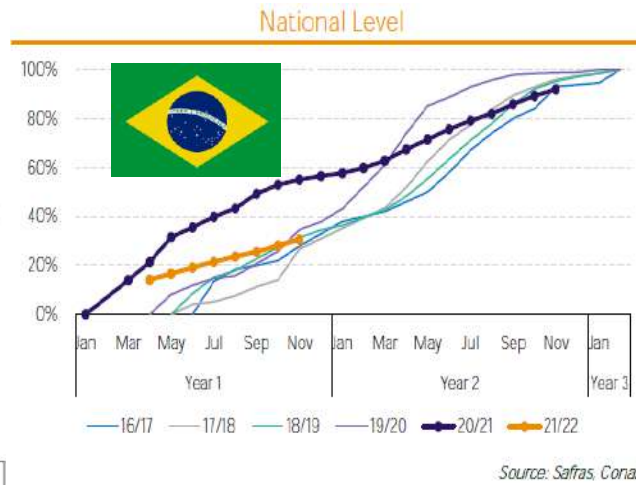
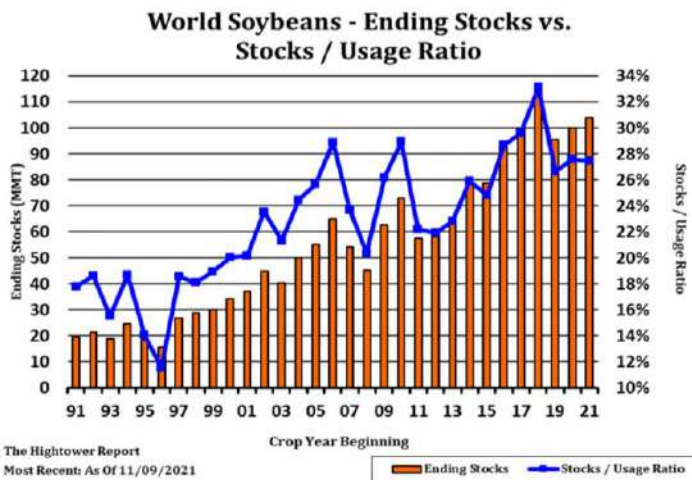


SOYBEANS : World Supply and Demand (Mnt)				
	21/22F	20/21	19/20	18/19
Opening stocks	97.70*	96.71	111.63	94.00
Production	379.48*	362.55	339.65	361.81
Total supply	477.18*	459.26	451.28	455.81
Crush (Sept/Aug)	326.19*	315.76*	310.68	301.92
Other use	47.59*	45.80*	43.89	42.26
Ending stocks	103.40*	97.70*	96.71	111.63
U.S.A. Aug 31	10.70*	6.97	14.28	24.74
Argentina Aug 31	34.50*	34.10*	32.94*	32.90*
Brazil Aug 31	33.70*	33.24*	24.82*	37.56*
Stocks/usage	27.7%	27.0%	27.3%	32.4%

Global soybean stocks in 21/22 will increase around 6 Mts thanks to records production in USA and Brazil. Argentina will reduce its area again. China import of soybeans will be higher in 2022 than in 2021, crush margins are stabilizing.

Planting is 90% done in Brazil 46% in Argentina. Excellent conditions in central and northern Brazil, partly offset by dry conditions in south Brazil and parts of Paraguay. In Argentina, 88% of crops are in Good/Excellent conditions. However, La Niña remains as main risk. On the other hand, farmer selling is very slow in both Argentina and Brazil.

Prices of US soya oil was the leader downward during the past two week due to the impact of government proposal for mandate, increasing crushing and lower than expected domestic consumption. Soybean oil prices remains very competitive vs palm oil.



hEDGEpoint GLOBAL MARKETS

SOURCES: OIL WORLD / USDA / CME GROUP / HEDGE POINT / BCBA

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

LIPSA

A WORLD OF VEGETABLE OILS

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