StoneX®

Global Perspective- U.S. Biofuels Policy

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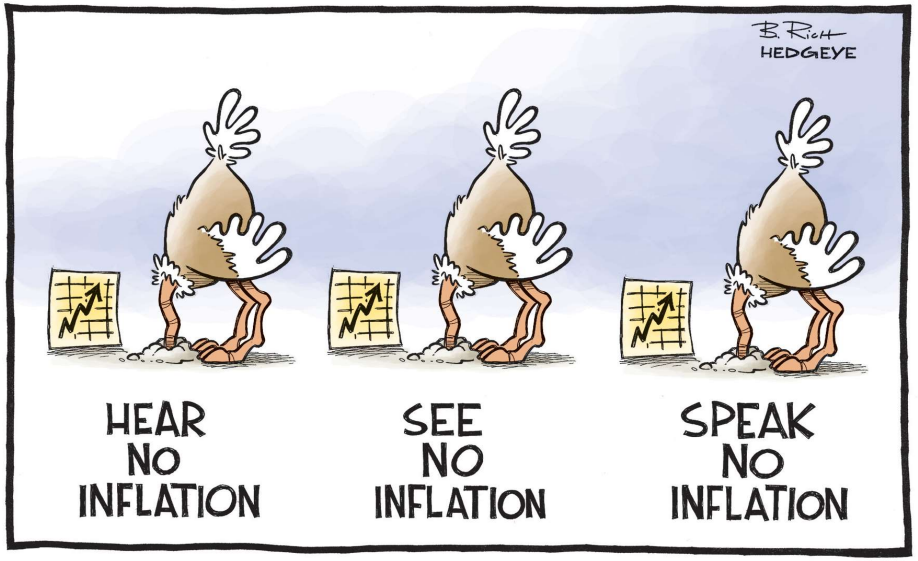
CIS/Black Sea CRM

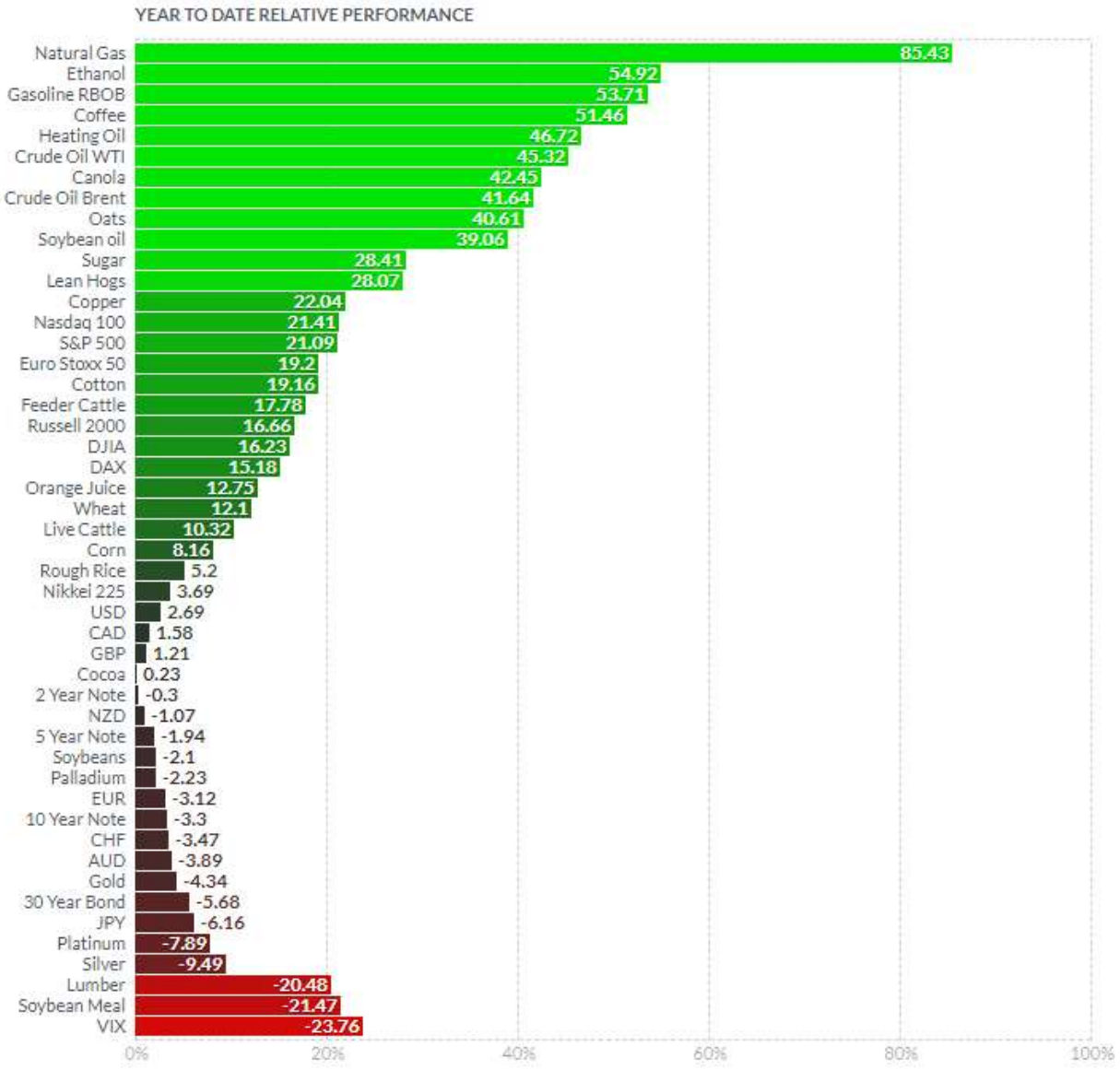
Fed Balance Sheet is Up 119% Over Past 2 Years to $8.2 Trillion

M2 Money Supply is Up $5 Trillion From Pre-Pandemic Levels

Low Velocity of Money Shields Us From Greater Inflation Pressures



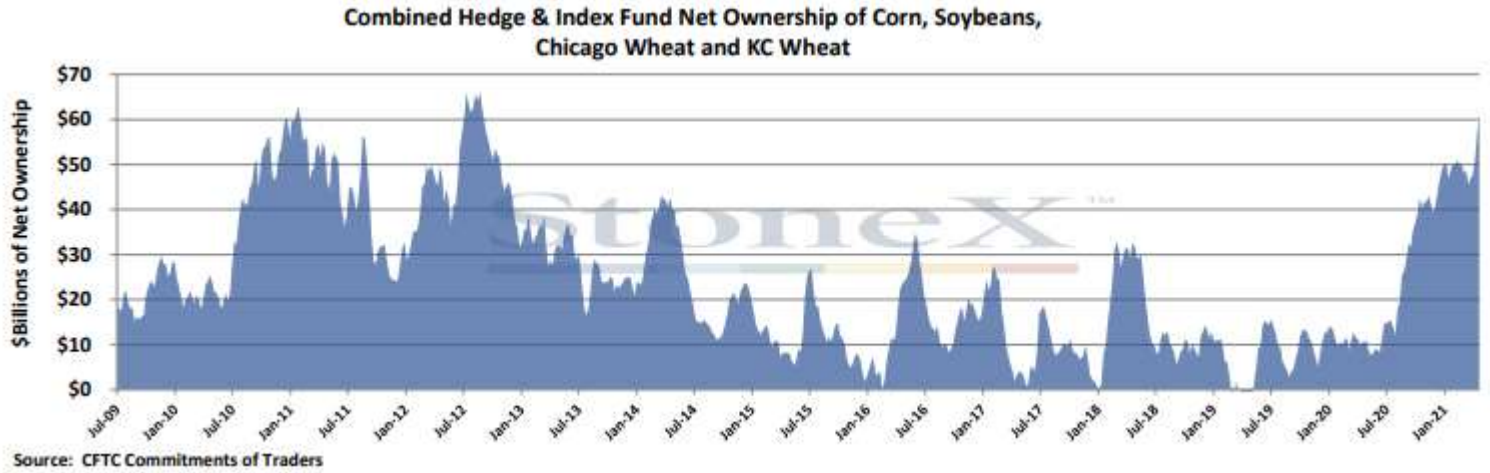
Source: Google

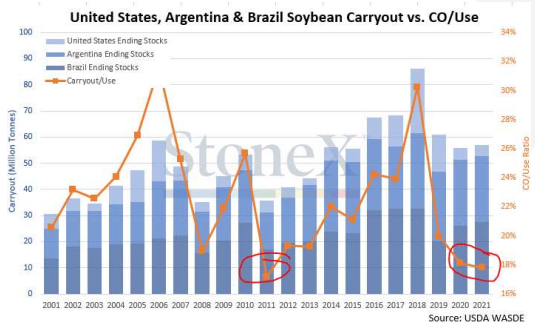


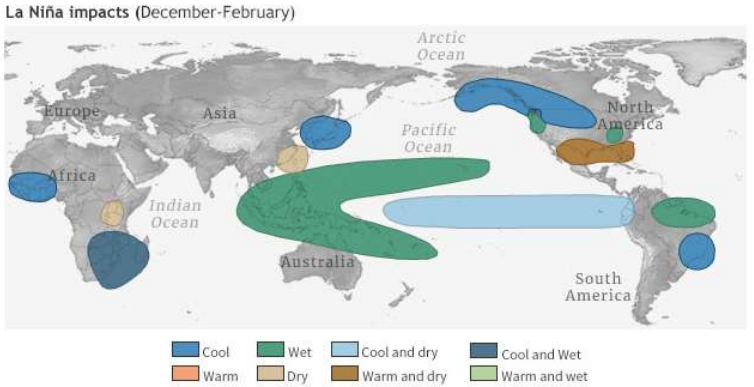
Source: Finviz.com

$$P = f(S * D) M$$

Price is a Function of Supply and Demand as Modified by the Flow of Money.

