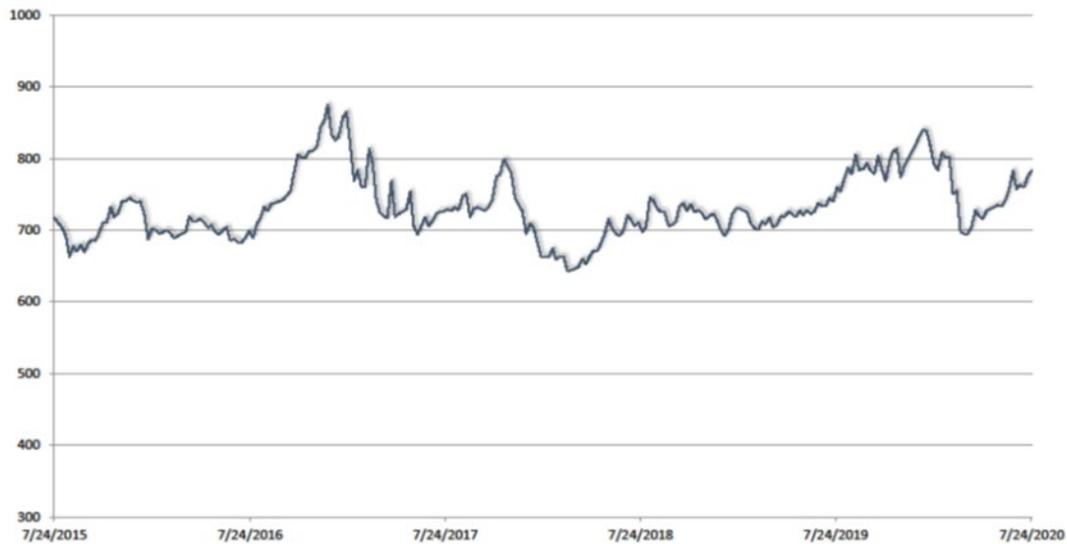




## RAPESEED OIL FOB DUTCH MILL EUR/MT



Rapeseed oil prices have remained firm over the past few weeks with support still coming from strength in world vegetable oil markets and signs of increasing demand, particularly from biodiesel. Although trading is still relatively quiet as we enter a traditionally quiet period as many players go on holiday in August (even in these interesting times). There is still a major issue in UK rapeseed oil supplies, due to an issue at a major crush plant, which could limit refined rapeseed oil availability as demand switches to other suppliers or imports. The market is still digesting news from the ongoing EU rapeseed harvest and results are very mixed at the moment but overall EU production is unchanged overall from last month, although a small increase in yield, but the situation in the UK is still looking more severe.

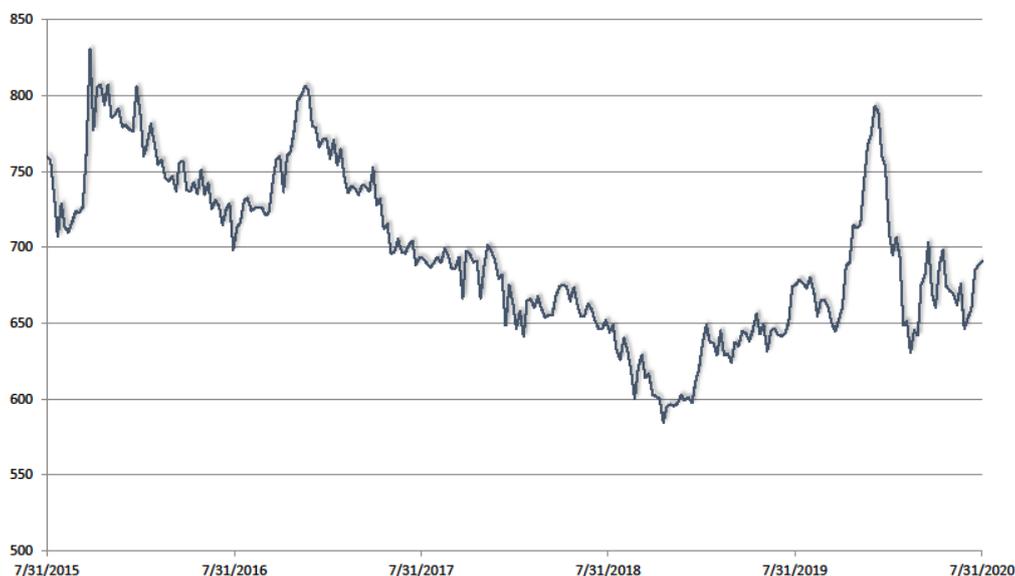
Crude (mineral) oil prices fell this morning, following ideas that OPEC will ease its restrictions on production and lead to an oversupply in the market given a continued rise in world covid-19 cases which could again hit demand. Brent crude futures are currently trading at around \$43.12 a barrel. Although biodiesel demand is increasing, it is still not economically viable for non-mandated production although there are talks to see what “incentives” can be given to increase the use. Around 60% of the EU rapeseed crop is used in biodiesel production.

