



MARKET REPORT

December 2022

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1.1 Vegetable Oil Prices

		18/11/2022	12/12/2022	Unidad	Dif	Dif %
Crude Palm Oil (3rd Pos)	FOB MALASYA	3828	3737	MYR/ MT	-91	-2,4%
Crude Palm Oil (Jan)	CIF RDM	1048	995	USD/ MT	-53	-5,1%
CCNO Phil/Indo (Jan/Feb)	CIF RDM	1165	1140	USD/ MT	-25	-2,1%
CPKO (Jan/Feb)	CIF RDM	1085	1050	USD/ MT	-35	-3,2%
Crude Sunflower Oil (JFM)	6 PORTS	1315	1235	USD/ MT	-80	-6,1%
Crude Rape Oil (FMA)	FOB DUTCH MILL	1290	1150	€/MT	-140	-10,9%
Crude Soya Oil (Jan)	FOB ARGENTINA	1314	1195	USD/ MT	-119	-9,1%
EUR/USD		1,0324	1,0535		0,021	2,0%
USD/MYR		4,5500	4,4140		-0,136	-3,0%
Brent Crude		87,62	77,99	US \$/ BRL	-9,63	-11,0%
Gas Oils		946,0	844,75	US \$/ MT	-101,25	-10,7%

Huge correction in SBO prices after EPA's proposal of Renewable Fuel Standards (RFS) program for 2023, 2024 and 2025 and higher stocks in Argentina. It is likely to see a rebound, the price setback in SBO seems overdone. Rest of vegetable oils prices under pressure.

Palm oil prices are likely to find support from diminishing Indonesian supply pressure and seasonally declining production in Southeast Asia.

SOURCE: REUTERS/AGROSUD/EASYTRADE/OIL WORLD

1.2 Vegetable Oil Prices



SOURCES: REUTERS

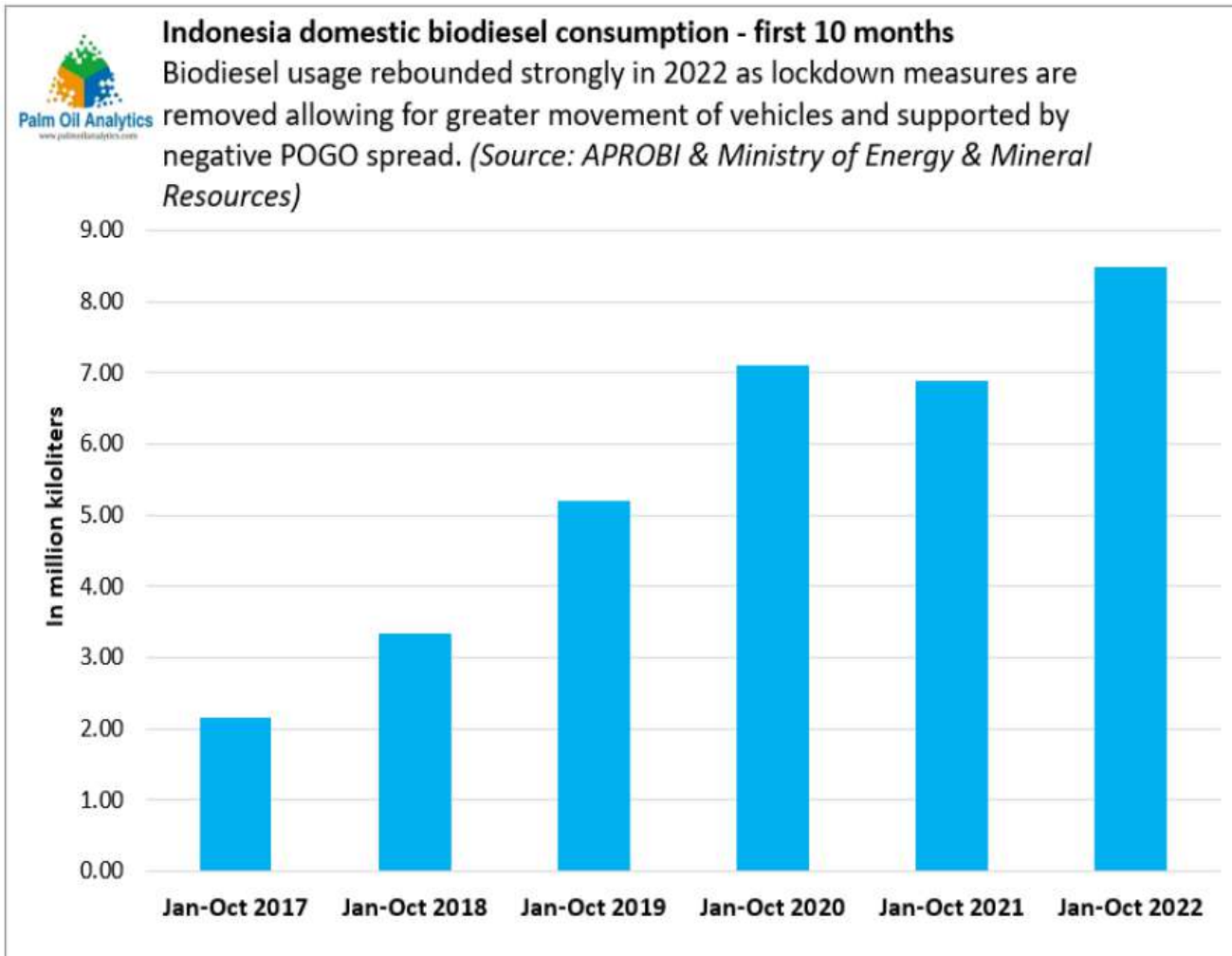
2. Energy Sector



- Crude Oil price continues below pre-war levels.
- Gas-Oil price has fallen more than 30% since mid-October.
- Vegetable oils are still competitive for the energy sector, mainly in the case of palm.
- An increase is expected in the mandates of Brazil with new administration (from 10% to 14%?).
- Disappointing proposal for 2023-2025 in USA.

SOURCE: REUTERS/FUTURES FINVIZ/POA/BMD/ICE/APROBI

2. Energy Sector



- Big increase in biodiesel consumption in Indonesia. Indonesian government is gearing up for B35 biodiesel plans from January 2023 after staying on B30 for 3 years. This implies 1.8/2.0 mil tons increase in consumption.

