



Vegoils, A Global Perspective: Update from Ukraine and South America



26 August 2021

Tim Worledge

A quick introduction

Fastmarkets Agriculture brings together three strong brands



Introducing Census

AgriCensus

- Dedicated news and pricing service for global bulk ags
- Started covering corn, wheat and soybeans
- Expanded into vegoils, meals, freight prices since launch
- Successfully completed first IOSCO Type 1 audit this year

Energy Census

- Niche pricing service for UK's RTFO and RTFC
- Provides news, prices for UK and EU certificate, biofuels
- Nature of UK/EU plans means biofuels are wrapped up in energy transition
- Complements the Jacobsen biofuel and feedstock coverage

750 daily prices

Domestic CPT

Freight

Delivered CFR

Origin FOB

Forward prices

Crush margins



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AgriCensus Price Markers
(APM) & monthly averages

Physical Forward Curves

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Brazil's biodiesel sales jump

23 hours ago | Eduardo Tinti

Brazilian biofuel producers sold 1.2 million metric tons of biodiesel in September and October delivery, an increase from 1.1 million metric tons in August, the Brazilian biofuels agency ANP said.

The uptick in sales came as the government's biodiesel mandate is being lowered from 13% to 10%.

"The B12 mandate is positive for the biodiesel industry," said Abiove, the oil industry association.

Soyoil comprises about 71% of the feedstock.

With the increase of the mandate, prices negotiated in the previous tenders were higher.

However, prices remained 27.6% higher than in the previous tender.

Abiove expects the biodiesel market to remain strong.

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[Freight Indications \(weekly\)](#)

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Agenda

Recap – what just happened?

Current prospects

- Ukraine
- South America

Spotlight

- China
- Argentina



Setting the scene

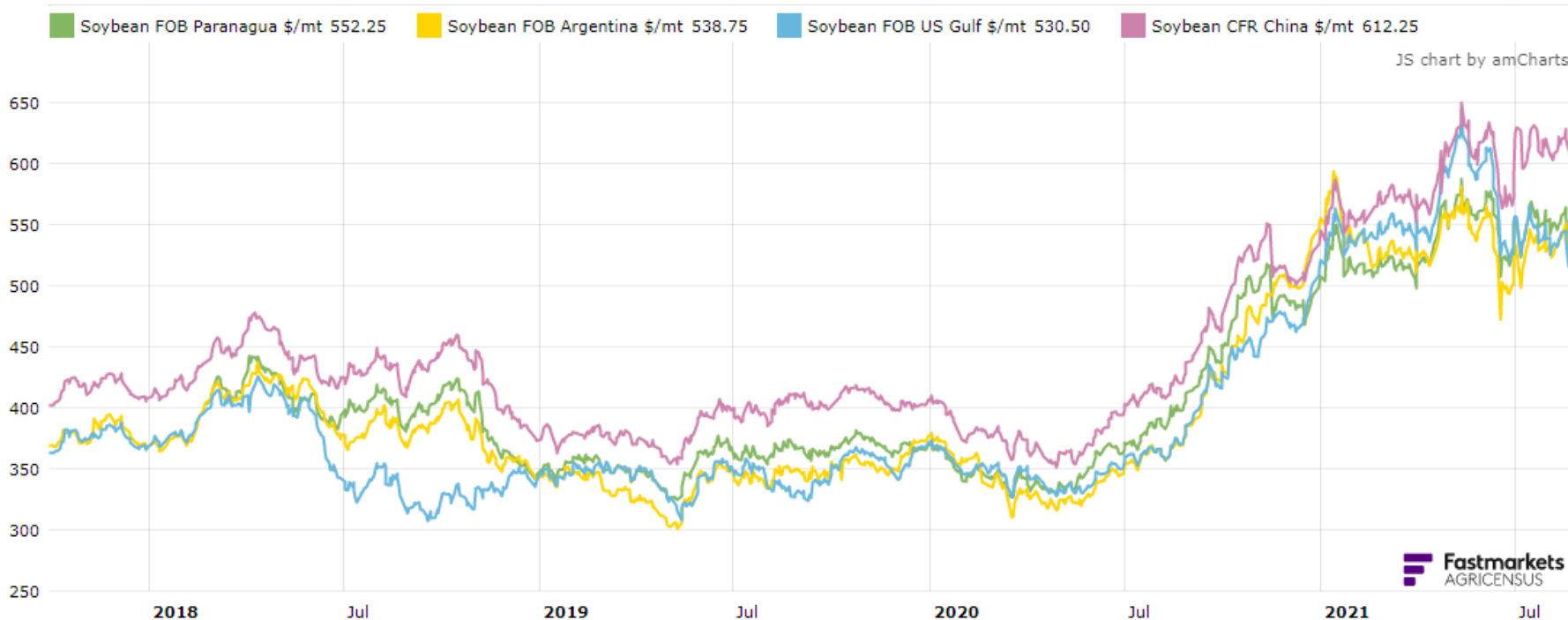
- Huge upswing in vegoil prices amid strong demand and supply shortages
- China powered back from twin pandemics – ASF and Covid-19
- Producing regions hit hard by hot, dry conditions that slashed production
- Extra supportive layer added in by expectations on new biofuel mandates
- High prices promote extra planting in the new crop



