



Market Highlights

- BMD May crude palm up 7 ringgit (0.19%), to 3738 after being up more than 2% during the morning session on soybean oil strength.
 - Support from external markets, soybean oil and Brent crude oil drove palm initially.
 - Market turned around last night on talks of lower March 1-5 exports for palm out of Malaysia and continued discussion of Feb stocks up 7%.
 - MPOB will release the February stocks report March 10.
- May RBD Palm Oil up \$5 to \$972.50 per MT.
 - We continue to watch the ASF situation in China as that could continue to trigger some buying of palm to offset the lower soybean oil supply from reduced crush.



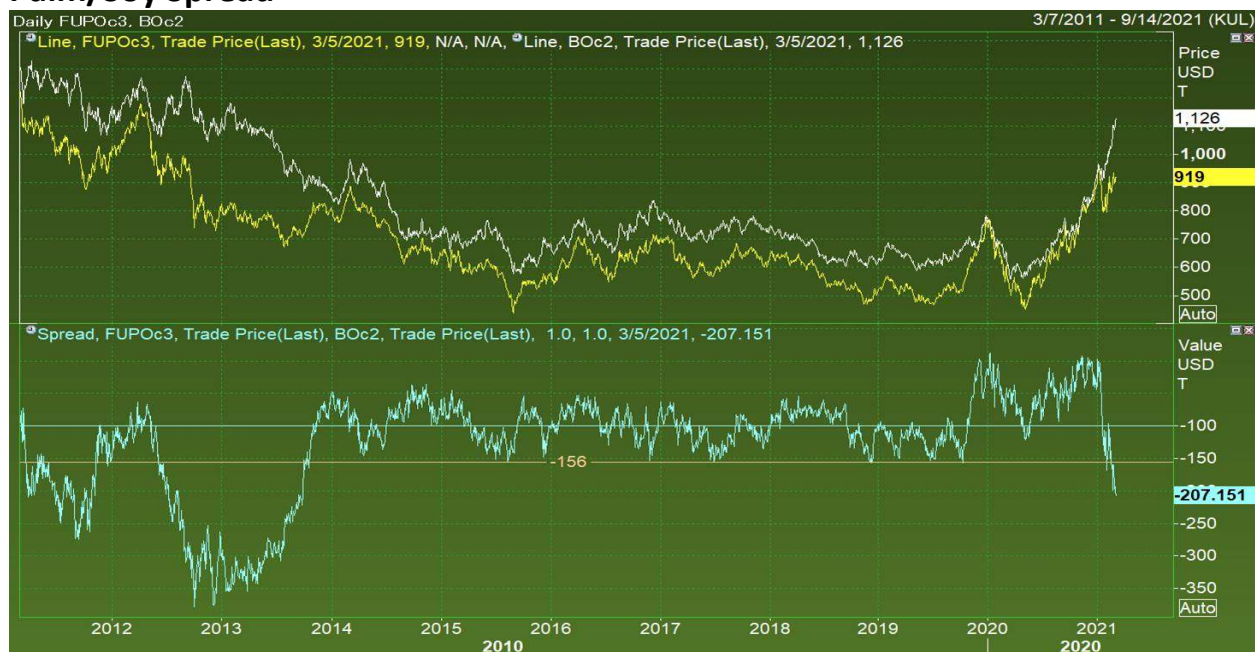
Source of chart: Refinitiv

- The BMD traded up towards contract highs of 3817, falling just short at 3807 before trading lower to settle virtually unchanged.
 - Fundamentals have a hint of bearish sentiment, as we have expected, but we still need to see performance in production and weaker exports.
 - Soybean supply and soybean oil demand for RD in the US continues to provide support for prices. Soybean supply is interesting though with concerns for China crush rates due to ASF.
 - 3800 +/- seems to be solid resistance on the BMD. Soybean oil continues to try to encourage palm thru this price level but fundamentals are weighing.
 - Support at 3700 is strong then to 3650 where we had some consolidation and likely a test of 3550, 100 day moving average which will continue to climb.
- Weakness last night can be attributed to ITS reporting March 1-5 exports down 9% versus Feb and as we know, Feb shipments were already weak.