SOURCE: REUTERS/FUTURES FINVIZ/POA/BMD/ICE/APROBI

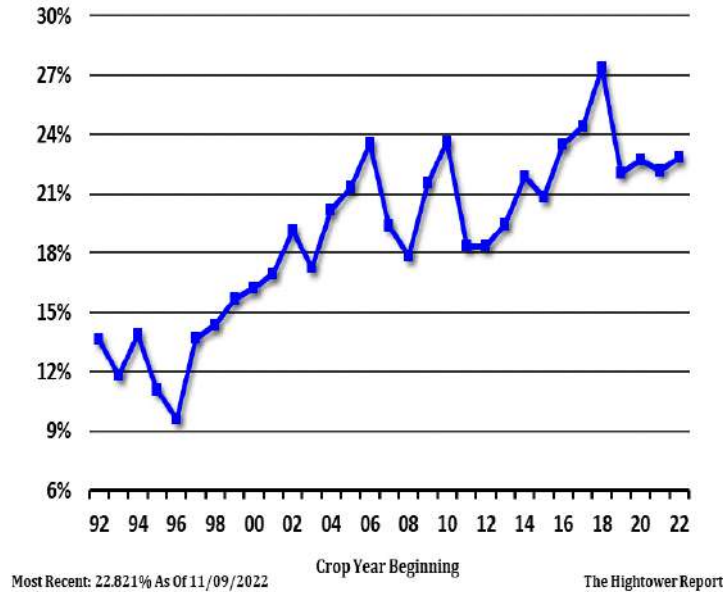
3. Oilseeds

7 OILSEEDS: World Supply and Demand (Mn T)

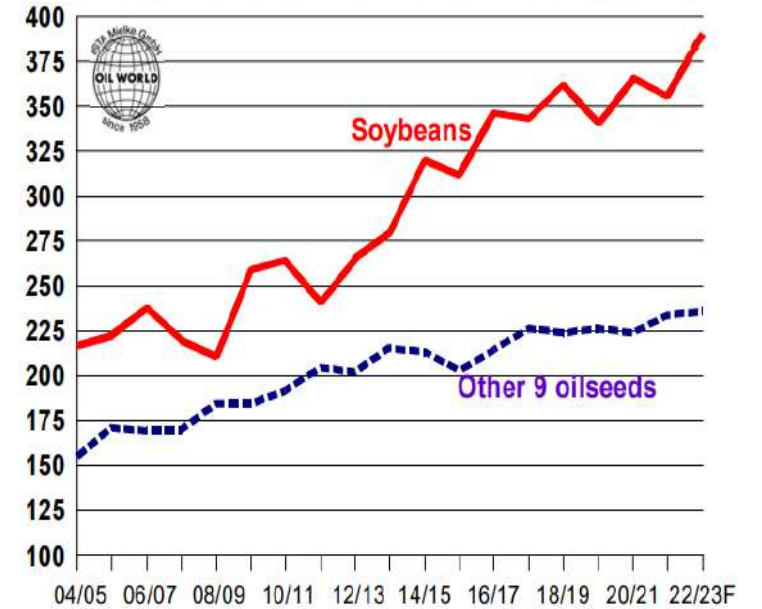
	Forecast	Change	21/22p	20/21
	22/23F	to 21/22		
Opening stocks	107.4*	- 6.8	114.2	113.7
Production	617.7*	+37.9	579.8	579.5
<i>thereof: Soybeans</i>	389.5*	+33.2	356.3	366.1
<i>Sunseed</i>	53.9*	- 4.1	58.0	50.8
<i>Rapeseed</i>	76.1*	+9.5	66.6	66.7
<i>Cottonseed</i>	40.8*	+/- 0	40.8	40.2
<i>Groundnuts (b)</i>	33.5*	- 1.0	34.5	33.1
<i>Palmkern & Copra</i>	23.9*	+0.2	23.7	22.5
Total supplies	725.1*	+31.1	694.0	693.2
<i>thereof: Soybeans</i>	478.7*	+21.3	457.4	464.3
Consumption	603.5*	+16.9	586.6*	579.0
<i>thereof: Soybeans</i>	376.6*	+8.4	368.2*	363.2
<i>Sunseed</i>	55.4*	+1.8	53.6*	51.3
<i>Rapeseed</i>	72.8*	+6.0	66.8*	68.9
Ending stocks	121.6*	+14.2	107.4*	114.2
<i>thereof: Soybeans</i>	102.1*	+12.9	89.2*	101.1
<i>Sunseed</i>	5.8*	-1.5	7.3*	2.9
<i>Rapeseed</i>	9.6*	+3.3	6.3*	6.4
Stocks/usage (a)	20.1%		18.3%	19.7%
<i>thereof: Soybeans</i>	27.1%		24.2%	27.8%

(a)Stocks in % of annual disappearance. (b)Shelled basis.

World Oilseed - Ending Stocks / Usage Ratio



10 Oilseeds: World Production (Mn T)



If soybean production in South America is in line with current estimations, especially in Brazil (over 150 MnT), the balance of oilseeds will be very good and will push oilseed prices down.

SOURCE: OIL WORLD/CME GROUP

4.1 Soybean oil (SBO): Big Surprise at EPA's Proposed Volume Mandates under RFS Program

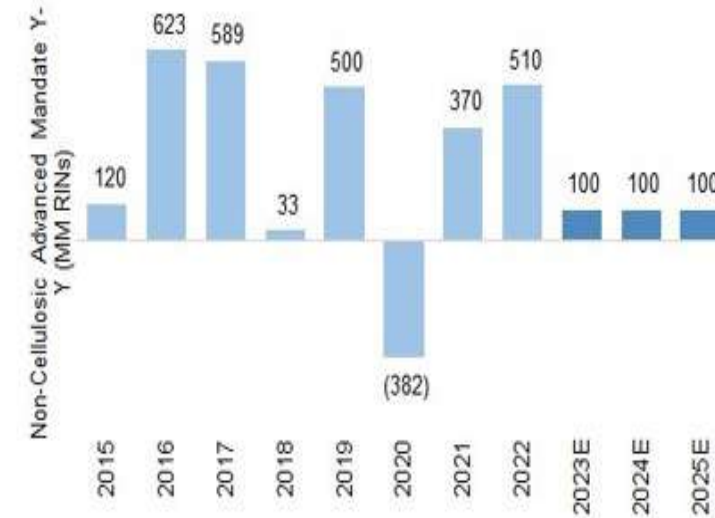


The US Environmental Protection Agency (EPA) released proposed volume mandates under its Renewable Fuel Standards (RFS) program for 23, 24 and 2025. This dictates the amount of biofuels (e.g. ethanol, biodiesel, renewable diesel, renewable natural gas) that must be mixed in with non-renewable fuels (gasoline, diesel) at national level.