+149%

- Soyoil FOB Argentina surges from \$557/mt to \$1,391/mt in a year

Impact on price - oilseeds



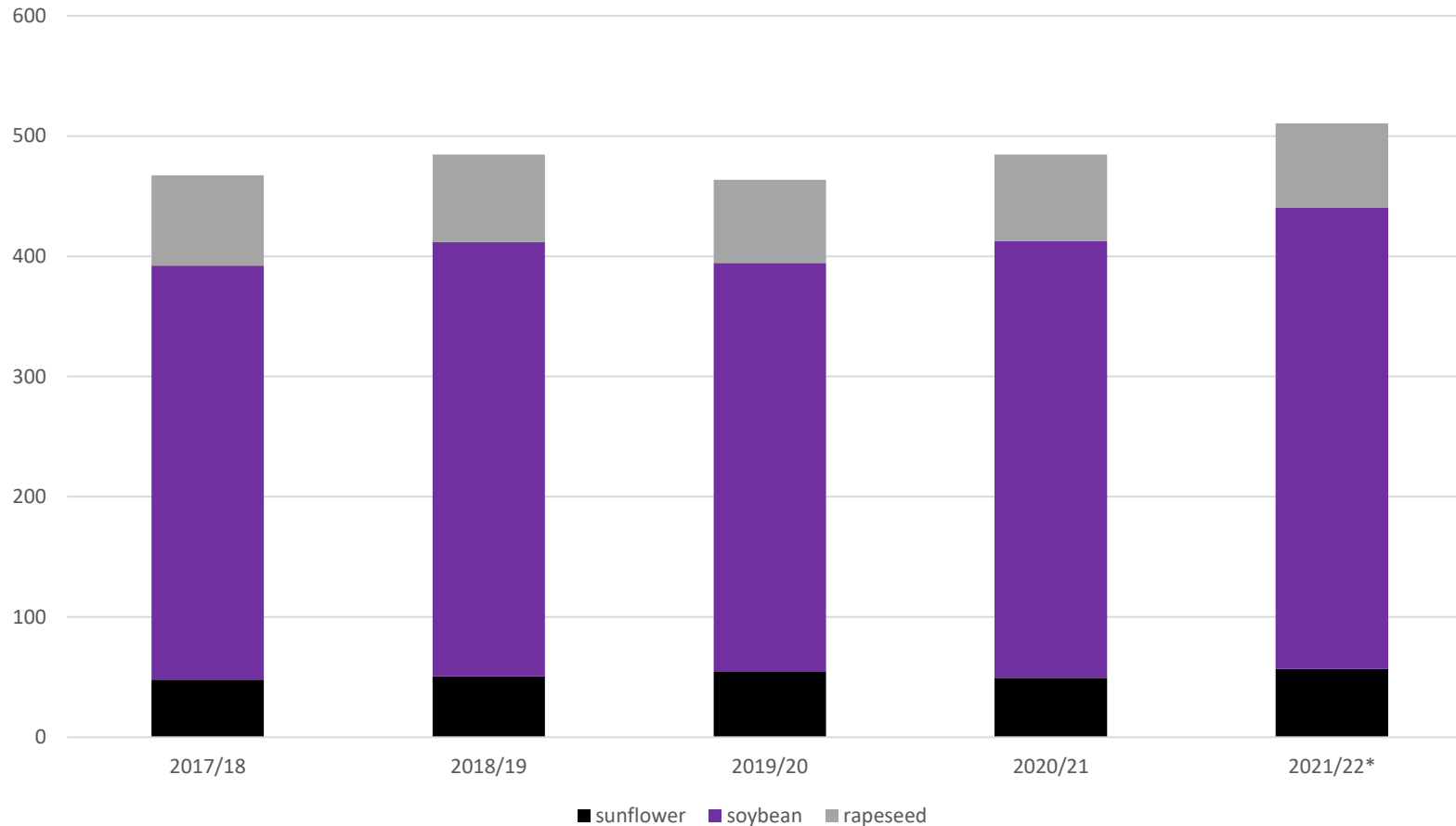
85%

- Increase in delivered China CFR soybean prices
- High freight costs bring pain recovery pains

