Global Supply, Demand & Price Outlook of Vegetable Oils

Presentation of Thomas Mielke (Executive Director of ISTA Mielke, OIL WORLD, in Hamburg, Germany, www.oilworld.biz ) at the Webinar of SEA on 8 Oct 2020

**Sunseed & oil:** The biggest bullish surprise during the past few weeks is to be seen in much lower than anticipated sunflowerseed crops in the Black Sea region, caused by dryness. There is still considerable uncertainty. In our latest estimate we expect world production at only 51 Mn T this season, a massive decline of 5 Mn T from last season.

Prices of sunflowerseed and oil have already adjusted, but there is probably additional upward potential. The price elasticity of demand is a key variable to watch and I assume that imports will stay considerably below earlier expectations in India, China, North Africa and the Near East. Details and updated analyses are given on www.oilworld.de, primarily in the OIL WORLD WEEKLY and the daily FLASH reports.

**Rapeseed & oil:** The declining trend in world production is not yet broken. This is mainly true for Europe and China. Production will recover in Australia with export supplies rising in 2020/21. In Canada the buffer stocks in canola will be largely diminished at the end of the 2020/21 season.

**Palm oil:** Prices came under considerable pressure in Jan/May 2020 due to impacts from the COVID pandemic and the lockdowns in many important consuming countries. World imports of palm oil plummeted in Jan/May, with the biggest decline in India. However, world imports declined more sharply than consumption. The net result was a decline in stocks to comparatively low levels in India, China and other countries.

World import demand has picked up since June. Palm oil prices recovered notably in Malaysia and Indonesia. This recovery was also fuelled by smaller than expected palm oil production.

Palm oil production in calendar year 2020 will be reduced below potential. We estimate world palm oil output at 75.1 Mn T in Jan/Dec 2020 (down 1.4 Mn T from 2019), of which Malaysia 19.5 Mn T, Indonesia 43.0, Thailand 3.0 and Colombia 1.7 Mn T. More details are available upon request from the OIL WORLD data bank.

Palm oil output declined because of lagged impacts of unfavourable weather, a decline in the biological yield cycle, negative effects of reduced fertilizer applications during the preceding 2 years, shortage of foreign workers at the plantations (primarily in Malaysia) and lack of replantings (thus a deteriorating age structure of the oil palms).

During the past 12 months world consumption of palm oil declined steeply by about 2.0 Mn T. This is representing the first annual decline ever registered and compares with an average annual growth of 3.8 Mn T in the past 5 seasons.
**Soybeans:** Global dependence on soybeans will rise in 2020/21. We expect world crushings of soybeans to increase by 11-12 Mn T this season to satisfy rising demand of soya oil and meal.

US soybean production will turn out below earlier expectations but is still likely to recover by about 20 Mn T from a year earlier. In South America it is currently unfavourably dry, delaying soybean plantings, primarily in Brazil and Paraguay. The weather in South America will be a major price-determining factor in coming weeks. La Niña conditions have raised the risk of drier than usual conditions in southern Brazil and parts of Argentina in the next 3 months.

At the moment we still expect South American soybean production to rise by 7-8 Mn T. If that is achieved, world production would still exceed consumption in Sept/Aug 2020/21. But we will closely monitor further developments and keep our subscribers informed in daily and weekly publications. But if it stays too dry and soybean yields are affected, the global outlook will become more bullish.

**Price outlook:** We expect sun oil prices to command price premiums of at least US-$ 150-200 over soya oil in the next 3-6 months. Sun oil is also likely to widen price premiums over rapeseed oil and palm oil in view of the sharply lower than expected world production and export supplies.

We expect palm oil prices to trade sideways, probably slightly lower in the next 6-10 weeks, on the assumption that Malaysian palm oil stocks will recover from the unusually low level registered in September.

For Oct/Sept 2020/21 we anticipate world production of palm oil to recover by 3.7 Mn T to 78.1 Mn T. Production in Indonesia is seen rising by 2.6 Mn T and Malaysia by 0.4 Mn T. Higher production is also seen for Thailand, Colombia and a few other countries. But rising world demand and prospective spill over of the sun oil tightness will keep palm oil prices well supported. Global palm stocks will remain relatively tight and the stocks/usage ratio is expected to recover only slightly.

It would be my pleasure to be of regular assistance to you. You are invited to contact me at **Thomas.mielke@oilworld.de** for requests and further details.