Figure 1: Renewable Volume Obligation by Fuel Type, 2015-2025 (2023-2025 are Proposed)

RVO Summary	MM RINs						MMg
	Year	D3	D4+D5	Total Advanced	D6	Supplemental	
2015	123	2,757	2,880	14,050	-	16,930	1,730
2016	230	3,380	3,610	14,500	-	18,110	1,900
2017	311	3,969	4,280	15,000	-	19,280	2,000
2018	288	4,002	4,290	15,000	-	19,290	2,100
2019	418	4,502	4,920	15,000	-	19,920	2,100
2020	510	4,120	4,630	12,500	-	17,130	2,430
2021	560	4,490	5,050	13,790	-	18,840	2,430
2022	630	5,000	5,630	15,000	250	20,880	2,760
2023	720	5,100	5,820	15,000	250	21,070	2,820
2024	1,420	5,200	6,620	15,250	-	21,870	2,890
2025	2,130	5,300	7,430	15,250	-	22,680	2,950

Source: EPA.



Source: EPA. Note: Renewable diesel generates 1.7 RINs per gallon.

The main surprise is that the non-cellulosic advanced mandate (D4 and D5 RINs combined) will increase by only 300 MM RINs total over the next three years, well below last year's 510 MM and previous market expectation. This portion of the mandate is mainly fulfilled with biodiesel and renewable diesel.

The growth over the next three years is focused almost entirely on the cellulosic mandate (which covers renewable natural gas and now electric vehicles under certain conditions).

The proposal includes to increase the share of biofuel use by only 1% in 2023 and to allow the use of rapeseed oil for biodiesel production. Existing capacity could be under-utilized.

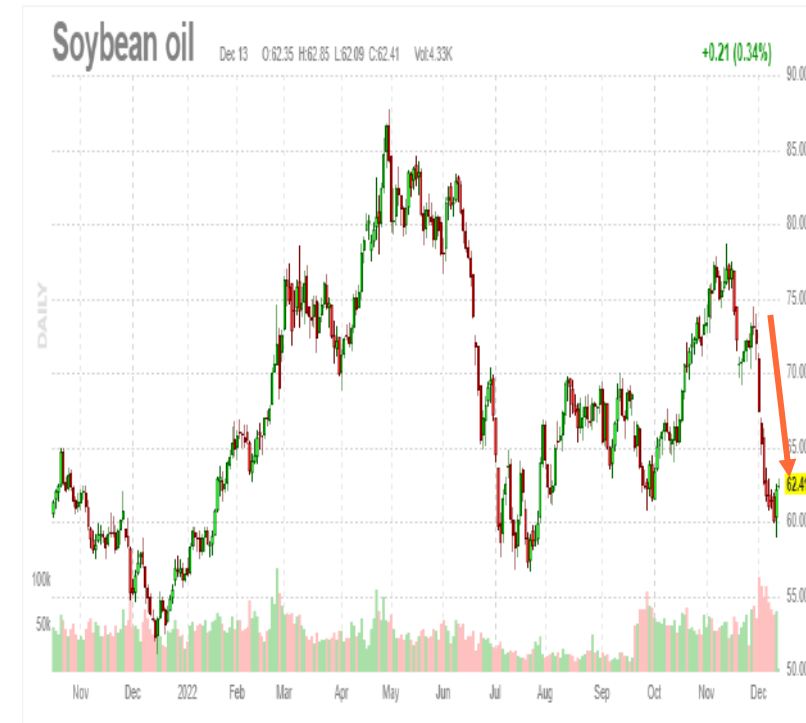
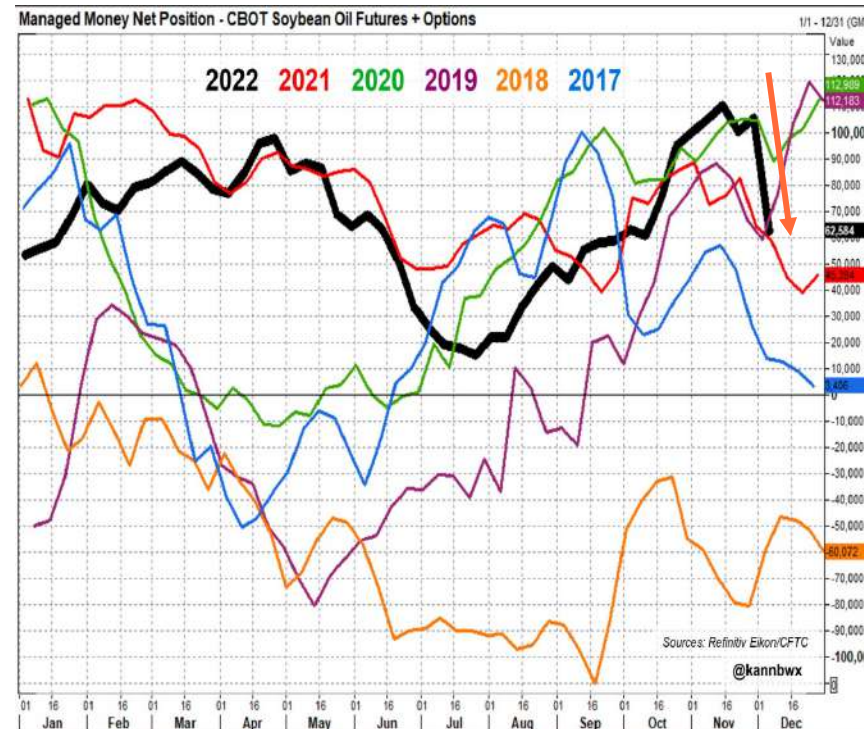
The final volumes for 2023 must be announced by June 14.

