

sovena

Olive oil for the world

Commodity markets

Olive Oil

This week was not like previous weeks. We did see some slowing down of demand after first week of August (but this is also a vacation month for most Europeans). The same happened last week and, although prices still rose a bit in the beginning of the week, our purchasers noted that they started coming down in the end of the week. It started with lower qualities (Lampante) but also affected Virgin and EV. Demand was again slow. Rumors of speculators cashing in on gains and all but bad news on crops did the rest. Producers will not want to hold to low qualities as new crops comes in. It was only two days of it. As we have been arguing it's beyond us why anyone would not be covered until the end of the year and this will put further down pressure on prices but, on the other hand, some recent financial problems of some companies might have prevented them to cover as much as they wanted and the crop is still a couple months away. Let's see what happens next week. Sometime soon (from a logistic point of view) our customers will have to start worrying about supply for 2010. As always we will put in our best effort to advice on best timing.

EUR/USD

Fairly decent news on the economy. Bad news for USD. On Friday, FED Chairman Bernanke said he was mildly optimistic about the economy. USD may loose some ground in the beginning of the week. In the meantime more and more people start talking about a different way to create havens for the economy rather than USD reserves. We have heard BRIC countries and Japan and although there might be political motivations last week Joseph Stiglitz, (Nobel laureate) defended a basket of currencies. This might be even worst news for USD when (that benefited when economy tends to be bad). In the meantime however the USD is still the only worldwide used haven...



Soybean Oil

The news of the record crop faded last week and the dollar, crude oil, gold and the equity market took over. I heard the word inflation again last week. Inflation is bullish to the commodity markets, fund managers will buy into commodity markets to offset inflation or inflation fears.

The tight soybean stocks still have traders on edge, but soybean crushing and export numbers were lower than analyst's expectations. The beautiful weather keeps the soybean crop on pace for record numbers as long as an early frost doesn't hit.

Farmers in South America are looking to increase the production of soybeans for 2010 as soybean prices and production costs are conducive to planting.

Inventories of soybean oil are plentiful, the key to pricing will be the demand of soybean oil before the South American crop comes to market.

Friday's close

Soybean Oil

Sep 36.33 (last week 37.18)

Soybeans

Sep 1025 (last wk 1024.5)

Corn

Sep 321.75 (last week 319.25)

Wheat (cbot)

Sep 460.25 (last week 481.75)

EUR/USD

1.4330 (last week 1.4188)

Commodity markets continued

Soybean Oil continued:

Bulls:

The soybean carryout is extremely tight, any delays in harvest could trigger a rally.
Late planting and the possible impact on yields. Pockets of poor areas could hurt yields.
Positive economic news, crude oil rising and the dollar falling.

Bears:

Crop condition reports are holding steady.
Excellent weather forecasts for again this week.
The USDA is forecasting record crop production.
Large corn and wheat crops pressure the market complex.

CANOLA OIL

Statcan, also known as Statistics Canada, shocked trade analysts with a canola crop production number of 9.54 mmt down 1 mmt from the average guess. The trade is not convinced of this number which would be down 25% from a year ago. The number caused crushers to limit downward pressure on overages. The positive news out last week was the world production of rapeseed was higher than expected and will offset the loss of Canadian crops.

CORN OIL

If I had to summarize the corn crop, I would still say “big crops get bigger”. Excellent weather conditions continue as the crop still rates in the upper 60 percentile as good to excellent condition. The market has stayed strong with the positive news on the economy, the rise in crude oil and the lower dollar. The large crop combined with the large wheat crop (feed wheat can be used as a substitute for corn in the livestock industry) certainly will put pressure on the market in the coming weeks.

SPECIALTY OILS

Sunflower oil price domestically remains steady. Worldwide production has been better than anticipated. Hopefully we can take advantage of the increased production worldwide to find lower prices here in the states. Every week I still hear concerns about the dry conditions in Malaysia and the decrease in palm oil production. We have seen palm oil pricing higher in the last month. After a dip in the middle of summer, organic soybean oil pricing has gained strength over the last month. The size of the new crop should put some pressure on pricing going in to harvest. We have plenty of opportunities in these markets.



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