Production outlooks 2021/22



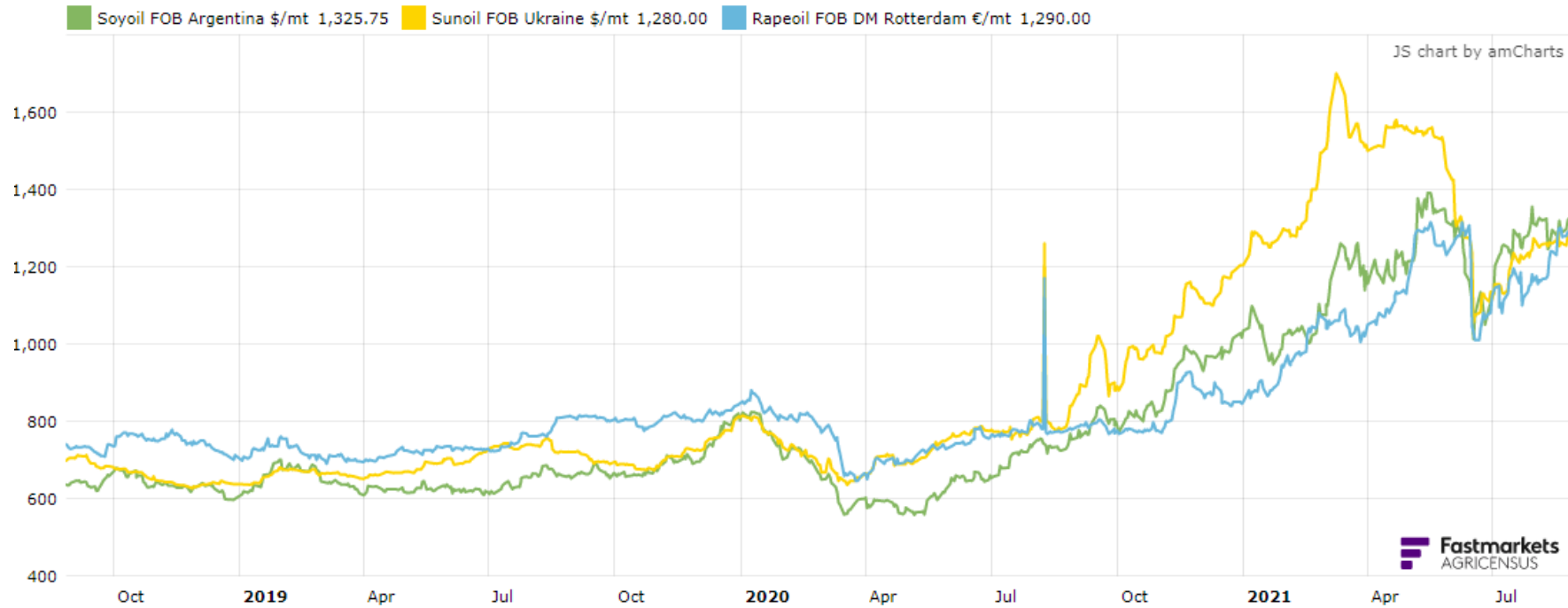
Oilseed production forecast



5.4%

- Increase in global production of soybeans, sunflower, rapeseed/canola
- Production hits 510m mt, driven by 15% increase in sunseed and a 6% increase in soybean
- Canola declines 2.5%

Firm oilseeds filter into products



171%

- Increase in Sunoil FOB Ukraine price
- Reduced production outlooks

Firm prices trip off protective measures, unusual arbs



Soybean Sunseed Market

Romania to import Argentine soybeans, more sunseeds

31 Mar 2021 | Rei Geysens

Romania is expected to follow its recent South American oilseed imports with further sunseed cargoes and its first Argentine...



Wheat Corn Barley Market

Turkish lira fall suppresses demand, further inflation fears mount

22 Mar 2021 | Alex Riabukha

The fall of the Turkish lira to an all-time low after the dismissal of the country's Central Bank governor...



Sunoil Sunseed Market

Turkey extends zero import duty rate on sunseed, keeps sunoil at 10%

15 Jun 2021 | Anna Platonova

Turkey is set to extend the 0% import duty on sunflower seeds beyond the end of June and will keep...

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Sunseed Market Policy

Trade expects Turkish gov. to impose \$55/mt sunseed import tax

12 Aug 2021 | Anna Platonova

Market participants in the Ukrainian sunseed market expect the Turkish government to impose an import...



Sunoil Sunseed Rapeseed Market

Russia confirms sunoil export tax from Sept., sunseed export hike

29 Mar 2021 | Anna Platonova

Russian government officials have confirmed that the country will introduce an export duty on sunoil and ramp up the duty paid...