SOURCE: JP MORGAN/OIL WORLD

4.2 Soybean oil (SBO): Big Surprise at EPA's Proposed Volume Mandates under RFS Program



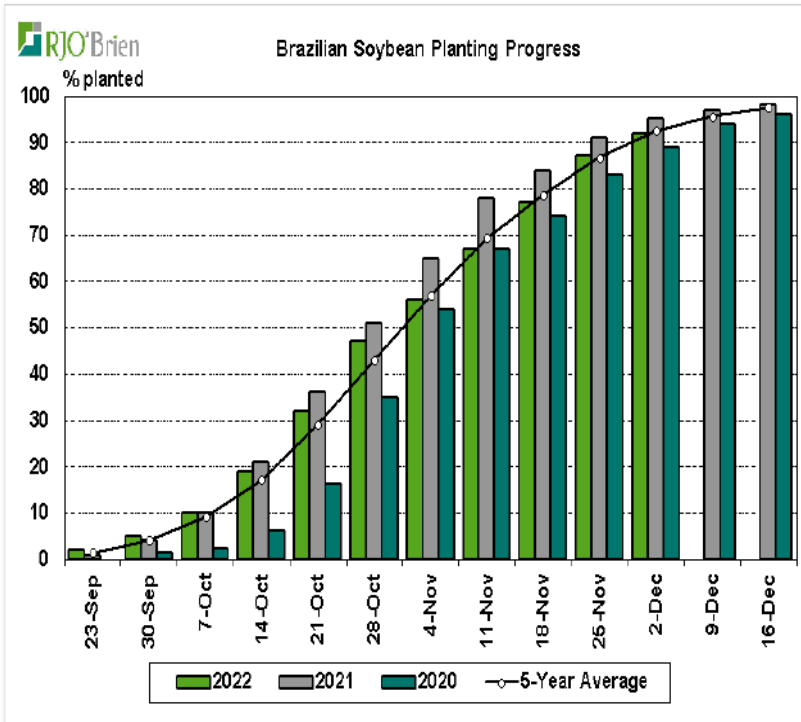
	2023	2024	2025
Cellulosic biofuel	0.72 +0.41%	1.42 +0.82%	2.13 +1.23%
Biomass-based diesel	2.82 +2.54%	2.89 +2.60%	2.95 +2.67%
Advanced biofuel	5.82 +3.33%	6.62 +3.80%	7.43 +4.28%
Renewable fuel	20.82 +11.92%	21.87 +12.55%	22.68 +13.05%
Supplemental standard	0.25 +0.14%	n/a	n/a



- The US EPA's proposals have largely disappointed the US soybean industry. They propose only slightly increase the use of crop-based biodiesel (+2.67% from 2021 to 2025).
- Soybean oil quotes in CBOT collapsed (overdone?), which were well above the prices of palm and sunflower oil. **January futures for soybean oil in Chicago fell by 17%.**
- There has been a massive sell by funds.

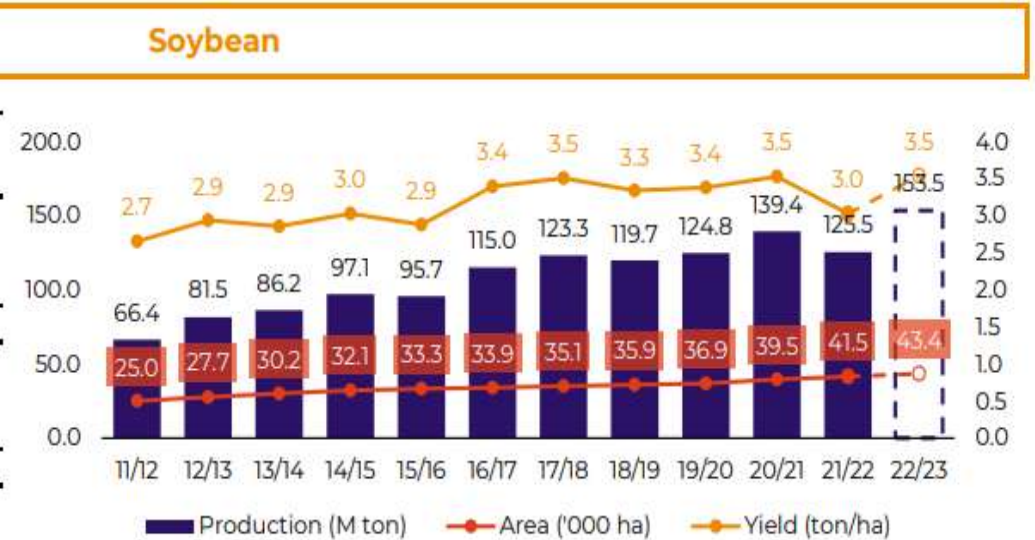
SOURCES: AGRITEL/K BRAUM/CFTC/FUTURES FINVIZ

4.3 Soybean oil (SBO): Good Conditions in Brazil



Supply & Demand - Brazil

Supply & Demand	21/22		22/23	
	Last	Previous	Last	M/M
Beg. Stocks	8.9	3.2	3.2	0%
Production	125.5	153.5	153.5	0%
Imports	0.5	0.5	0.5	0%
Total Supply	134.9	157.2	157.2	0%
Exports	79.2	96.5	96.6	0%
Crush	49.0	51.4	50.7	-1%
Seeds/Others	3.5	3.9	3.9	0%
Total Demand	131.7	151.8	151.2	0%
End. Stocks	3.2	5.2	6.0	16%
S/U	2%	3%	4%	16%