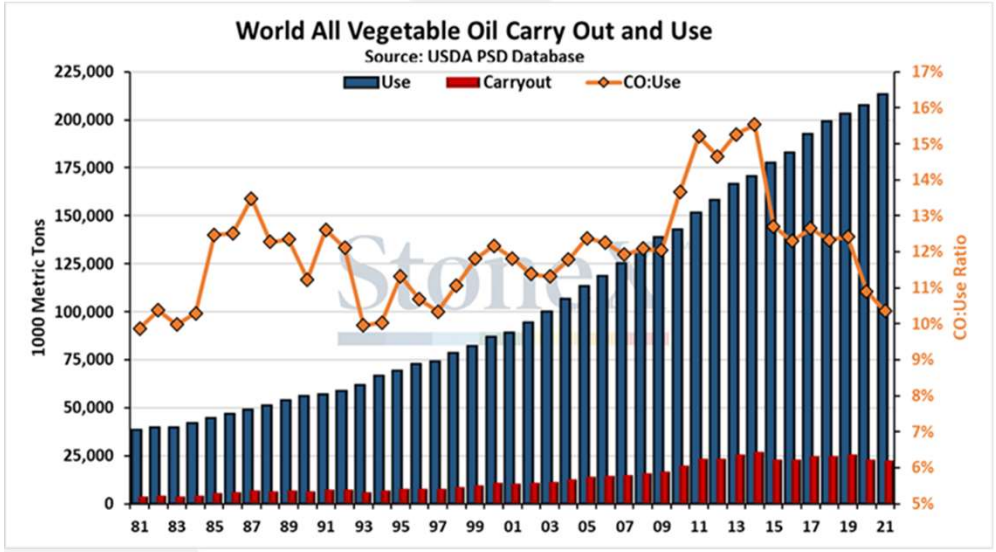


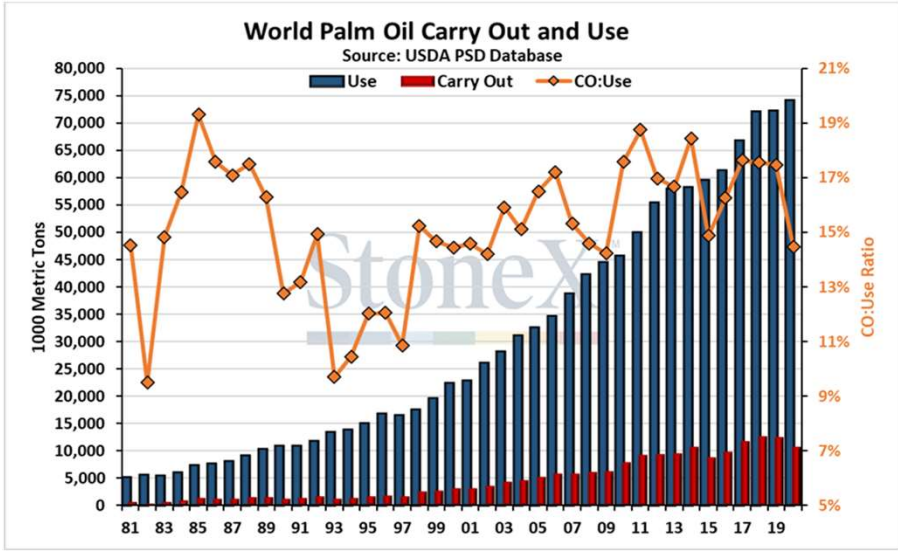


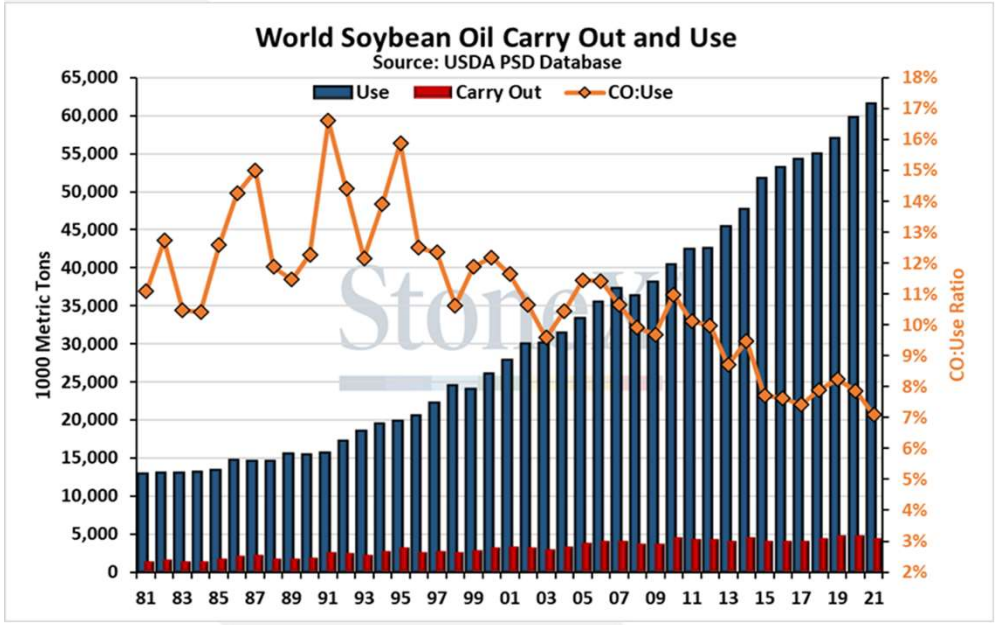


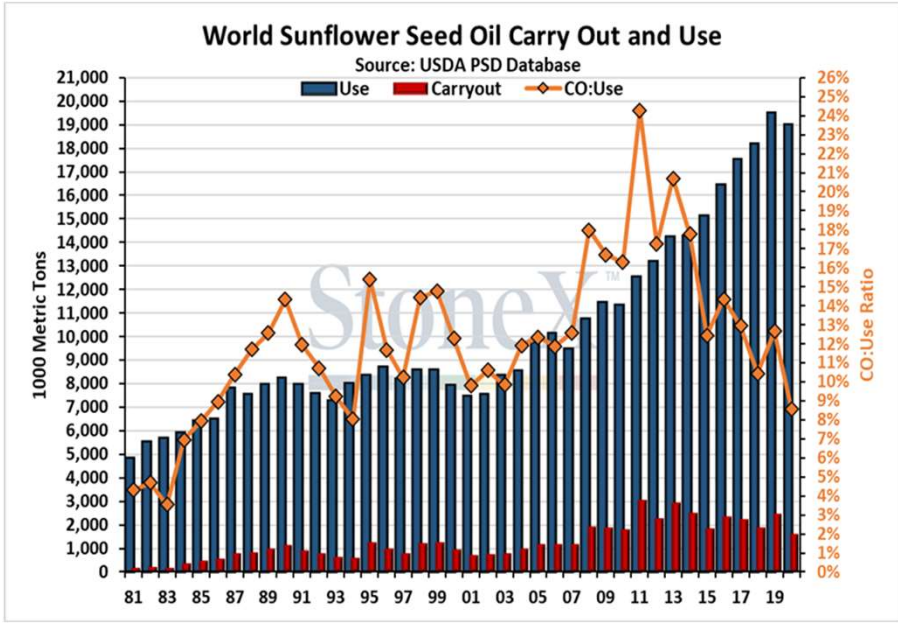
Last Updated: 1st September, 2021 06:40 IST

ASF outbreak confirmed | China Reports

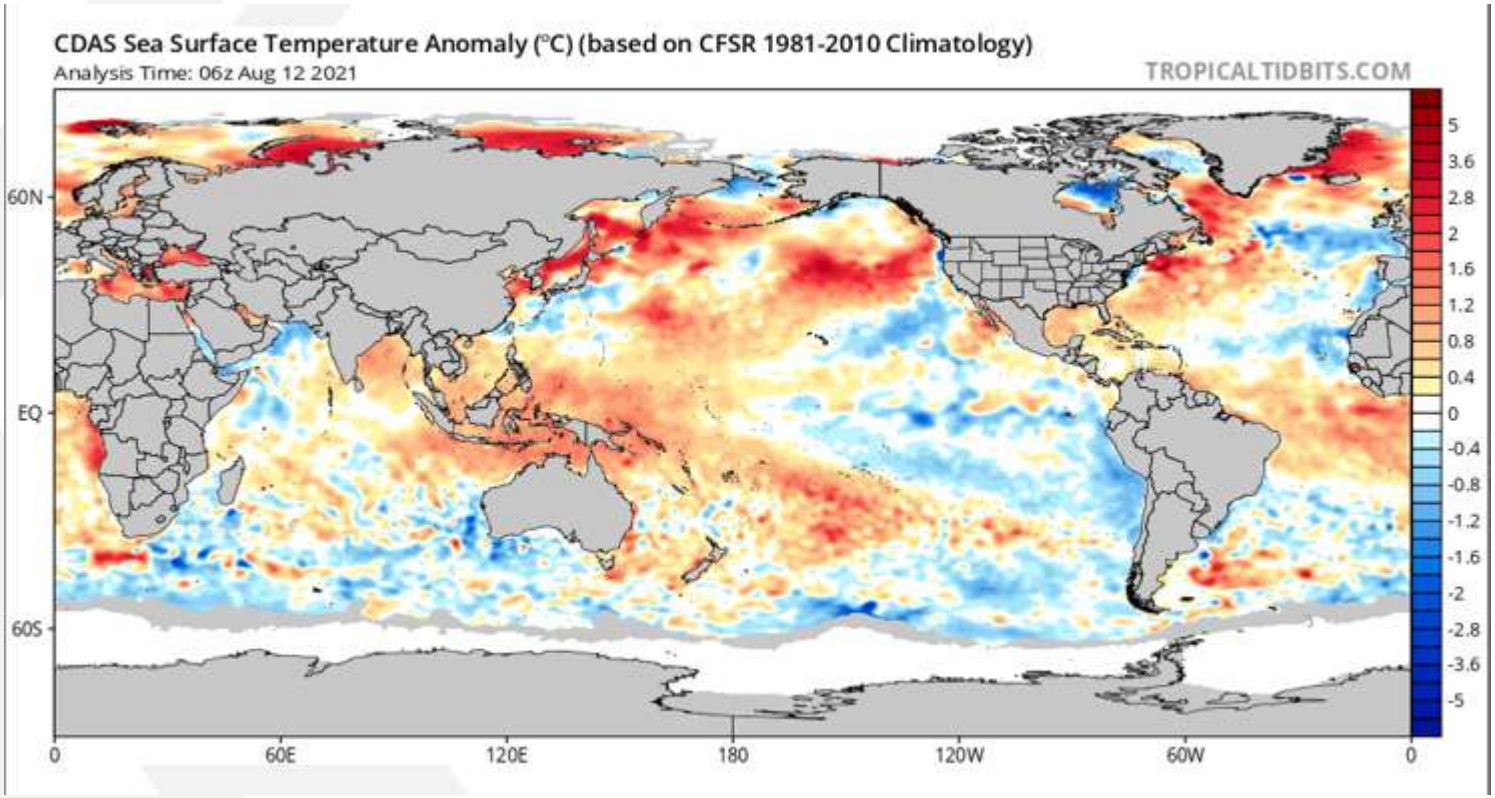

World All Vegetable Oil Carry Out and Use
Source: USDA PSD Database
Use
Carryout
CO:Use
1000 Metric Tons
CO:Use Ratio