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63,500 mt

- Argentina exporting sunseed to Black Sea crushers raised eyebrows
- The vessels – the Tomini Liberty & Epiphania – were ultimately diverted

Sunflower

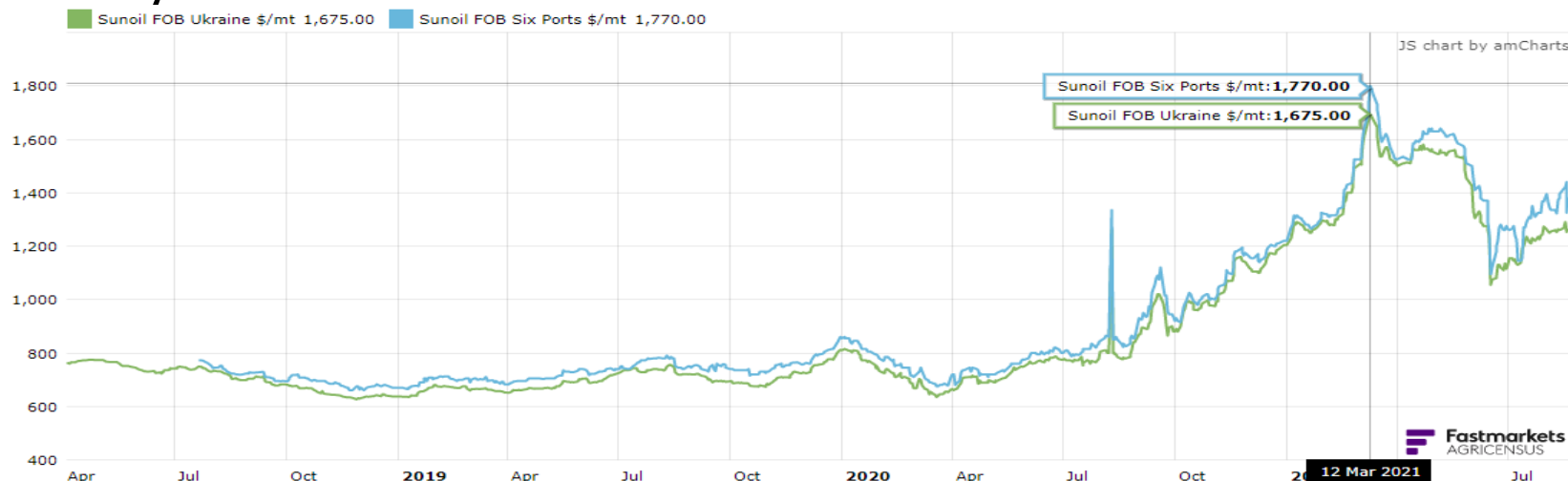


- PRODUCTION REBOUNDS AFTER WEATHER WOES

- Ukraine production expected to rise 18% to 16.7 million mt
- Russian production up 9% to 14.5 million mt
- EU production up 13% to 10 million mt
- Total production to 46.4 million mt, up 14% year-on-year

46.4m

- Total production expected



Canola/rapeseed

- FALLING OUT OF FAVOUR

- Sustained decrease in canola production that predates the Covid slowdown
- Production levels are lower in China and the EU
- However, domestic EU exchanges set new records, and Dutch rapeseed oil prices hit a record high
- New EU biofuel legislation curtails crop-based, palm-based use



REDII

- Teases away EU biofuel mandates from crop-based

India hurt by high prices



- **GOVERNMENT INTERVENES**

- \$1.48 billion investment to boost oilseed output to reach self-sufficiency
- Vegoil imports decline 23% month-on-month in July amid rising stocks
- Government cuts import duties to stimulate demand and cut domestic prices

Brazil late planting

- VEGOIL SUPPLY GAP CREATES PROBLEMS

- Brazil cuts domestic blend mandate as export pace drains bean stocks
- Domestic mandate pared back to B10
- This week it was returned to B12
- Cold conditions already creating concern for upcoming plantings