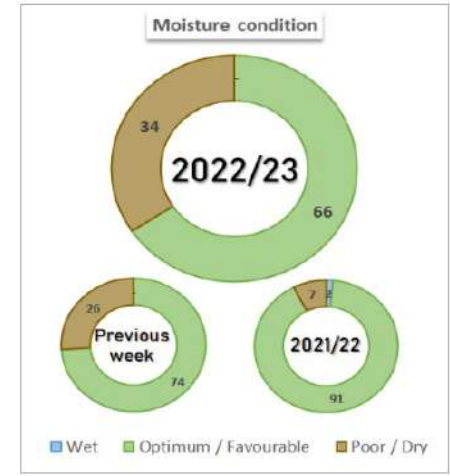
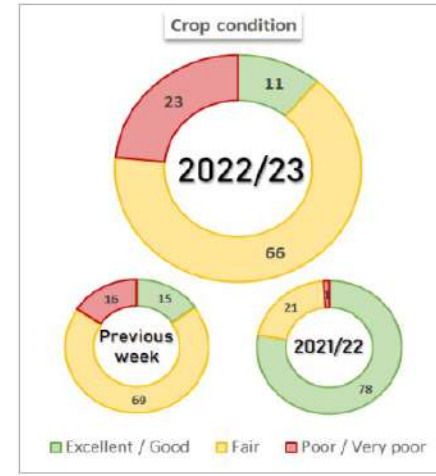
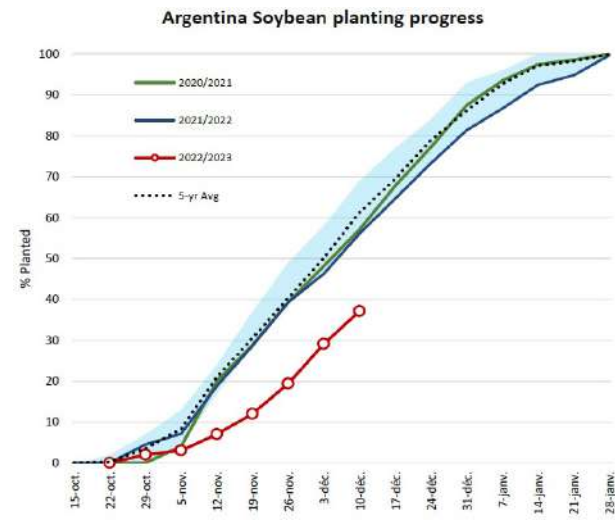
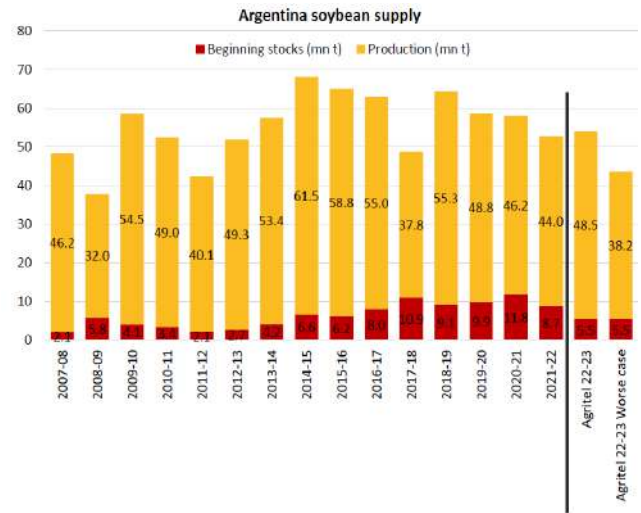
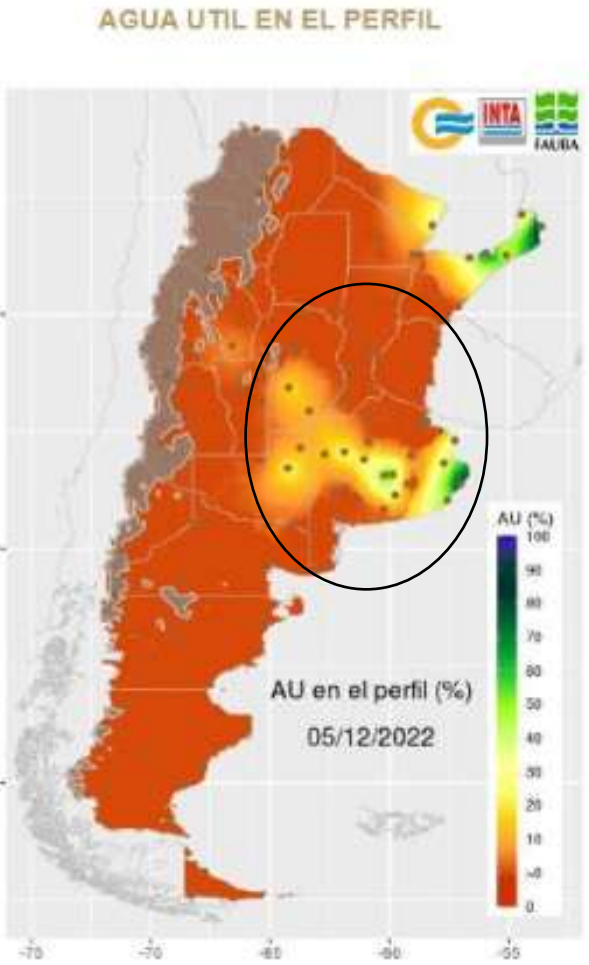


Scattered showers maintained overall favorable prospects for soybeans. However, recent below normal rainfall in several southern and southwestern regions have made some private observers more cautious in their expectation. The worse situation is in Rio Grande do Sul, the state could loose 5 MnT in the worst case. CONAB estimates national production at 153.5 and USDA 152 MnT.

If 150 MnT of production materializes, Brazil will export for more that 90 MnT. This is a huge volume. Oilseeds prices will be under pressure.

SOURCES: RIO ORIEN/HEDGE POINT/CONAB/USDA/OIL WORLD

4.4 Soybean oil (SBO): Critical situation in Argentina



The rains have been very scarce since September and temperatures above normal during last days. The drought is considered the worst in 50 years. The area could be cut, there is a high risk of acreage abandonment of recently planted fields where the young plants are dying because of the heat. Some local estimations show 42 MnT vs 49.5 MnT from USDA.

Disaster in Uruguay will be compensated by potential record yield in Paraguay.

Planting is done in 37% of intended area. The progress shows a delay of 20%. This could have some impact on yields in certain regions.

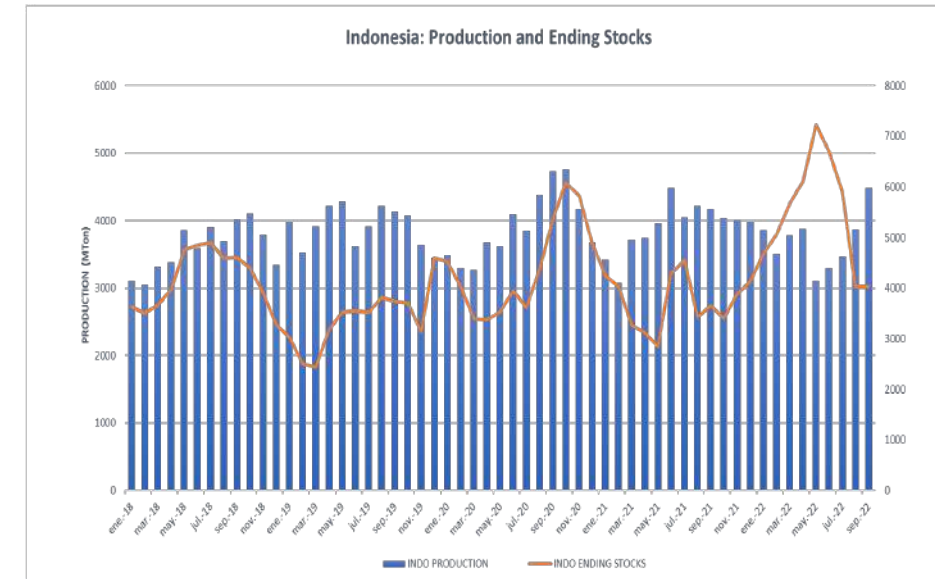
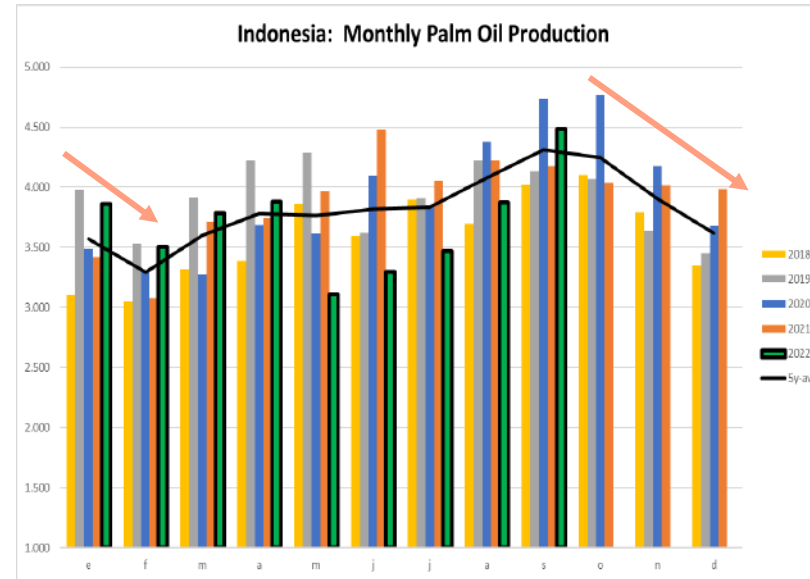
New "soybean dollar" program. The market expect between 3/5 MnT of commercialization.