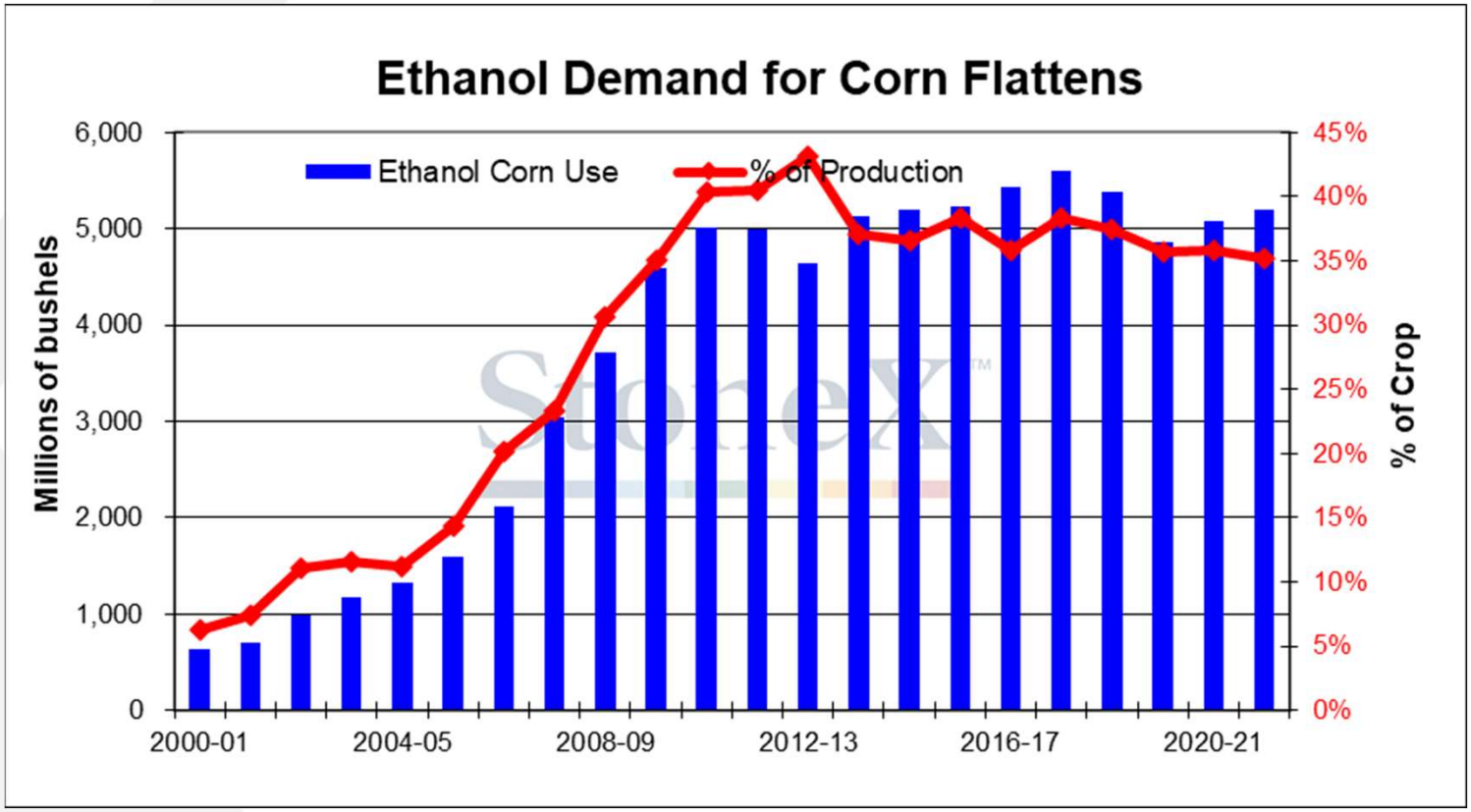

World Palm Oil Carry Out and Use
Source: USDA PSD Database
Use
Carry Out
CO:Use
1000 Metric Tons
CO:Use Ratio


World Soybean Oil Carry Out and Use
Source: USDA PSD Database
Use
Carry Out
CO:Use
1000 Metric Tons
CO:Use Ratio

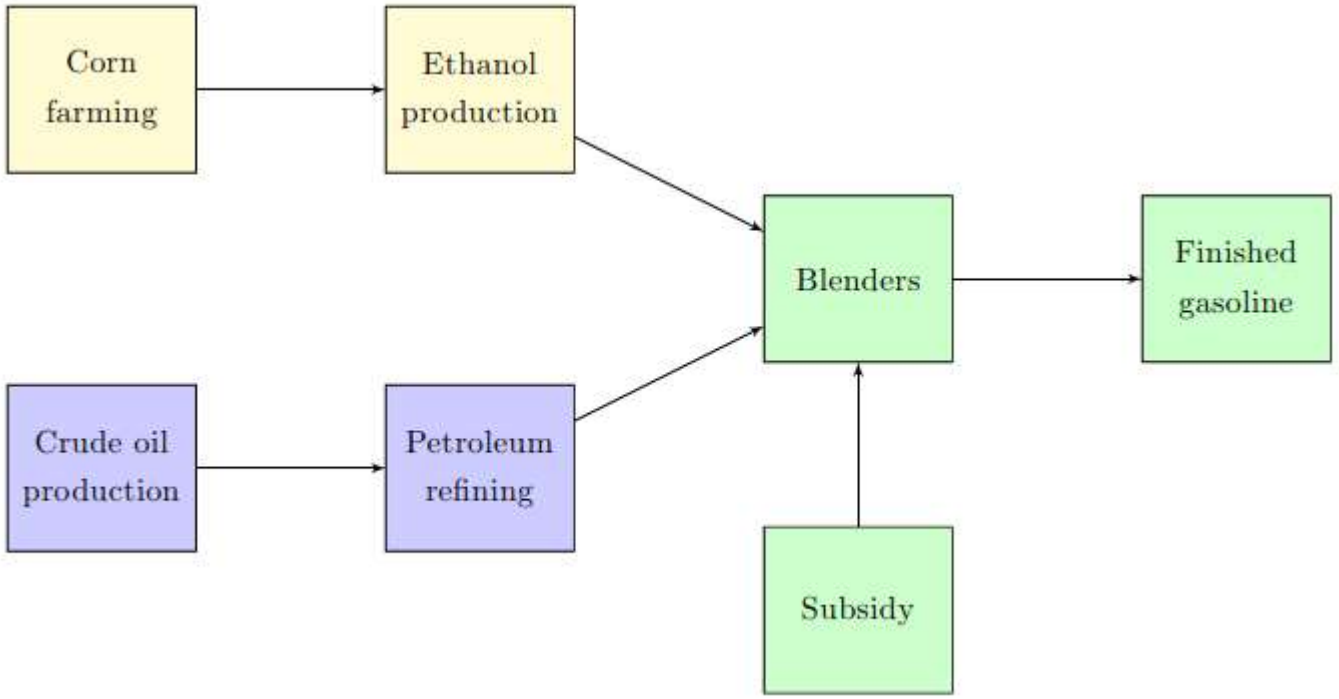

World Sunflower Seed Oil Carry Out and Use
Source: USDA PSD Database
Use
Carryout
CO:Use
1000 Metric Tons
CO:Use Ratio