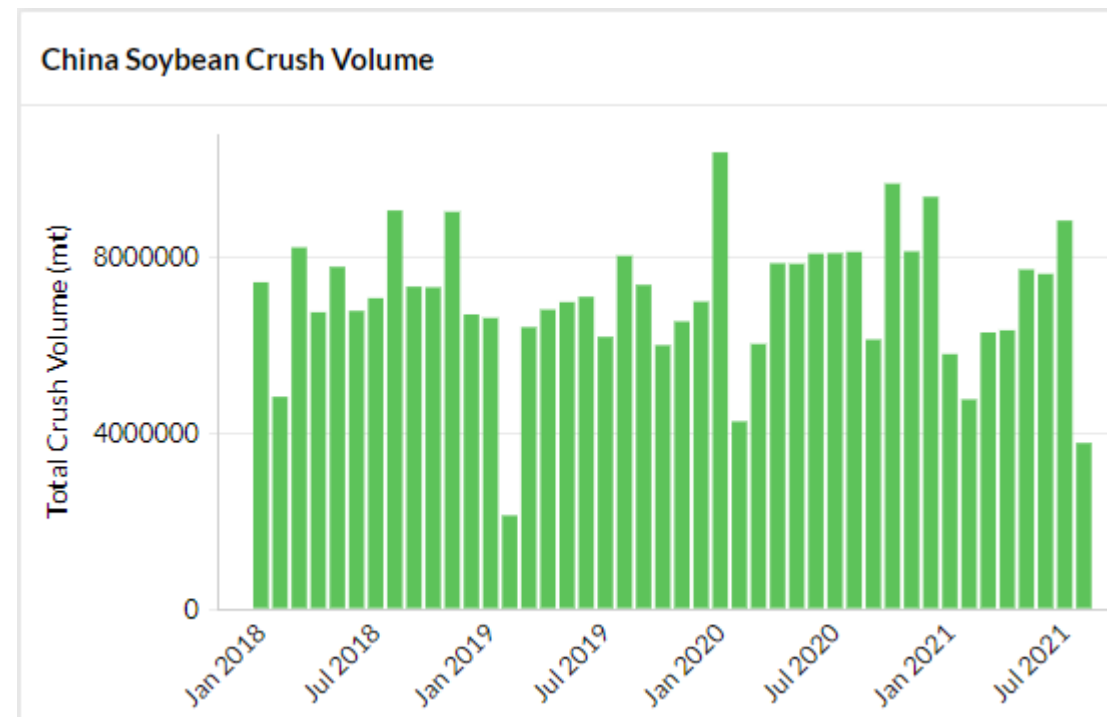
B14

- Brazil's biodiesel blend mandate expected by March 2022



China

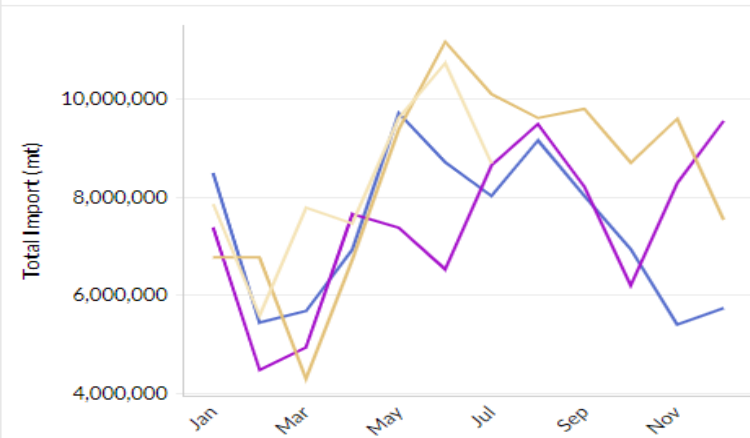
- Buying appetite steps up as Covid hit abates
- But resurgence in Delta variant hits port logistics
- While ASF remains a potential factor
- Margins under pressure and crush volumes slow



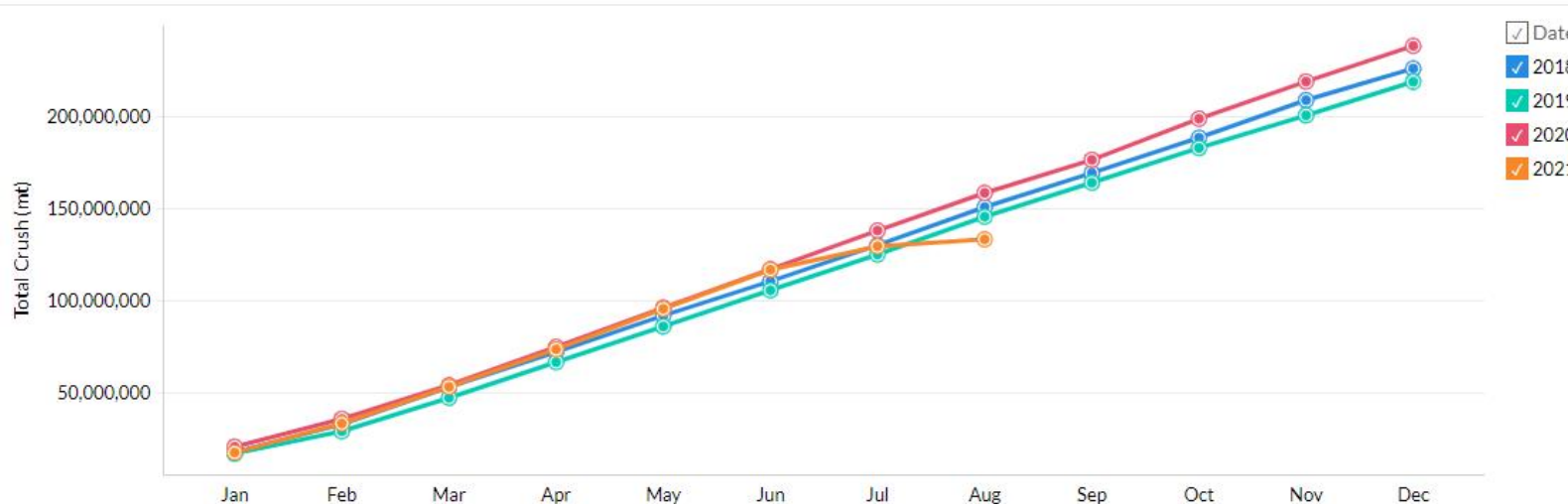
Margins under pressure, imports and crush slow