UK rapeseed outlook. The latest harvest progress report from the Agriculture and Horticulture Development Board (AHDB) said that around 49% of the winter rapeseed crop was harvested as at the 28<sup>th</sup> July. The average yield estimate for the early harvested crop is 2.5-2.9 tonnes per hectare, down 15-30% on the 5-year average yield of 3.5 tonnes per hectare and based on the early harvested areas in the South and East. The report added that there has been a “dramatic” reduction in the UK crop this year, due to dry conditions during planting, excessive autumn rain, combined with damage from cabbage stem flea beetle. The rapeseed area is now recorded at just 355,000 hectares, down 28% from last year and the lowest recorded area since 2002.

I expect prices to remain very firm for the foreseeable future and we have seen increasing customer cover through to July 2021.



## SUNFLOWERSEED OIL EX-TANK EUR/MT



European refined sunflower oil prices have also remained firm over the past with support coming from strength in major vegetable oil markets. Old crop supplies, through to October, are still very tight but the situation is looking far more favourable from October as new supplies hit the market. Again, trading is still relatively quiet due to holiday's across Europe this month but European refiners are still well covered through to the end of the year, as many buyers extended cover earlier this year but the prospects for 2021 are looking more favourable. New crop prices have remained relatively firm, relative to rapeseed oil, but there are ideas that sunflower prices could soon come under pressure. High oleic sunflower oil prices are still relatively unchanged with gains still limited due to relatively high forecast ending stocks.

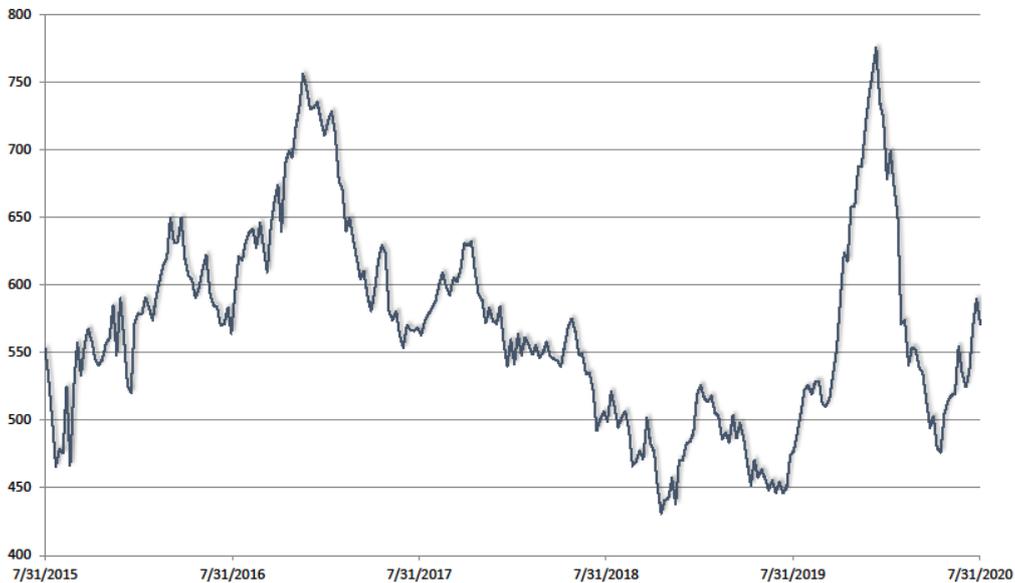
There are some mixed weather conditions across some of the major producing countries. Although conditions across Europe have been largely favourable, resulting in an upwards revision in crop prospects, there are some concerns over conditions in Russia and the Ukraine. There are already reports that Russian production could be lower this year conditions in Ukraine are more mixed and a return to more favourable conditions could be beneficial to the crop. It is worth remembering that a significant increase in production in both countries has been beneficial to the market over the past few years.

The EU commission increased its production estimate at the end of July and now sees the sunflower crop at 10.82 million tonnes, up around 800,000 tonnes from 2019 and up from the 5-year average of 9.33 million. The higher crop could limit imports in the 2020-21 market year.

Prices will remain firm for the coming months but prices for next year could come under pressure in the coming months if weather conditions do not deteriorate further. At the moment, the price spread between sunflower oil and rapeseed oil are relatively close but this may not stay in place for long, as the fundamentals are more supportive for rapeseed oil, and this may attract further switching in demand if sunflower oil prices ease.



