



CATANIA OILS

Market Update

August 2022



Macro Backdrop

- Continued basis rate hikes seem to be “priced-in” to the market
- Demand destruction
 - Inflation, Shrinkflation
- Increased costs all around
 - Wageflation, primary packaging, healthcare, etc...
- Technical recession – 2 consecutive quarters of negative GDP
- Economists predicting mass layoffs
- Credit bubble looming?
- Supply chains still an issue





Soybean Oil

- Availability of supply looks good for 2022 and pipeline stocks are sufficient.
- Weather still important to finish off the crop over next couple of weeks
- What about RD demand? Keep hearing “it’s coming”
 - The boy who cried wolf syndrome?
- Spec Fund was very long and now pretty flat
- Biofuels: “Inflation Reduction Act of 2022” contains wording to extend \$1/gallon biodiesel tax credit, and create separate credit for aviation fuel through 2024
- Q4 basis is available and recommend booking
- Q1 soy is currently at a premium to canola



Canola Oil

- Still tight old crop seed and crush is expected to be strong through Q1
- Crush margins are great
- Weather is important to finish off the crop
- Canadian gov't reported lower than expected acres for canola (normal practice – they are always way off)
- Crop planted a couple weeks late
 - Early indications are the crop looks very good w/ 70% of the crop with a Good to Excellent rating
 - Possibility of better crop yield this year
- Export demand has been rather weak
- Approved for bio-diesel and better carbon “rating” than soy
 - Hearing rumors RD has put some coverage on
- Q4– recommend booking
- Q1 – seeing discounts to soy as canola crush margins are very good



Corn Oil

- One major refiner continuing to have plant issues
 - Slowly improving
- Spot market prices still very strong
- Q4 values have fallen quite a bit
- Are we seeing any demand destruction at retail?
- Recommendation: if you haven't already booked Q4 it would be a good time to add coverage
- With cotton crop issues corn could help fill the void
- If cotton users change to corn that is bullish prices



Sunflower Oil (Mid, HO)

- Russia/Ukraine has put a tremendous amount of stress on all sunflower supply
 - Account for 50% of global production
 - 80% of global exports
- Domestic seed (old crop) should continue to ship with limited to no issues
 - HO Sun seed is much tighter than MO Sun
- Import seed/oil is available and being freed up from the Black Sea Region. Not sure how much, but for now supply does not appear to be an issue.
- We have seen a drastic change in domestic values and are offering through Sep 23'



Safflower Oil, High Oleic

- Safflower oil will be very tight next year....surprised?
 - Crop is also expected to be short
- Much smaller crop than sun
- Small crop overall (mostly from CA, MX)
- New crop prices will be very strong
 - Hope to have pricing in 2-4 weeks



Peanut Oil

- Q3 22 – Q1 23' availability is looking good
- Still oil available for seasonal demand but need to get orders in
- Values will hold firm through the seasonal demand
- 2023 will likely be another year we have to rely on imported crude



Cottonseed Oil

- Starting to hear west TX crop is in pretty rough shape due to the drought
 - Hearing nearly 70% of TX crop could be abandoned
- Expectation is we are going to see a lot of acres go to waste
- USDA cut the 22' cotton crop by 19% last week and it could get bigger
- Industry refinery capacity is still an issue
- Recommendation: get Q4 done asap
- Corn oil would be a good alternative



Exp NGMO Soybean Oil

- NGMO Soy as an alternative to NGMO Canola
- Demand remains the strongest it has ever been
- But is a much smaller crop!
- And NGMO acres in general are down
- Need a good SB and/or SBO yield to help w/ increased demand
- Supply will be key as other NGMO options snug to not available
- Recommendation: book through Q4 and consider Q1



Exp NGMO Canola Oil

- Poor overall canola crop for 21/22
 - 33% crop yield loss
 - 2-3% oil yield loss
- NGMO Canola demand continues steady growth YOY
- Crushers having difficult time incentivizing farmers to IP supply chain when margins are great for conventional crops.
- Indication for new crop is 50% less availability for new crop.
- We are offering/recommending booking 50% of volume through Sep 2023
 - If crop yield is as good as it looks we will be able to offer more
 - Import program (Australia, France) will be available



Palm Oil

- Indonesian government surprised trade w/ 7.6% drop in stocks during June
- Indonesia imposed an export tax increase of \$19/MT
 - First restrictive measure since Indo Export ban
- South Asian buying has picked up
- China seems to have exited the market completely.
- Q4 values are way off the highs



Coconut Oil

- Coconut/Laurics lead time is still 30-60 days out
- Demand remains very strong as a sizeable portion is for personal care
 - Q1 imports were up 73% from last year
 - Current imports are 65-70% of Q1 demand
- Supply is good, just need ample lead time



Avocado Oil

- Overall demand for AVO is robust
 - Snack food manufacturer converted 1.2 M lbs per month to AVO from sun
 - Refiner capacity will be strained through Oct/Nov
- Demand remains strong as avocado pick up share from Sun.
- Supply continues to be an issue nearby:
 - Lack of containers at refiners
 - Backlog of orders
 - Vessels not leaving on time
- New country plantings (Spain, Kenya, Colombia, Peru, DR)
- Fresh fruit demand vs crude oil
 - About 10% of fresh fruit goes to crude oil



Olive Oils

- Heat/drought continues to be an issue for new crop
- Not sure if rains in August/September will help enough
- Major reduction in Spanish production will be an issue for the entire industry
 - Spain will buy more from Turkey/Tunisia if their crop is real bad.
- Prices on EV remain very firm
- Will have better idea in October/November
- Refined OO will largely depend on EV quality
- Pomace: with sunflower oil becoming more readily available in EU the expectation is we will see prices continue lower off the highs.



Organic EVOO

- Same as EVOO
- Supply: in great shape through Dec 22



Organic Soybean Oil

- Domestic plantings are up a bit
- Domestic crush (meal) is strong; therefore, should have lots of oil around
- Plenty of seed/crude available from South America
 - Black Sea region will have limited quantity.
- As we get into the crop year (Q1) it is expected we have tightening in availability.
- Lack of NGMO Soy seed could be filled by Org Soy
- Offers now available through 2023
- Last 2-3 years, the best buys were early on



Organic Canola Oil

- Russian/Ukraine – lack of organic sun
- Limited volumes of seed coming out of South America
 - Growers also concerned about yield loss
- EU has had some availability for new crop
- Add coverage asap as crop will be tight as we move throughout the year.



Organic Sunflower Oil

- Backlog of sun finding a path out of Black Sea region into EU to be processed given some immediate supply and price relief.
- Price levels are still very strong but a discount to initial offers
- Will have more availability from opening up for 2nd half of 23'
- Book asap to secure supply and price.