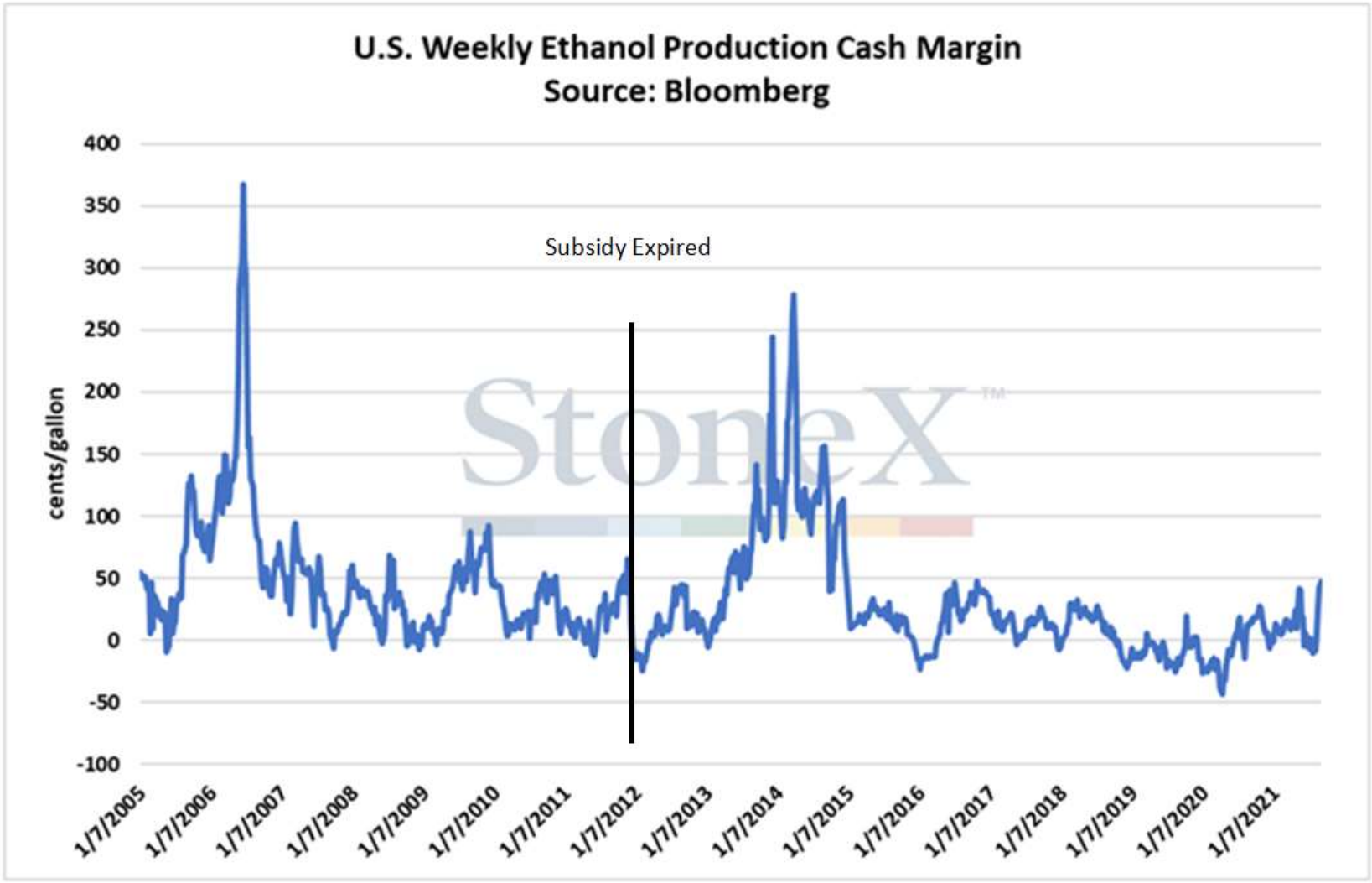
La-Nina comes back…

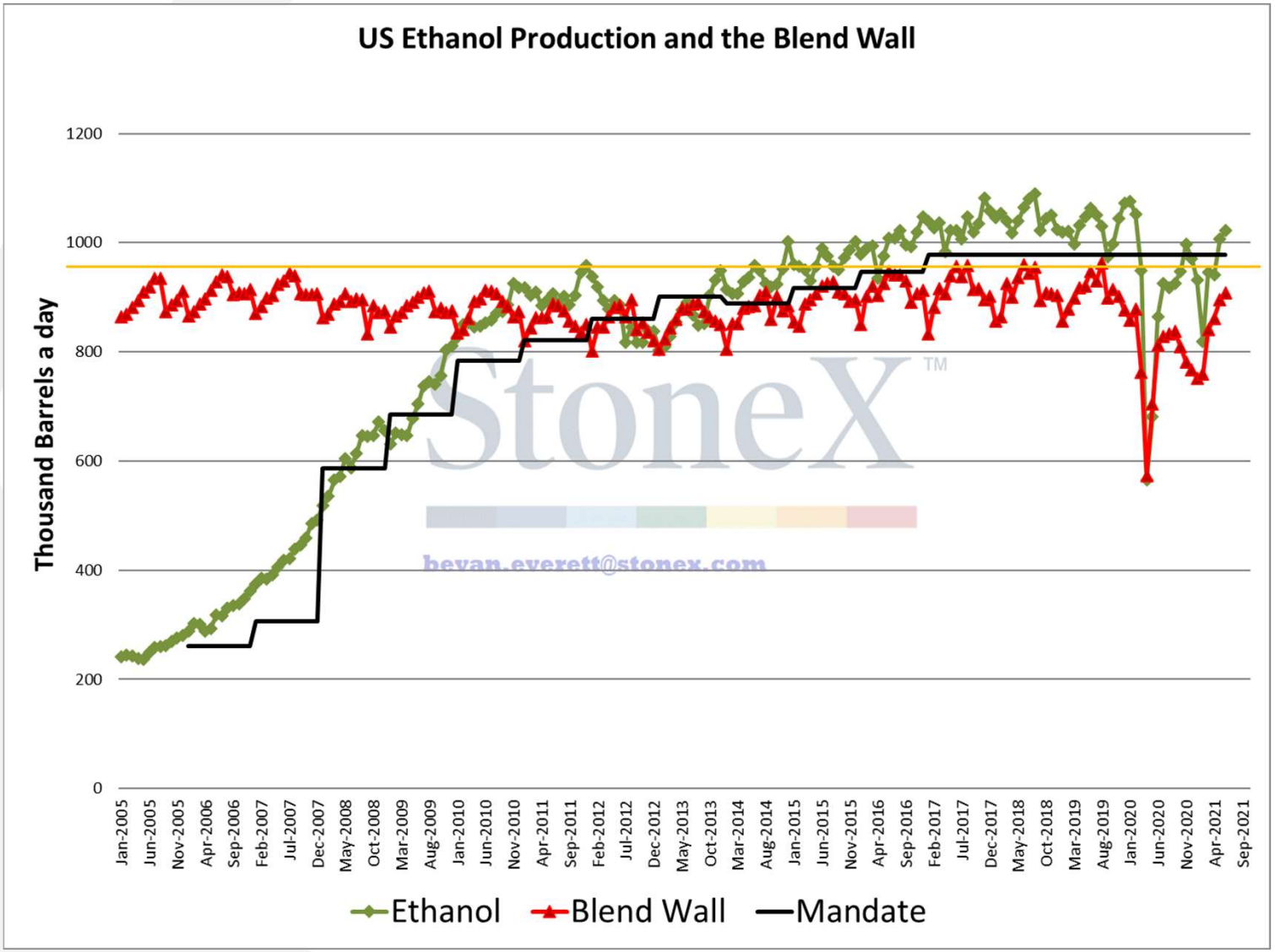



Ethanol Demand for Corn Flattens
Ethanol Corn Use
% of Production
Millions of bushels
% of Crop
6,000
5,000
4,000
3,000
2,000
1,000
0
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
2000-01
2004-05
2008-09
2012-13
2016-17
2020-21

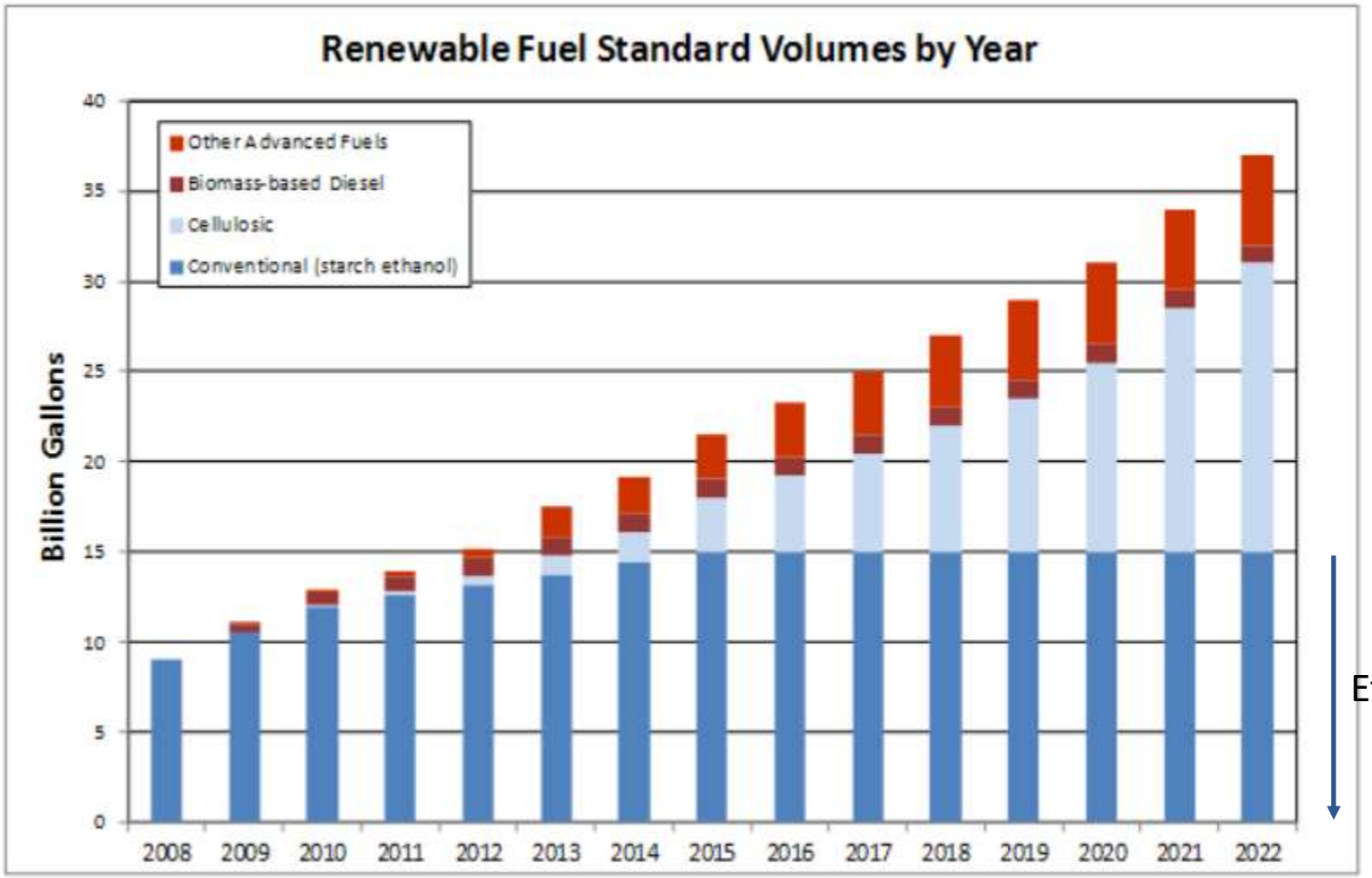
Source: USDA


Corn farming
Ethanol production
Blenders
Finished gasoline
Crude oil production
Petroleum refining
Subsidy


U.S. Weekly Ethanol Production Cash Margin
Source: Bloomberg
Subsidy Expired
cents/gallon
400
350
300
250
200
150
100
50
0
-50
-100
1/7/2005
1/7/2006
1/7/2007
1/7/2008
1/7/2009
1/7/2010
1/7/2011
1/7/2012
1/7/2013
1/7/2014
1/7/2015
1/7/2016
1/7/2017
1/7/2018
1/7/2019
1/7/2020
1/7/2021