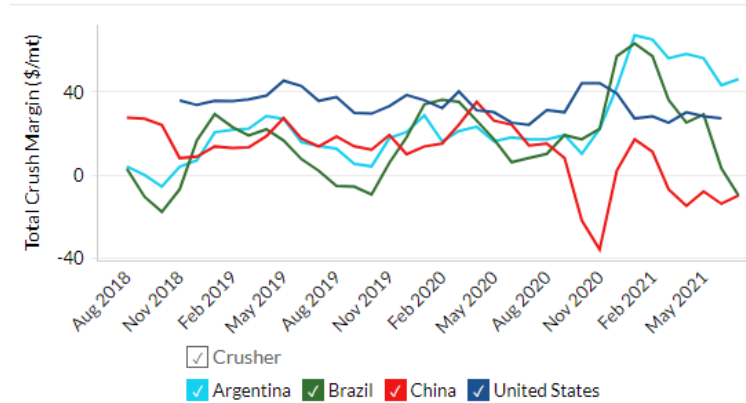
Annual Comparison of Soybean Imports to China



Global Cumulative Soybean Crush Volumes



Soybean \$/mt Crush Margins (Monthly Averages of M1 Margin)

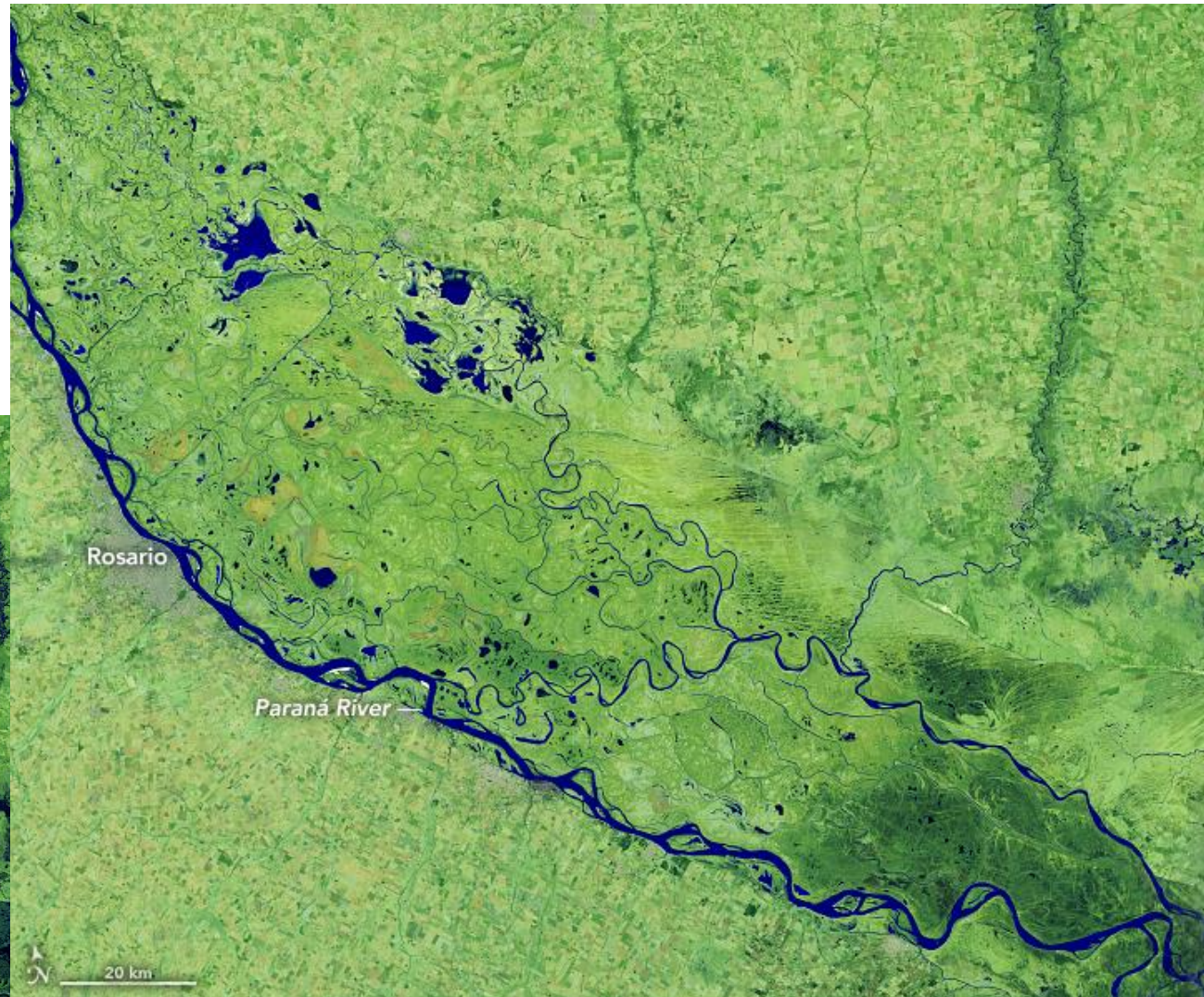
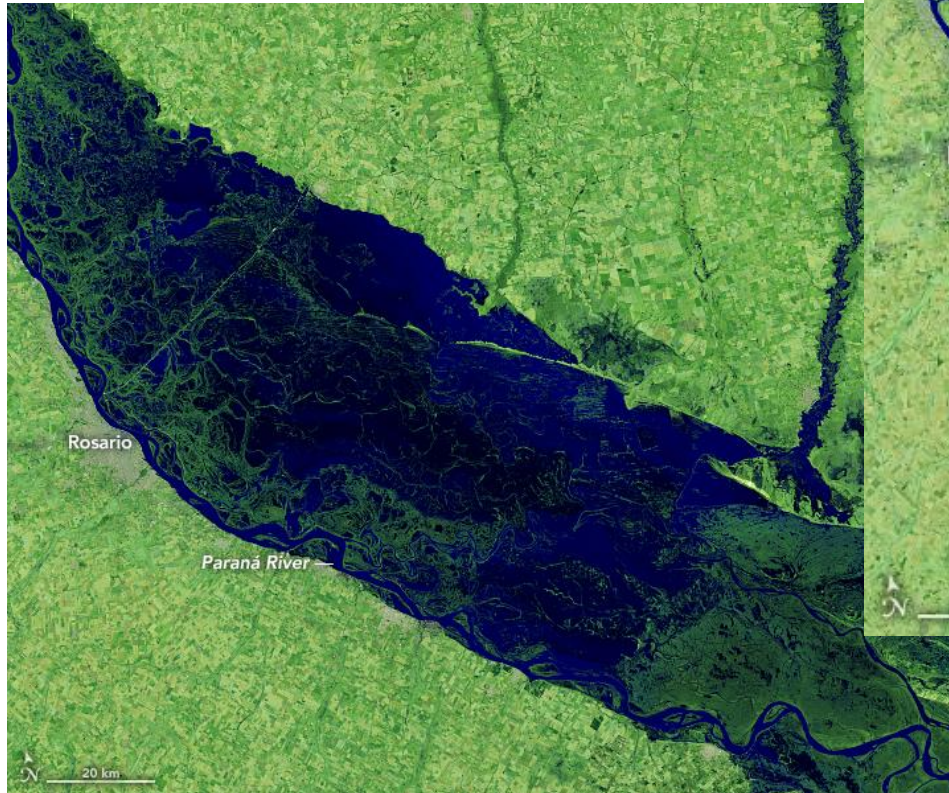


4-year low

- Global cumulative soybean crush volumes in August were the lowest since August 2017

