



### RAPSEED OIL, FOB DUTCH MILL EUR/MT

Rapeseed oil prices have remained firm over the past week, although trading is still relatively quiet, with support still coming from a higher crude (mineral) oils and strength in world vegetable oil markets. However, some minor pressure is coming from a rapid conclusion to the harvest season but crop conditions are mixed but there has been a minor increase in the EU crop size, but it will still be the lowest crop since 2006. In UK terms, refined oil availability is still very tight, due to an issue at a major UK crush plant with continued uncertainty over the time frame for this being resolved.



Crude (mineral) oil prices are firming following news that China plans to import large volumes of US crude in August and September, despite continued concerns over slowdown in general demand due to covid-19 and an increase in supply. There are reports that some global refiners are going to idle or close due to poor demand. Brent crude is trading around \$45.12 a barrel, which although higher is not economic for biodiesel production.

The EU harvest is almost complete, and we are seeing slightly higher crop estimates, helped by an increase in Germany, Baltic countries, and Poland but conditions were worse than expected in France and the crop is poor in the UK. Estimates are ranging from around 16.8-17.1 million tonnes. The EU and now the UK are expected to increase imports from already high levels seen in 2019 but there are concerns over the Ukrainian crop, which looks to be sharply lower due to poor weather conditions so we could be reliant on imports from Australia as Canadian rapeseed is genetically modified.

According to the latest AHDB harvest report, around 89% of the UK winter oilseed rape crop was harvested by 11th August with the remainder expected to be complete this week, weather permitting. The harvest progress is ahead of last year and generally in line with the early harvest of 2018. The average yield estimate is around 2.6-3.0 tonnes per hectare, down around 14-26% from the 5-year average of 3.5 tonnes per hectare. The report added that there were a high number of fields that were written off, 70,000-75,000 hectares, due to poor weather condition and pest damage. The UK crop is still seen at 1.0-1.2 million tonnes, down from 1.75 million and down 1 million tonnes from 2017.

I still expect prices to remain very firm for the foreseeable future and we have seen increasing customer cover through to July 2021. The threat of a second lockdown could limit gains in the short term and biodiesel demand could be the trigger for further gains but this is far from certain at the moment.



### SUNFLOWER OIL, EX-TANK EUR/MT

European refined sunflower oil prices have also remained firm over the past with support coming from concerns over weather conditions in both Ukraine and Russia, where production could be lowered sharply this year and limiting export potential. There are also some rumours that Russia could limit or ban sunflower seed exports which although unconfirmed is adding to the supportive tone. Old crop supplies, through to October, are still very tight and refiners are still well covered through to the end of the year. Trading is still relatively quiet due to holiday's across Europe, but new crop prices are still surprisingly firm, particularly relative to rapeseed oil. High oleic sunflower oil prices are still relatively unchanged with gains still limited due to relatively high forecast carryover stocks.



The USDA sharply lowered its estimate for Russia sunflower production to 14 million tonnes, down 1.5 million from its July estimate and down from 15.31 million in 2019. The yield is forecast at 1.71 tonnes per hectare, down around 6% from last month and down around 7% percent from last year. Total area is forecast at 8.2 million hectares, down 4% from last month and down 2% from last year. The sharp monthly decrease in yields is due to hot and dry conditions throughout July in the main growing regions with temperatures in some places exceeding 35 degrees Celsius. The report added that although sunflowers are a heat and drought tolerant crop, the extremely high temperatures have stressed the crop during the flowering stage. The harvested area was revised lower due to information on final sown area from Rosstat, Russia's statistical agency.

In the Ukraine, hot and dry weather conditions are also having an impact on the Ukrainian sunflower crop and production prospects could fall sharply in the coming months. The USDA surprisingly increased its crop estimate to 17.5 million tonnes this month, but this seems extremely optimistic and we could see a similar sharp reduction of around 1 to 1.5 million tonnes. Both estimates could be extremely supportive for the market as this will limit export demand for both the EU and or World market. 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 will limit imports in the 2020-21 market year but could be more attractive to the export market now.

So much has changed in the past few months, with the situation going from being bearish in terms of production expectations due to adverse weather. This situation needs watching extremely closely as it could worsen in the coming months as we head towards the harvest.