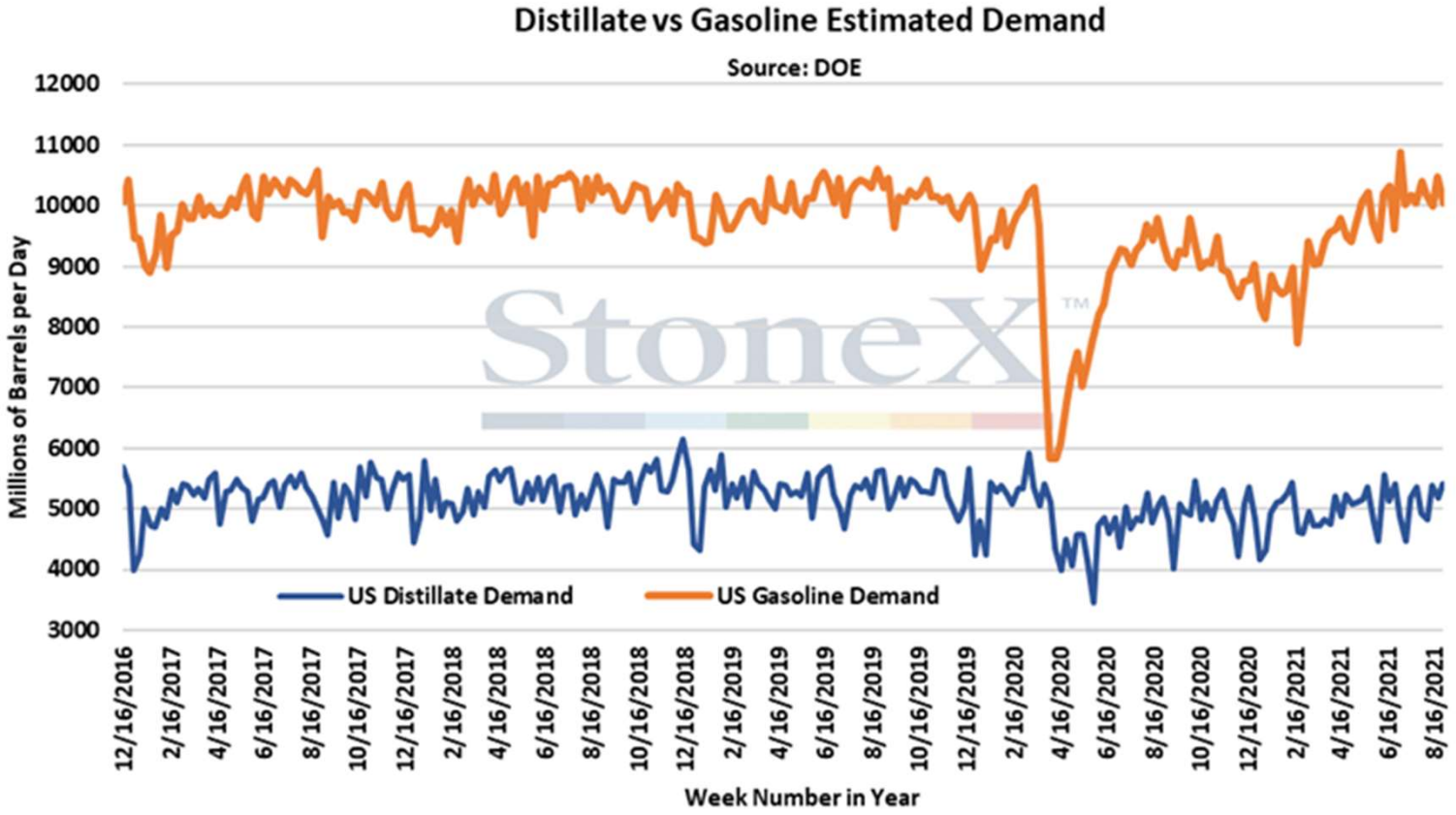


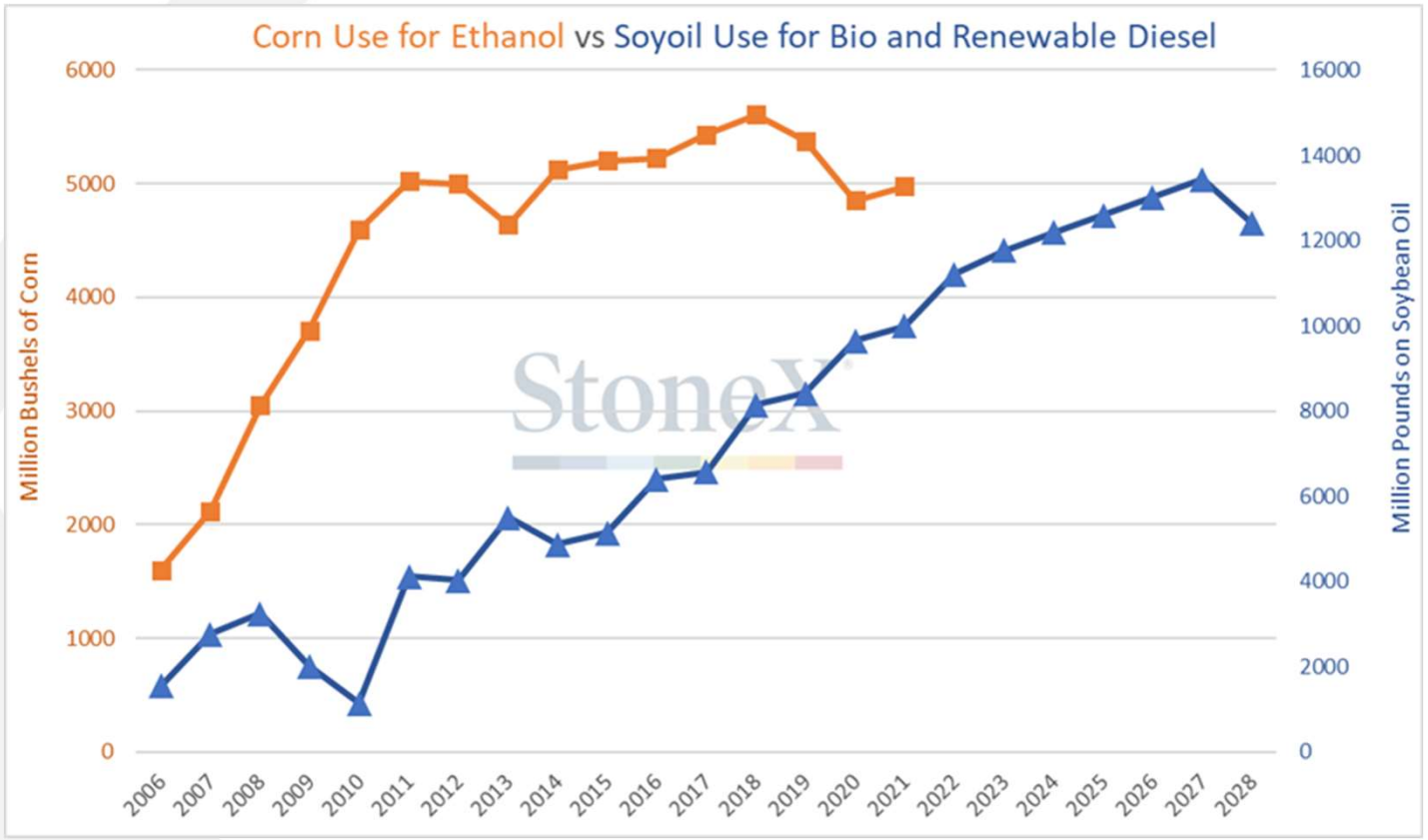
Source: EPA, USDA



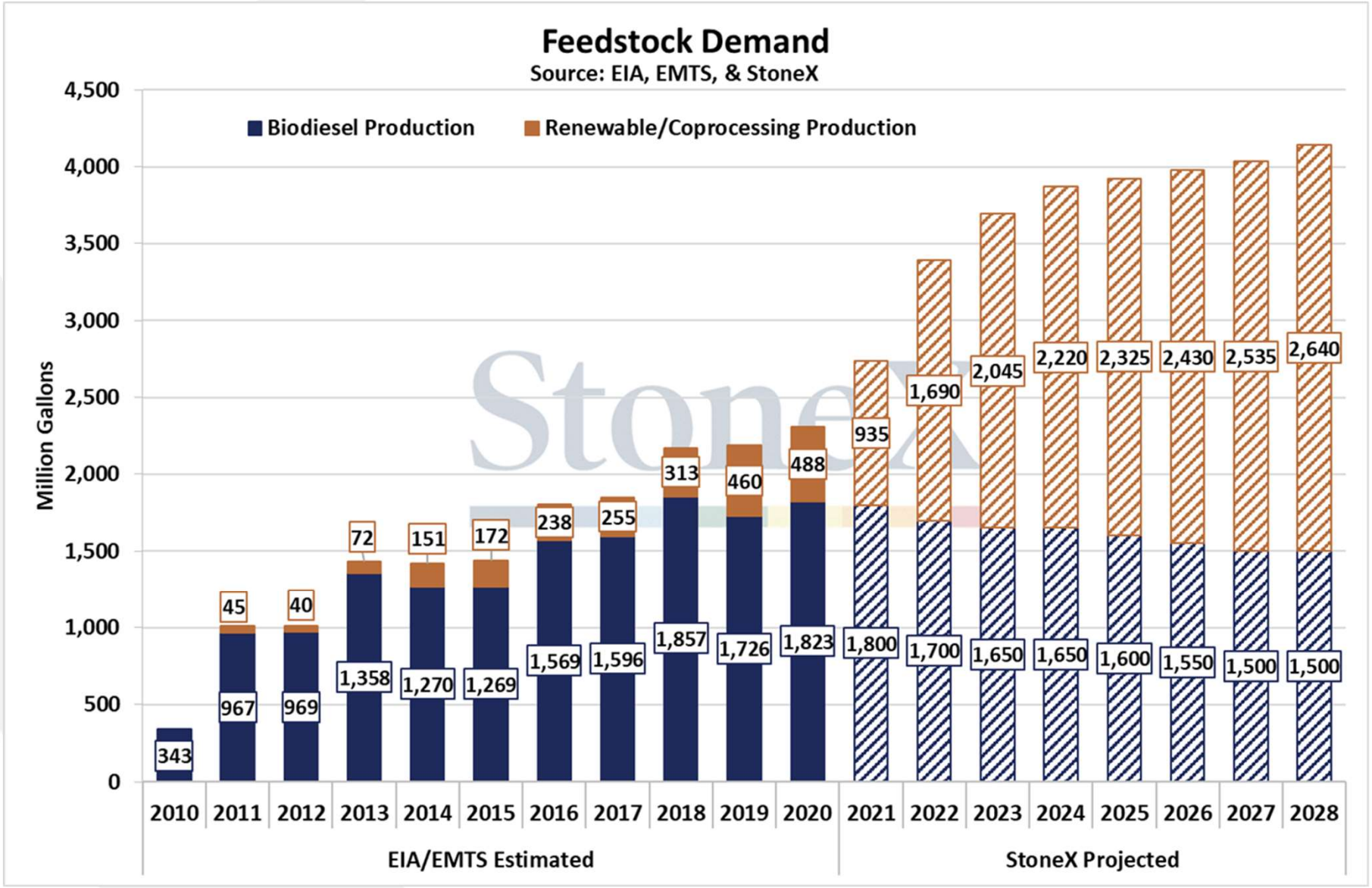
Ethanol

Source: https://afdc.energy.gov/laws/RFS.html

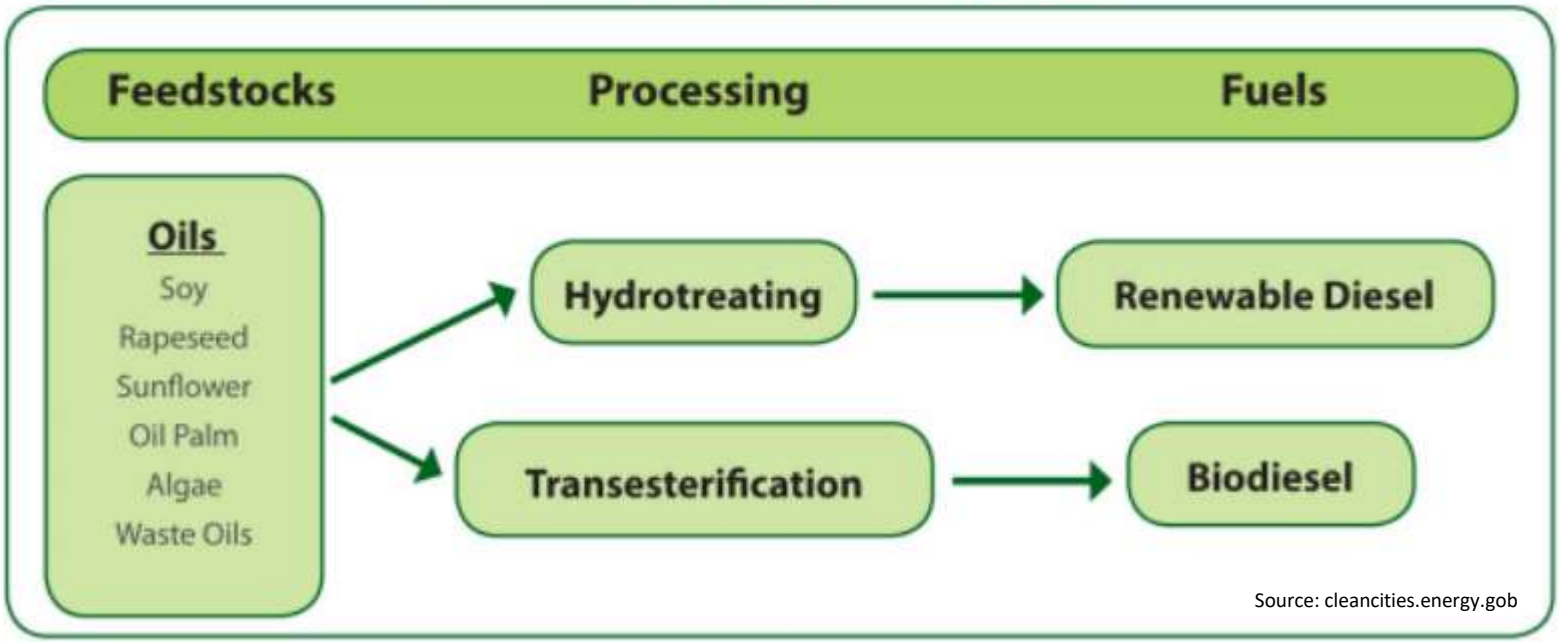

Distillate vs Gasoline Estimated Demand
Source: DOE
Millions of Barrels per Day
12000
11000
10000
9000
8000
7000
6000
5000
4000
3000
US Distillate Demand
US Gasoline Demand
12/16/2016
2/16/2017
4/16/2017
6/16/2017
8/16/2017
10/16/2017
12/16/2017
2/16/2018
4/16/2018
6/16/2018
8/16/2018
10/16/2018
12/16/2018
2/16/2019
4/16/2019
6/16/2019
8/16/2019
10/16/2019
12/16/2019
2/16/2020
4/16/2020
6/16/2020
8/16/2020
10/16/2020
12/16/2020
2/16/2021
4/16/2021
6/16/2021
8/16/2021
Week Number in Year


Corn Use for Ethanol vs Soyoil Use for Bio and Renewable Diesel
Million Bushels of Corn
Million Pounds on Soybean Oil
6000
5000
4000
3000
2000
1000
0
16000
14000
12000
10000
8000
6000
4000
2000
0
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028

Source: USDA


Feedstock Demand
Source: EIA, EMTS, & StoneX
Biodiesel Production
Renewable/Coprocessing Production
Million Gallons
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
343
45
967
40
969
72
1,358
151
1,270
172
1,269
238
1,569
255
1,596
313
1,857
460
1,726
488
1,823
935
1,800
1,690
1,700
2,045
1,650
2,220
1,650
2,325
1,600
2,430
1,550
2,535
1,500
2,640
1,500
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
EIA/EMTS Estimated
StoneX Projected