PALM OIL CIF RTD EUR/MT



Palm oil prices rallied sharply in July due to a number of factors that are impacting the harvest in both Indonesia and Malaysia. Heavy rains have delayed the harvest as well as covid-19 restrictions of movement that have hit the supply of foreign workers to help with harvest. There are expectations that production in Malaysia could be down by around 10-11% last month due to the flooding in many plantations. Although the heavy rains are disrupting the harvest at the moment, the rains will be beneficial in the long term for the crop. Some additional support has also come from strong exports, although the pace could be slowing, as many consuming countries like China, India and the EU replenish stocks. This has had a big impact on stocks with levels in both the two main producing countries.

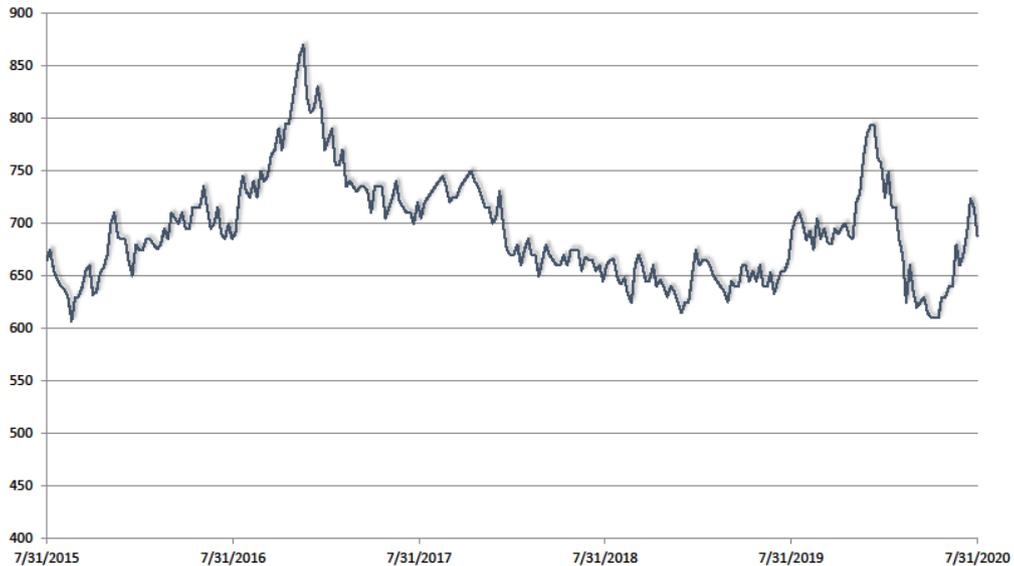
However, there are ideas that the recent rally has made the palm oil market uncompetitive and this is particularly the case for the use in biodiesel. With crude (mineral) oil prices staying relatively stable and the price of palm oil rising sharply over the past month, the premium over mineral oil has widened considerably making the use of palm oil uncompetitive. With covid-19 cases still increasing across the world, with some countries either moving back into or close to moving back into another lockdown or further restrictions of movement, there are concerns that demand could once again be hit. Rising prices will also have an impact on export demand although many countries could be away from the market for now

According to a report last week, Indonesia still plans increase the amount of palm it uses in biofuel in 2022. However, in order to do this, it had scheduled to expand its biofuel production capacity by about 30% this year. However, the capacity expansion plan is being delayed because experts in processing machines, computer systems and testing are based in Europe and Malaysia, and the pandemic has meant Indonesia hasn't been able to fly them in, according to the Indonesia Biofuel Producers Association.

Again, we could see a correction in the coming weeks ahead of the official July crop report and further news over production prospects.



SOYBEAN OIL FOB DUTCH MILL EUR/MT



European soybean oil prices have stayed relatively unchanged over the past week with the market mixed over favourable crop prospects and supportive demand data. There are still concerns over the poor relations between the US and China, but this is so far not affecting demand as the US is the cheapest origin at the moment and Brazil is now pretty much sold out. The US futures market closed higher on the week supported by a surge in soybean oil prices. The August soybean oil futures contract climbed more than 3% on Friday, closing at 30.91 cents per pound, after the US Energy Information Administration released data showing that the amount of soybean oil used for biodiesel rose almost 16% in May compared to a month earlier. This could all change, however, as the US is experiencing a significant increase in covid-19 cases and the authorities are looking at ways of trying to curb this which could lead to another nationwide lock down.

Weather conditions are looking favourable in the US Midwest which is looking good for the soybean crop as it heads into the critical pod filling stage of development. Once the crop gets past this period, the crop is pretty well made, and forecasts are calling for a good recovery in production this year and could help increase yields and increase production prospects. The weekly USDA crop condition report showed that the soybean crop is now 72% good to excellent condition, up from 69% the previous week and up substantially above 54% seen last year.

The outlook for Soyoil still looks bearish in the long term, barring any late crop problems, and this market influence will also impact on other major vegetable oil markets including soybean oil. However, the weather conditions in the coming month will determine market movement. We will not see the full benefit of prices until the end of the year.



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	Boxed Palm Oil	Boxed Coconut Oils	

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