SOURCES: INTA/SMN/FAUBA/BCBA/AGRITEL

5.1 Palm oil (CPO): Stocks in Indonesia Back to Normal



Indonesia CPO + CPKO
Sept-22 vs Sept-21
(millions tons)



Large exports and strong domestic consumption have reduced palm oil stocks in Indonesia by about 3.4 MnT from its peak, coming back to more manageable levels in recent weeks.

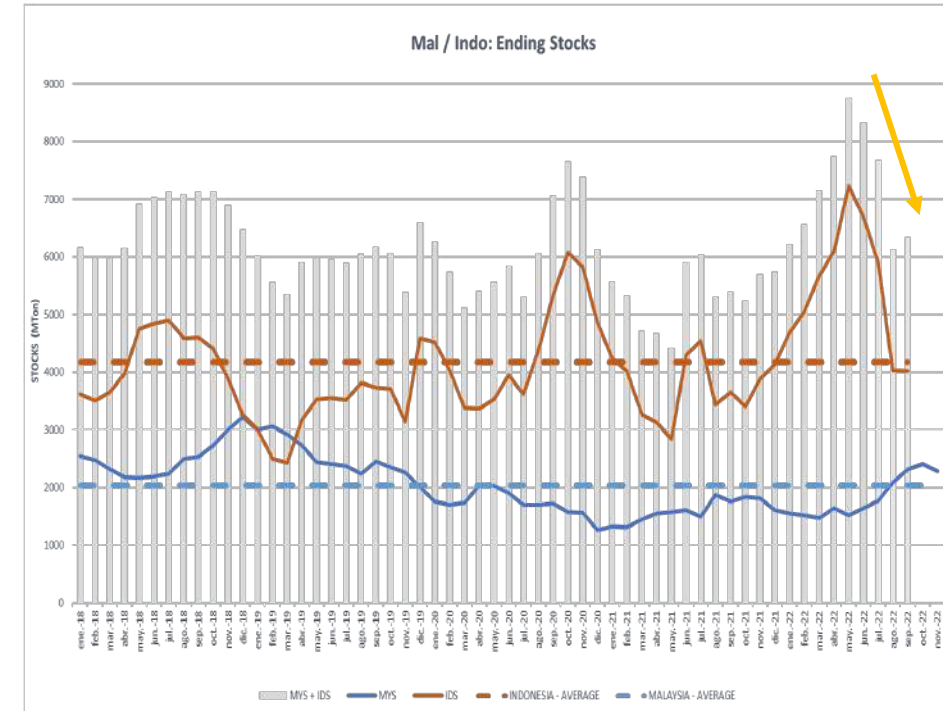
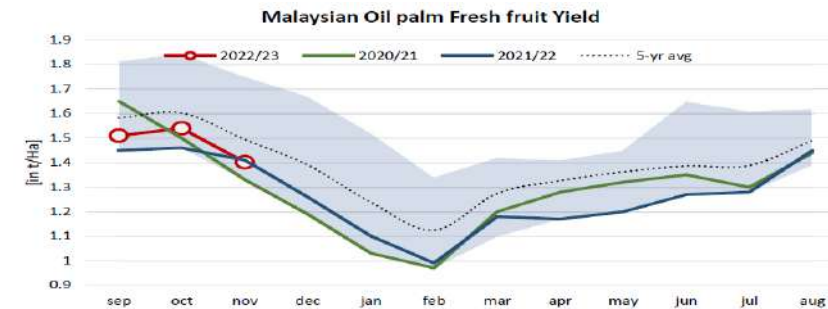
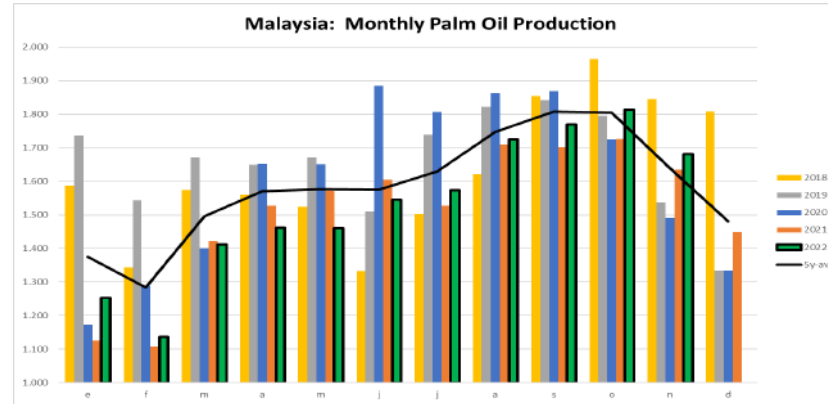
Moreover, partly heavy rainfall has reportedly impeded harvesting in parts of Southeast Asia of late, magnifying the seasonal slowdown of palm oil production.