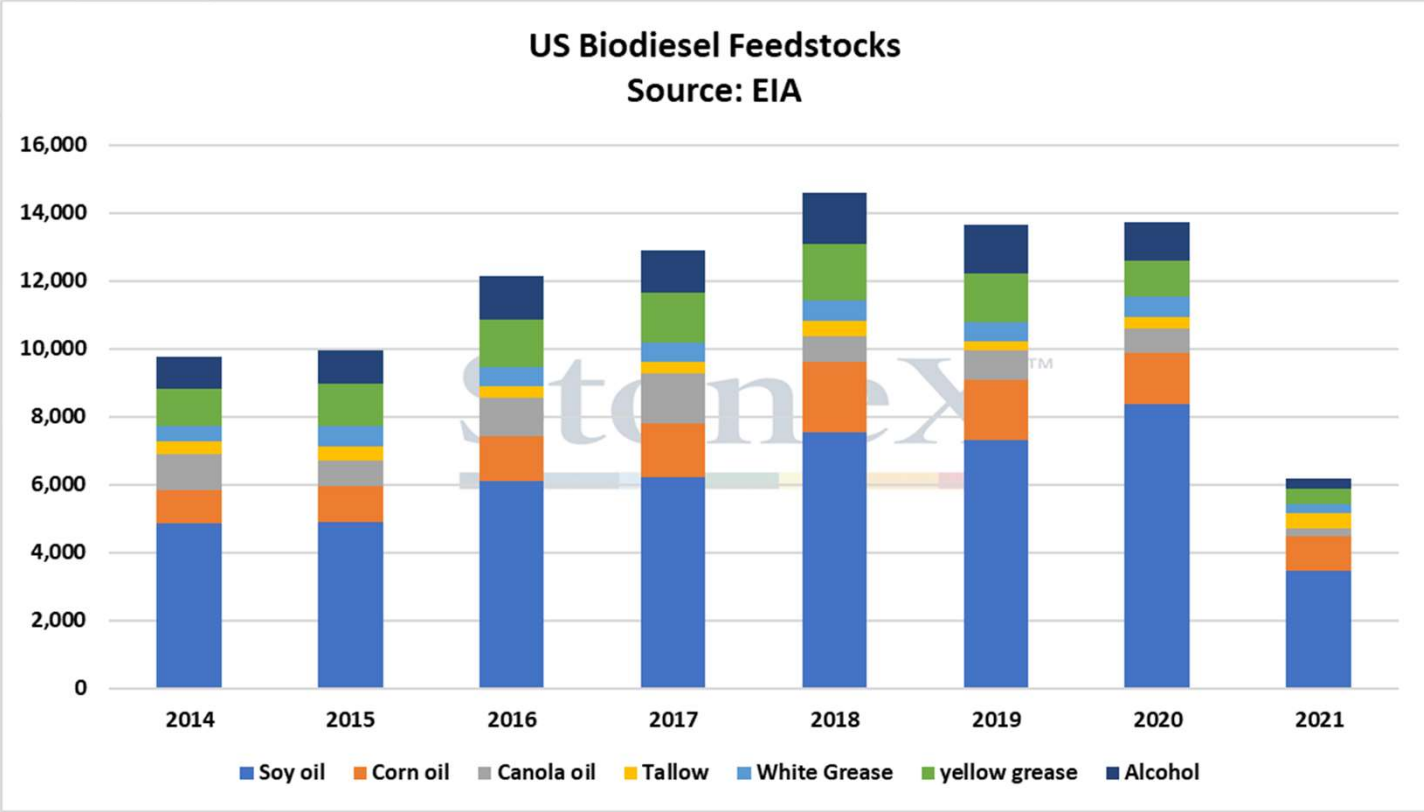
Renewable Fuels Creation Process

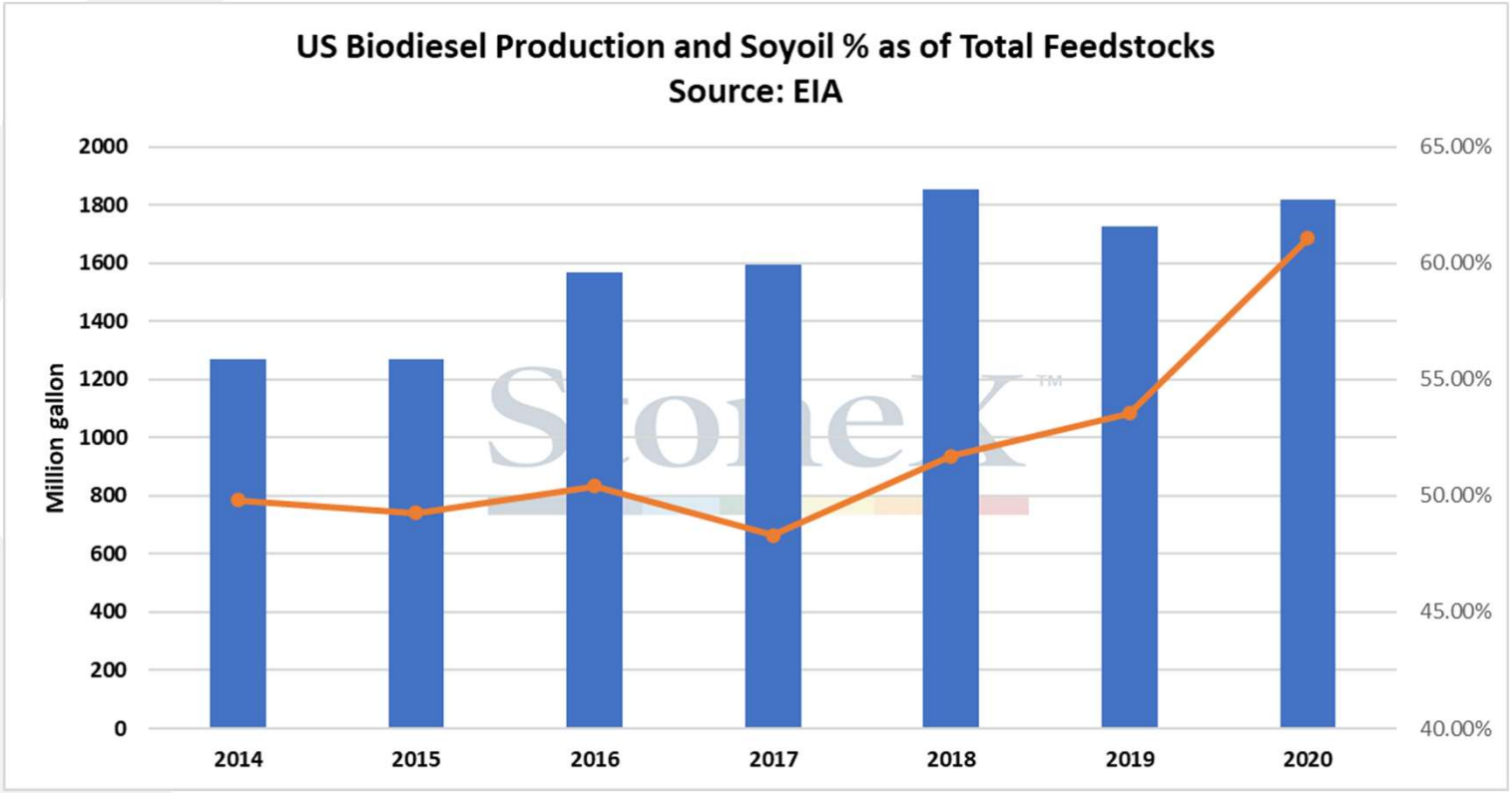


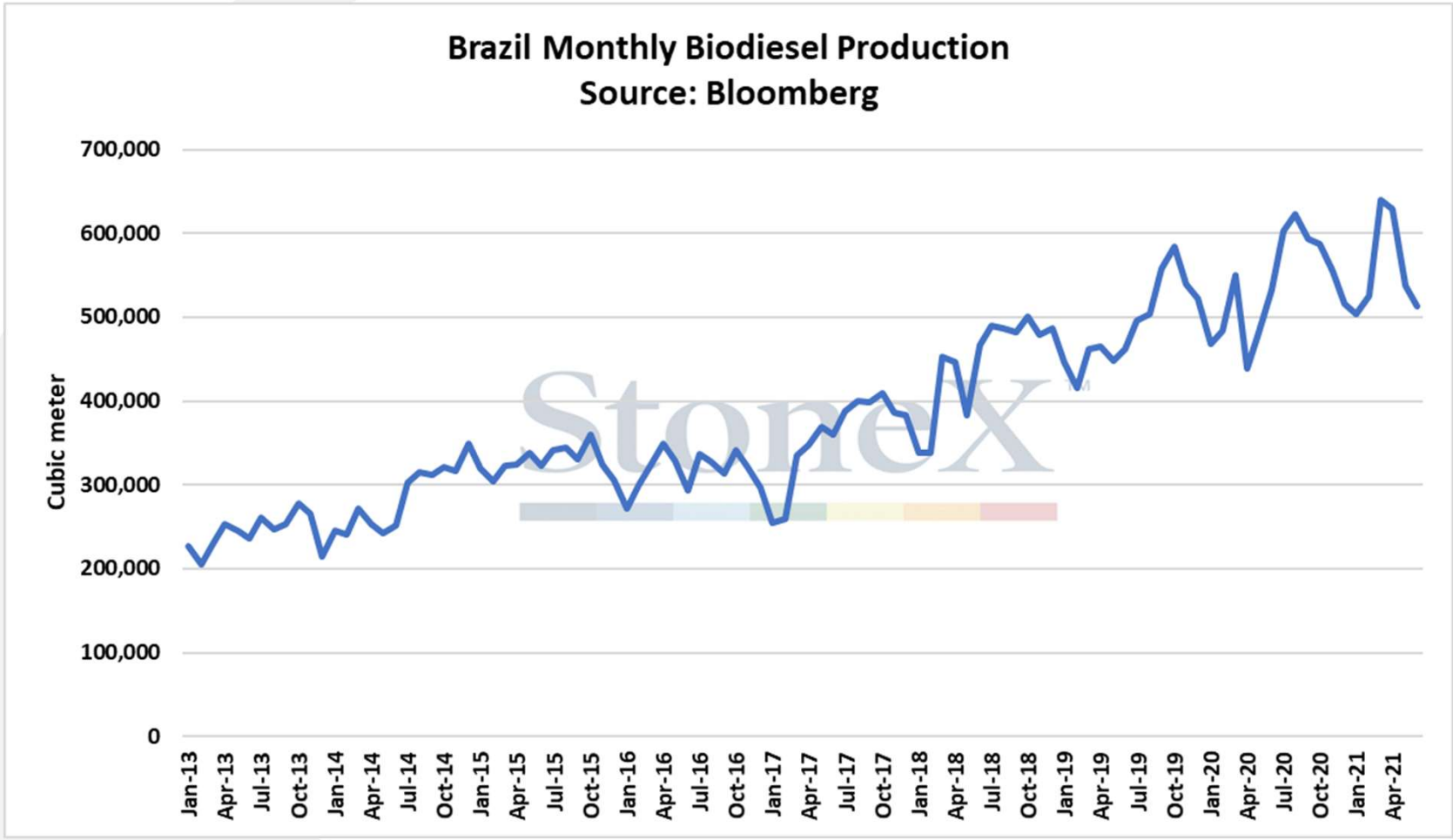
Source: cleancities.energy.gob

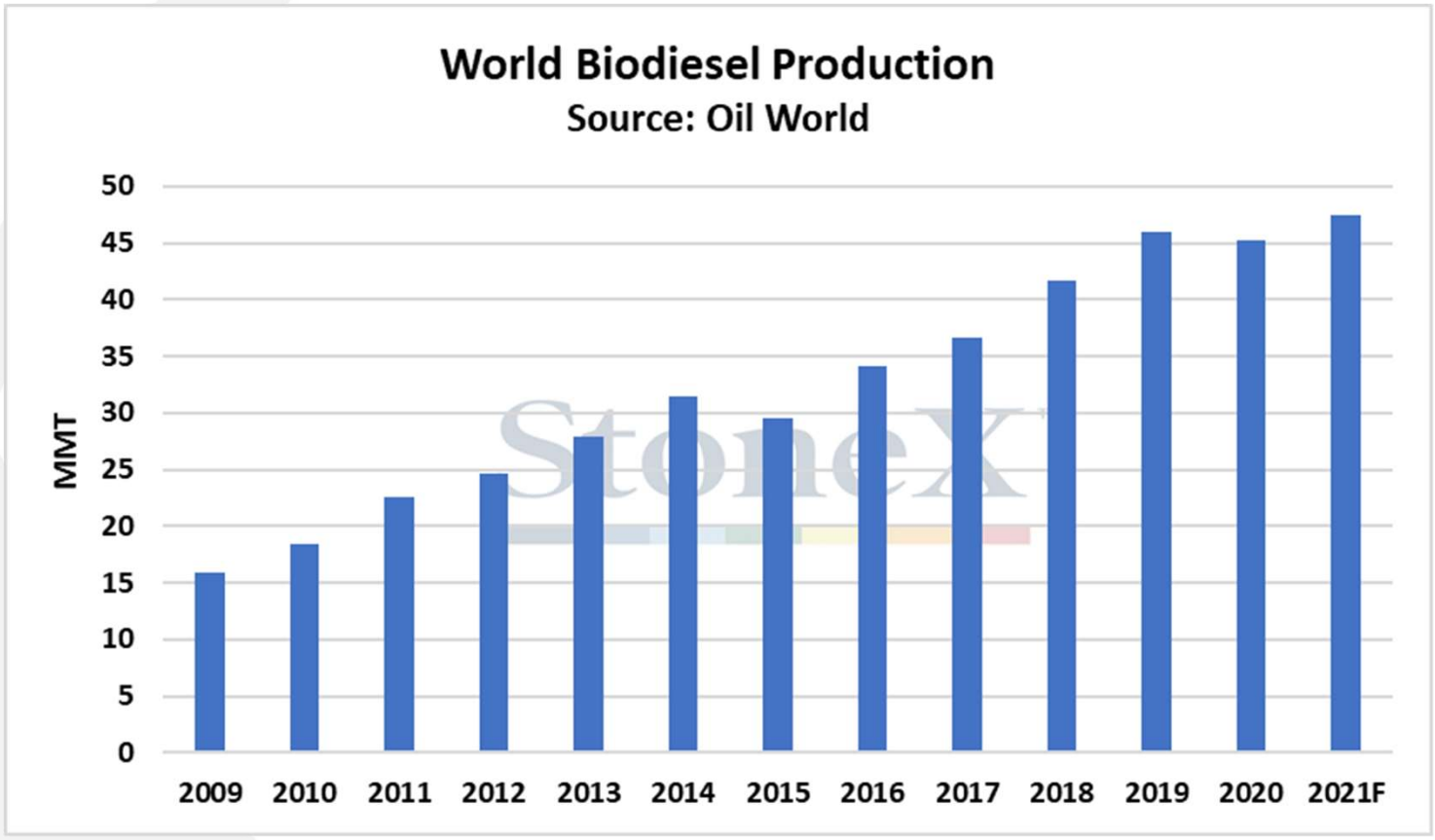
- Renewable diesel and biodiesel are not the same fuel. Renewable diesel is a hydrocarbon produced through various processes such as hydrotreating, gasification, pyrolysis, and other biochemical and thermochemical technologies. Biodiesel is a mono-alkyl ester produced via transesterification.
- Biodiesel is a chemical reaction where as renewable diesel is hydrocracking.
- Biodiesel has to be blended and renewable diesel can go 100% into the fuel stream
- Renewable cant use canola oil for regulation purposes
- Blends typically 5-20%- but colder temps lean towards the smaller end of blends.