- With some recent purchases by China/India, I would not plan for this trend to continue but export increases month over month are likely limited. We expect growth in exports for the month of March but not a more typical increase of 17% month over month and potentially limited to single digit growth.
 - We are quite curious to see how production in March recovers. We believe it really comes down to the plantations ability to harvest the crop. Could we see 15 to 20% increase in production?
 - If we see stocks jump to more than 1.4mm MT in Feb (which we are not sold on at this point), then March stocks could likely hit 1.52mm MT based on export lineups and production expectations.
- The palm soy spread dipped to a \$206 discount as soybean oil is driving crush in the US and palm fundamentals have market sentiment for palm, weaker.

Palm/Soy Spread



Source of chart: Refinitiv

- The Reuters poll is also showing a 7% gain in palm oil stocks to greater than 1.4mm MT for the month of February. Bloomberg's estimate for stocks is up 6%
 - Production up 5% (Reuters) and 4.4% (Bloomberg) versus CIMB estimating flat.
 - Exports up 0.5% (Reuters) and 3.16% (Bloomberg), still below 1mm MT versus surveyors calling for more than 1mm MT.
 - Overall, this is one of the widest ranges of estimates from a production and export perspective as I can remember. Basically 0 to up 5% for production and 0 to down 6% for exports.



Stabro
Corporation

Bloomberg Malaysia Feb 2021 palm survey			
	Feb-21	Jan-21	
Production	1.180	1.127	4.40
Import	0.110	0.165	-35.00
Export	0.980	0.947	3.16
Local Disappearance	0.230-0.280	0.285	-19 to -1.75
Stocks	1.400	1.325	6.10

In millions of ton

Reuters Malaysia Feb 2021 palm survey			
	Feb-21	Jan-21	% change
Production	1.190	1.127	5.80
Import	0.109	0.165	-34.00
Export	0.953	0.947	0.50
Local Disappearance	0.256	0.285	-10.00
Stocks	1.420	1.325	7.00

In millions of ton

CIMB Malaysia Feb 2021 palm survey			
	Feb-21	Jan-21	% change
Production	1.126	1.127	-0.10
Import	0.149	0.165	-9.70
Export	0.891	0.947	-6.00
Local Disappearance	0.284	0.285	-0.35
Stocks	1.425	1.325	7.60

In millions of ton

- Stabro is holding steady in their estimate of 1% stock growth, sticking with the surveyors estimate of about 1mm MT of exports.

Stabro Estimate

February

		MoM	YoY
Beginning Stocks	1,324,963	5%	-25%
Production	1,182,960	5%	-8%
Exports	1,004,239	6%	-7%
Imports	94,278	-43%	41%
Domestic Consumption	262,763	-8%	-4%
Ending Stocks	1,335,200	1%	-21%

- CBOT soybean oil is currently up 37 points at 51.08 after a trade yesterday that saw soybean oil up more than 3% at one point and another new contract high settlement at 50.71.
 - The soybean oil market is being driven by insatiable renewable diesel demand. There is just not enough used cooking oil, tallow, and other preferred feedstocks. Next in line are soybean and canola oil, with offers seem to be running out for those oils for this crop year with some limiting offers for the remainder of the calendar year.
 - Soybeans, yesterday, were up 30+ cents per bushel yesterday on weather forecasts in South America while meal continues to get drug along for the ride.



Source of chart: Refinitiv

- Oil share firmly above 38%, currently at 38.6% based on CBOT values. Remember with meal basis trading unders and soybean oil overs, oil share is really closer to or greater than 50%.



Stabro
Corporation



Source of chart: Refinitiv

- Macro markets are taking cues from Fed Chairman Powell's comments on inflation, but interestingly he limits the inflation as temporary, thus no sign of increasing fed rates.
 - 10 Year Treasury gained some ground, driving interest rates up, pressuring highly leveraged companies, mostly in tech.
 - Brent crude rallied hard yesterday and is up sharply again today with current market well over \$68 this morning amidst OPEC's decision to keep production reigned in despite the higher prices.
 - The USD index continues to climb with current value over 92 this morning.
 - Some friendly payroll data this morning combined with several states reopening have the stock market bouncing off yesterday's lows.
 - The Malaysian ringgit substantially weaker last night 4.072 vs 4.055.
- Question for my astute readers, do we have a repeat of the food vs fuel conversation?
 - With very few offers out there for soybean oil and basis shooting to the moon. We are hearing most are no offer. Are all food companies covered so we do not see supply disruption?
 - At what level do imports pencil? I know some are doing that math. Could we see the Biden administration lift some import duties?
 - Will food companies pressure the Biden administration to back off some of the renewable fuel incentives to allow food companies to stay fully supplied at fair market values?