The Parana River

- Water levels at historic lows



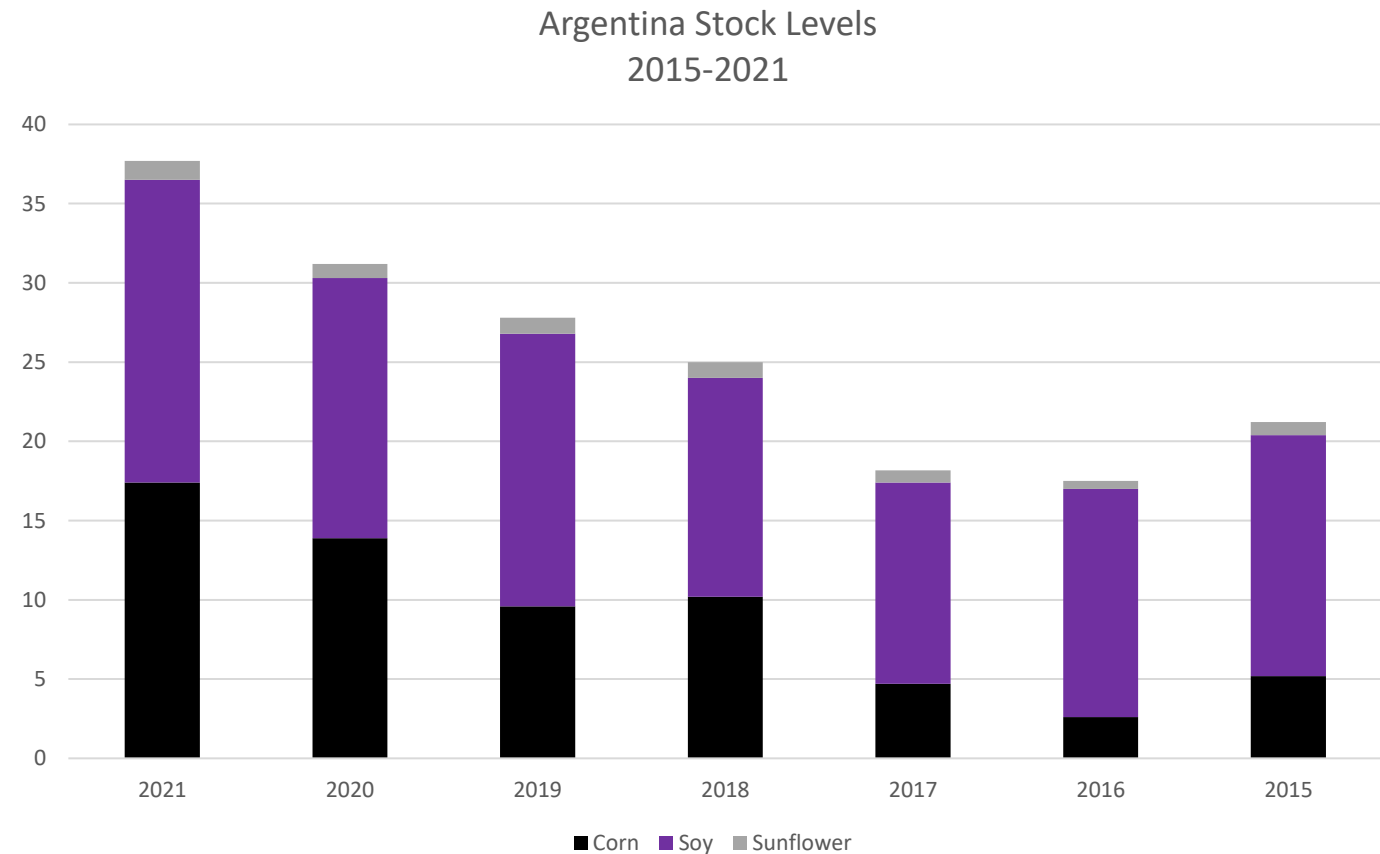
- Transit and loading face severe challenges



Stocks increase sharply



- Low water levels prevent full cargo loads
- Some estimates expect vessels to load just 60% of their capacity



Drought brings multi-faceted challenges



- Logistic strain
- Production fears
- Shift in operations from Up River
- Mounting stocks
- But Argentina faces other issues:
 - Economy
 - Government
 - Elections
 - Covid-19
 - Labor disputes



The River



- CONCESSION

- Efforts to renegotiate concession to maintain/operate key rivers underway
- Government looking to bring in more opportunities for Argentine companies
- Dredging requires specialist knowledge and equipment, more than ever when there is environmental strain
- Poor decisions now could lead to long term damage in a vital strategic resource

6.6m mt

- Of agriculture produce in the line up for Argentina ports
- 63% handled by Up River (4.2m mt)
- In Aug 2020, volume was 4.7m mt, Up River handled 70% (3.3m mt)

Looking ahead



- RISKS

- April cold snap delayed planting in Black Sea
- Dry or cold conditions also observed across planting regions
- Argentina facing a raft of issues; economic, ecological and industrial
- China outlook less certain amid margin pressure and Delta variant
- Questions over longevity of biofuel demand and switch away from palm oil



TIM WORLEDGE

tim.worledge@fastmarkets.com