SOURCES: POA/GAPKI/OIL WORLD

5.2 Palm oil (CPO): Malaysian Palm Oil Stocks Grew less than expected



Malasian CPO outlook
Nov-22 vs Nov-21
(millions tons)



MPOB: Malaysia November 2022 data ACTUAL

	Nov 2022 (in million tons)	% change from Oct
Production	1.681	-7.33
Palm Oil Imports	0.047	-31.88
Exports	1.518	0.92
Biodiesel Exports	0.018	-4.18
Local Disappearance	0.330	14.72
End Month Stocks	2.288	-4.98

Malaysia's Nov ending stocks fell much lower than expected after erasing 4.98% to end at 2.3 MnT from the previous month. Deeper than the expected decline in production and imports. Jan–Nov production is up 1.04% to 16.83 MnT with full year projection seen at 18.20 million.

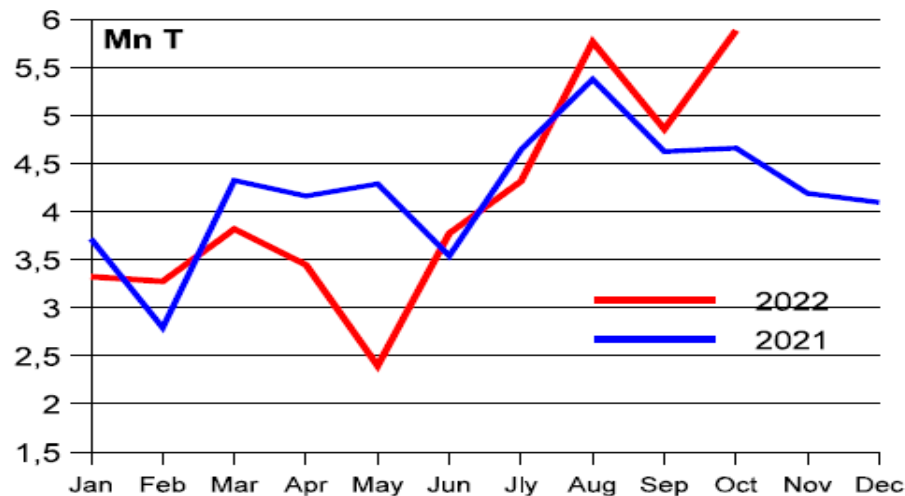
With stocks shrinking to the 3 months low and production slowing down due to cyclical yield performance against rising exports momentum, better CPO prices are possible in the first quarter from the present level.

SOURCES: POA/MPOB/GAPKI/AGRITEL

5.3 Palm oil (CPO): Palm Oil Prices Are likely to Find Support



World Exports of Palm Oil



World exports of palm oil were boosted to record levels of 5.9 MnT in October (+1.2 MnT vs Oct-21) and 20.8 Mn in July/Oct (+1.5 MnT) this year. This is the result of price competitiveness of palm oil, expressed in unusually wide discounts vs soybean oil and other oils.



As we have predicted, palm discount to soybean oil plunging after bean oil prices declined precipitously following lower than expected renewable fuel target ambition for 2023 from the U.S Environmental Protection Agency, and higher SBO stocks in Argentina due to shift in import demand to other vegetable oils.

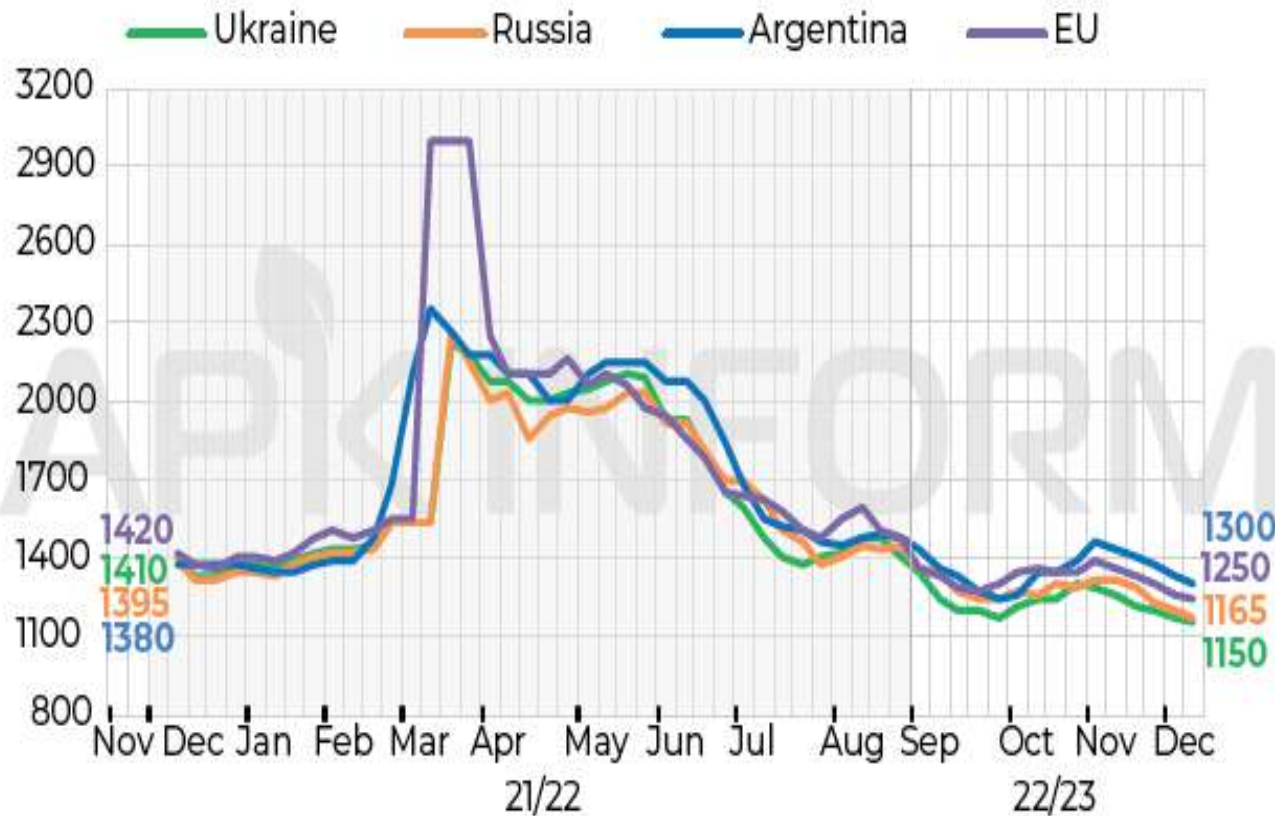
Palm oil prices are likely to find support from diminishing Indonesian supply pressure and seasonally declining production in Southeast Asia.