### PALM OIL, CIF RTD EUR/MT

Palm oil prices have eased back slightly on the week, after a week of choppy trading, with initial support coming from gains in world vegetable oil market and expectations of a support monthly crop report. However, the market came under pressure after the release of the report as it largely came within trade estimates and traders argue that the recent rally in prices was in anticipation of strong exports and a fall in production due to heavy rains, which delay the harvest, and a shortage of foreign workers due to covid-19 restrictions. There are still concerns over the global cases of covid-19 and the potential for a second phase later this year and the usage of palm oil in biodiesel given the low crude (mineral) oil price as well as the gap between crude oil and palm oil prices which make using palm as an energy source uncompetitive.



The monthly crop report from the Malaysian Palm Oil Board (MPOB) showed July production at 1,807,748 tonnes, down around 4% from 1,885,742 in June but this is up from 1,740,789 tonnes in July 2019. The high June production figure could be due to delays in harvesting in May so the fall may not be exactly what it seems. The market was expecting production to be down around 10-11% so the harvest may be fairing better than expected, for now anyway. Exports were high, as expected, at 1,782,276 tonnes, up 4% from around 1,710,597 in June and compared to 1.486 million in July 2019. The real supportive part of the report was the ending stocks figure of 1,698,036 tonnes which is down 10% and a 3 year low, down sharply from 2.378 million at the same time last year.

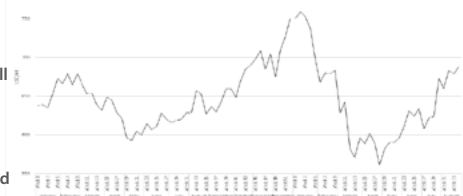
There are some real questions over the whether palm oil production will stall from current levels if the labour shortages are as severe as indicated or if the weather conditions are just compounding this issue, although rains are more helpful in the long term. There are some market commentators who think that palm oil production may have already peaked, despite the "normal" pattern were production peaks around October - November. The other major question is what will happen to exports as two months of pretty significant exports may have fulfilled demand, for now, and we could see the pace slow in the coming months until further supplies are required.

As per my comments above, there are so many questions in the market at the moment that its very difficult to predict price movement at the moment. Further developments on production and exports are needed to see potential direction but for now, prices could now trade sideways.



### SOYBEAN OIL, FOB DUTCH MILL EUR/MT

European soybean oil prices have stayed relatively unchanged over the past week with fund buying and strong exports to China offsetting a bearish USDA supply and demand report. The relatively high covid-19 cases in the US do not seem to have too much impact on biodiesel demand, which is still relatively high and supportive for Soyoil and this is a similar situation in Europe were Soyoil prices are significantly cheaper than rapeseed oil. Weather conditions have been almost ideal for the majority of the growing period and this has resulted in some bumper crops including corn and beans but there were reports of some storm damage last week, particularly in the key soybean producing state of Iowa which could trim this back in the coming months. 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 now and Brazil is now pretty much sold out.



The USDA surprised many market players by releasing a bearishly construed supply and demand report and increased the soybean yield estimate from 49.8 bushels an acre to 53.3 bushels. This compares to last year's poor 47.4 and 50.6 bushels an acre. This has an impact on the production and ending stocks estimate, despite an expected increase in crush and exports. The USDA increased US soybean production from 112.54 million tonnes to 120.42, up sharply from last year's terrible crop of 96.68 million and the record 120.52 million seen in 2018-19. Soybean ending stocks were increased from 11.56 million to 16.59, although this is down from 16.73 million last year and 24.74 million tonnes in 2018-19.

Attention is now switching to South America ahead of the start of planting and there are some concerns over dry conditions in both Argentina and Brazil but the impact in Argentina may impact other crops and be positive for soybeans. The market watching weather conditions closely as planting will start in a few weeks. Both countries are currently expected to produce a bumper crop next year with Argentina currently seen at 53.50 million and Brazil at a record 131 million tonnes. Total world product could reach record levels in 2020-21 at around 370.4 million tonnes.

The outlook for soybeans/meal and oil looks relatively bearish at the moment but price pressure may not impact for a few months once the US harvest is out of the way. In European terms, this may not have too much impact as the world veg oil outlook is more supportive and soy is already trading at a significant discount to rapeseed and sunflower oil for those who can use.