

How high must vegetable oil prices rise?

Prices for vegetable oils continue to climb. Consumption from the biofuels sector, backed by governmental policies, sparked demand for soy and palm oils. Supply has not been able to keep up.

A year ago, our experts predicted vegetable oil prices needed to boldly increase to stimulate supply and slow demand. They have indeed increased, with the market now facing an even tighter outlook.

But the supply-demand tipping point still hasn't been reached.

Where are we? What needs to happen?

2021

Soy oil

\$.34/lb

Palm oil

4,000

Malaysian ringgit/tonne

Policy initiatives & higher energy prices greatly **accelerated the use of vegetable oils in biofuels.**

Malaysian palm production declined 0.8 million MT due to COVID-19 worker shortages.

Chinese soybean imports leapt from 86 million MT to **100 million MT.**

Supply dents & expanded demand reduced soybean & palm oil inventories.

Global soybean stocks fell to 95.5 million MT vs 114.1 million the year prior. Malaysian palm oil stocks fell to 1.7 million MT from 2.4 million MT the year prior.

2022

Soy oil

\$.65/lb

Palm oil

5,800

Malaysian ringgit/tonne

Global biofuels demand expected to grow, offsetting reduction in Chinese soybean imports.

Brazilian drought caused production to fall 8 million MT from prior year, exceeding expectations.

Malaysian palm oil production recovery expected to be hamstrung by **labor shortages.** **Poor moisture** in Indonesia forecast to deplete growth for world's largest producer.

2022 palm oil & soybean stocks forecast to fall again. On Sep 1, 2022, 88 million MT, well below the level on Sep 1, 2020. Additionally, on Sep 1, 2022, Malaysian palm oil stocks are forecasted to be below 1.4 million MT, a further decline.

How far must vegetable oil prices rally to stimulate supply and slow demand?

The vegetable oil market currently faces a sharply bullish supply/demand outlook. An equally sharp price rally is the clear remedy. Our experts believe palm oil prices need to rise above 6000 Malaysian ringgit/tonne—potentially even 7000 ringgit—in 2022. Soy oil prices must rally above \$.70 to stimulate more US- and Brazilian-planted areas of soybean and dampen demand.

Watch on Demand the **Shifting Landscape of Global Ag Commodity Markets webinar** to learn more and gain expert insight on this influential shift in ag markets.