SOURCES: REUTERS/OIL WORLD

6. Sunflower oil (SFO): Sunflower Oil Prices under Pressure



Price dynamics of sunflower oil (offer, FOB), USD/t



Exports in November were good for Ukraine, with 400.000 ton of oil and 378.000 ton of sunflower seeds exported. **Crushing will drop due to the electricity supply shortage.** Many producer were forced to decline processing volumes or stop the production because of the energy crisis in the country.

European countries kept high imports of Ukrainian sunflower seeds thus saturating the market with sunflower oil of local production, which pressured the Ukrainian SFO prices.

With European market still digesting ample stocks of seeds and oil, offers from Black Sea is competing for market share in Southeast Asia, Near East and North Africa.

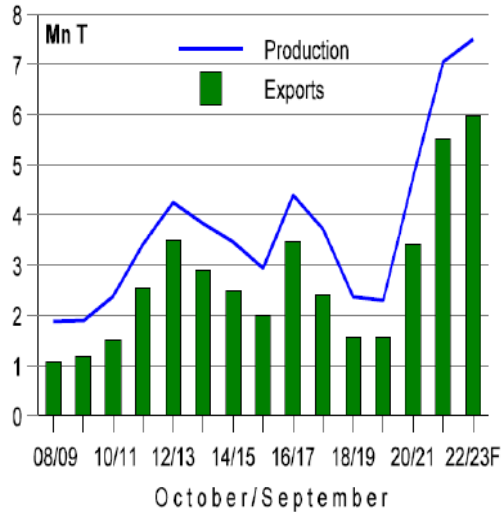
Moreover, prices on the global market of edible oils were declining and Russia in December kept zero export tax on SFO.

SOURCES: APK INFORM/DINESH KUMAR/OIL WORLD

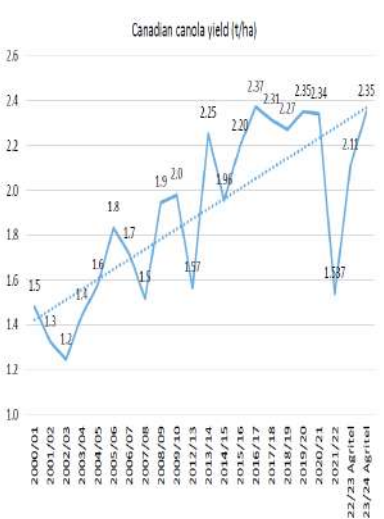
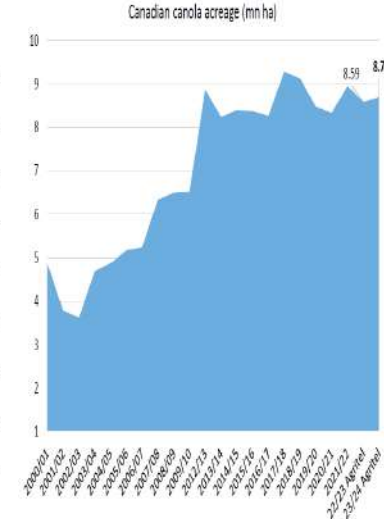
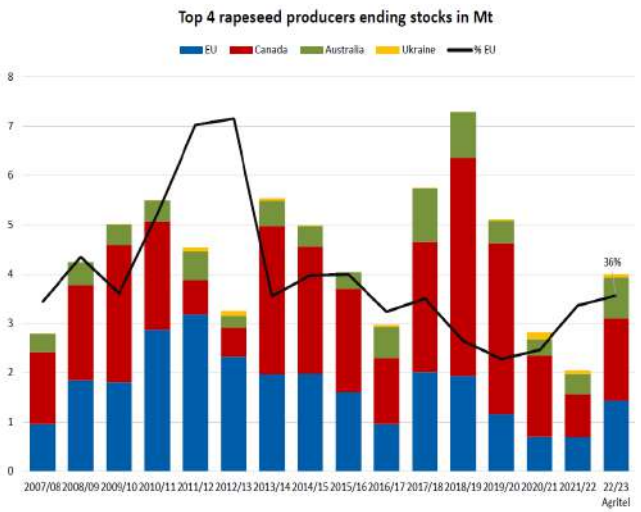
7. Rapeseed oil (RSO): Comfortable S&D in 2022/23



AUSTRALIA: Canola Crop & Exports (Mn T)



Rapeseed (Mt)	2021/22		2022/23	
	04/11/22	02/12/22	04/11/22	02/12/22
July-June				
carry-in	6.7	6.7	5.4	5.4
production	74.0	74.0	85.7	86.0
trade	14.8	14.8	18.0	18.1
crush	72.3	72.3	77.9	78.8
other cons.	3.0	3.0	3.2	3.2
carry-out	5.4	5.4	10.0	9.5
stock/use ratio	7.1%	7.2%	12.4%	11.6%



- In its December crop report, ABARES estimated the Australian canola crop at a record 7.3 MnT in 2022/23, +0.3 MnT on the year and primarily reflecting the further sizeable increase in the area. However, conditions varied significantly across the key producing regions.
- Exports are now estimated to reach a new high of around 6.0 MnT in Oct/Sept 22/23 (vs. 5.5 MnT a year earlier).

- Oil World have reduced their Canadian crop estimate to 19.2 MnT, and Statics Canada reported only 18.2 MnT. We think that supply from Canada may be less ample that expected. However, this season's record global crop continued to pressure rapeseed prices in Canada and Europe.
- European rapeseed oil prices declined, pressured by large crushing in the EU. Demand for rapeseed oil is currently affected by burdensome supplies of (allegedly) UCO-based imported biodiesel. The European food market continues to digest unusually large stocks of sunflower oil, impeding demand for rapeseed oil and other competitors.

SOURCES: OIL WORLD/STRATEGIE GRAINS/AGRITEL/STATICS CANADA

8. Lauric oils: Lower Production of CNO



The strong price competitiveness, also relative to CNO, has revived demand for PKO in importing and producing countries. However, CPKO prices will remain under pressure unless the pace of exports pick-up particularly to the EU when shipment typically rises in the first quarter.

Philippine CNO export registrations slowed down to 66 kton during Nov according to UCAP. The diminishing export supply pressure confirms slowdown of production.

It remains to be seen if Indonesian production and exports will start slowing down. Coconut oil shipments from Indonesia continued to exceed the previous year level at 62 kton in October and were up 19% at 0.59 MnT in Jan/Oct 2022.

SOURCES: REUTERS/OIL WORLD

“A World of
Vegetable Oils”



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