Main Feed stock remains soybean oil.. All others also remain in high demand/low supply post COVID.




US Biodiesel Production and Soyoil % as of Total Feedstocks
Source: EIA
Million gallon
2000
1800
1600
1400
1200
1000
800
600
400
200
0
65.00%
60.00%
55.00%
50.00%
45.00%
40.00%
2014
2015
2016
2017
2018
2019
2020


Brazil Monthly Biodiesel Production
Source: Bloomberg
Cubic meter
700,000
600,000
500,000
400,000
300,000
200,000
100,000
0
Jan-13
Apr-13
Jul-13
Oct-13
Jan-14
Apr-14
Jul-14
Oct-14
Jan-15
Apr-15
Jul-15
Oct-15
Jan-16
Apr-16
Jul-16
Oct-16
Jan-17
Apr-17
Jul-17
Oct-17
Jan-18
Apr-18
Jul-18
Oct-18
Jan-19
Apr-19
Jul-19
Oct-19
Jan-20
Apr-20
Jul-20
Oct-20
Jan-21
Apr-21


World Biodiesel Production
Source: Oil World
MMT
50
45
40
35
30
25
20
15
10
5
0
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021F

Mandates/Tax incentives/ other programs

- Per Biodiesel- some states have mandates, others have tax incentives, while others have carbon programs to help reduce emissions- but this has been a moving target/changing target constantly over the past few years…. And likely this will not change in the foreseeable future..

Policy, economics, or corporate programs/sustainability driving the demand?

BlackRock Chief Pushes a Big New Climate Goal for the Corporate World

TOP NEWS

US milling business of ADM now net carbon neutral

Called an 'industry first' by Chris Cuddy

Electric Vehicle

Genesis to Go All-Electric by 2030

Source: Google

Refiners and capacity

- Refinery capacity much larger than the increased feed stock potential.. So huge gap remains..
- Refiners want to get rid of the RFS, but oil companies realize they have to do it- they have to become more carbon sensitive/efficient; they have to please the shareholders and society.

Alerts History

- 02-Sep-2021 14:00:00 - CHEVRON TO INVEST $600 MILLION IN BUNGE SOYBEAN PROCESSING PLANTS TO SECURE RENEWABLE FUELS FEEDSTOCKS, CHEVRON AND BUNGE SAY

Chevron to invest in Bunge soybean crushers to secure renewable feedstock - Reuters News

02-Sep-2021 14:00:00

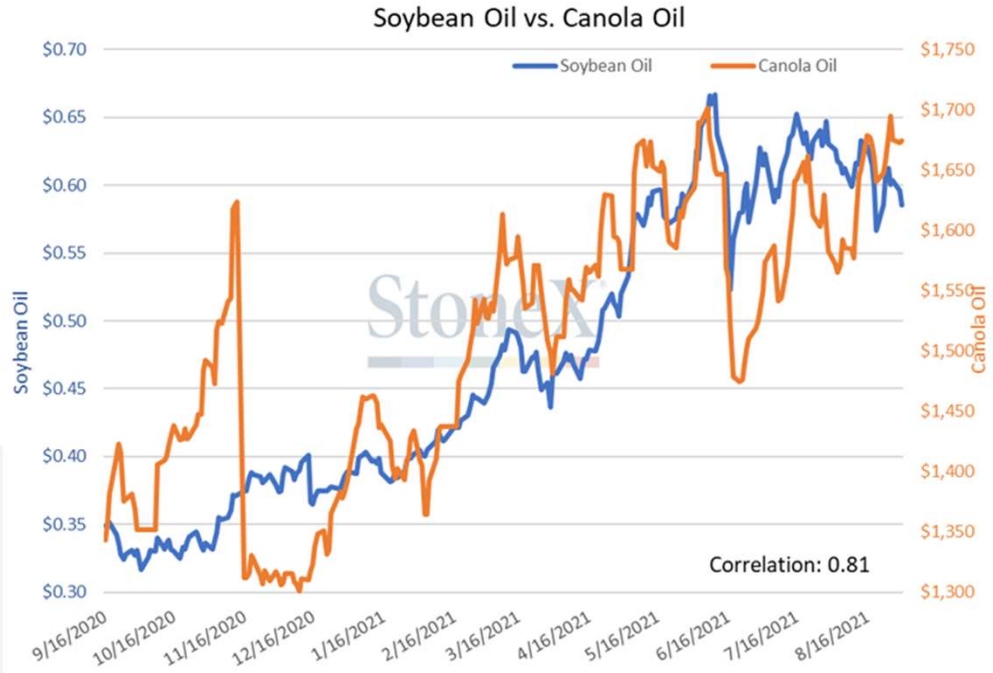
Source: Reuters

The ‘green’ revolution… this feeding biofuels/renewable/clean energy trend…. But is it?

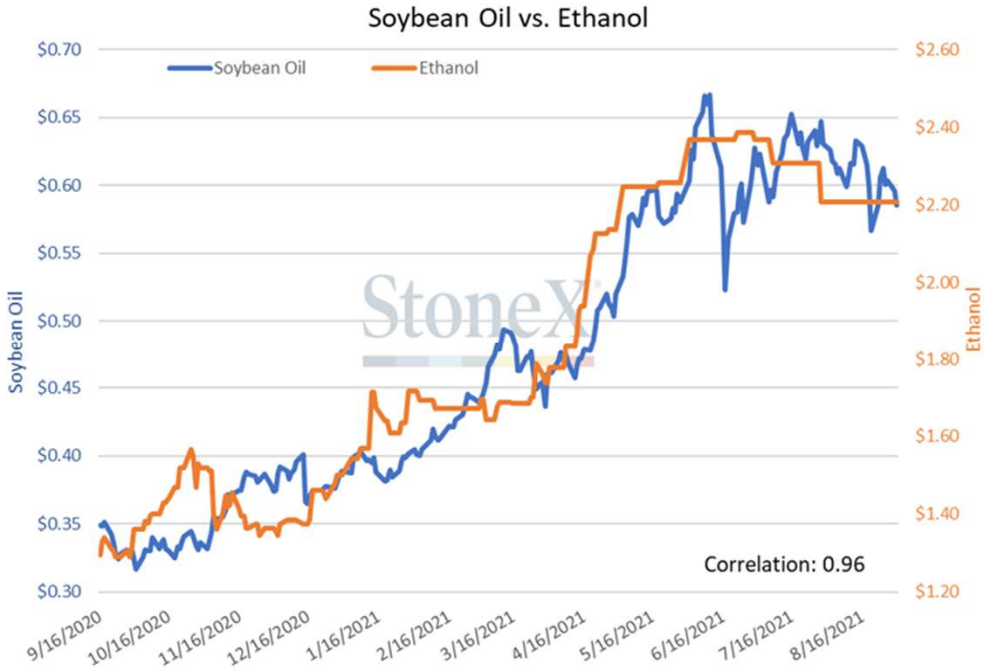
Source: Google

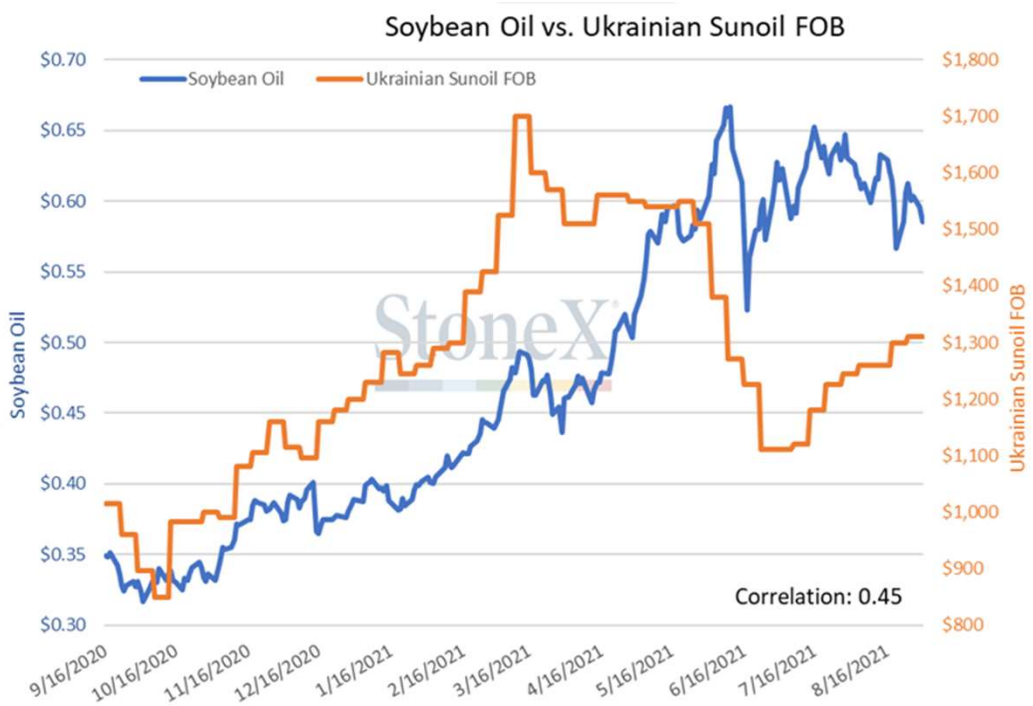
EPA Chatter

- March 18th, 2021- Biden shuts down the Keystone Pipeline
- June 11th 2021- Biden considers giving refiners relief from U.S. biofuel laws, aka waivers
  - Came from pressure from labor unions and a $1.6 billion shortfall in credits/offsets required
- Aug 11th, 2021- White House calls on OPEC to boost oil production to help ease gasoline prices
- Aug 20th 2021- EPA to recommend lower U.S. biofuel blending mandates below 2020 levels, but this a direct result of aligning mandates with actual production levels, which slumped during the pandemic.

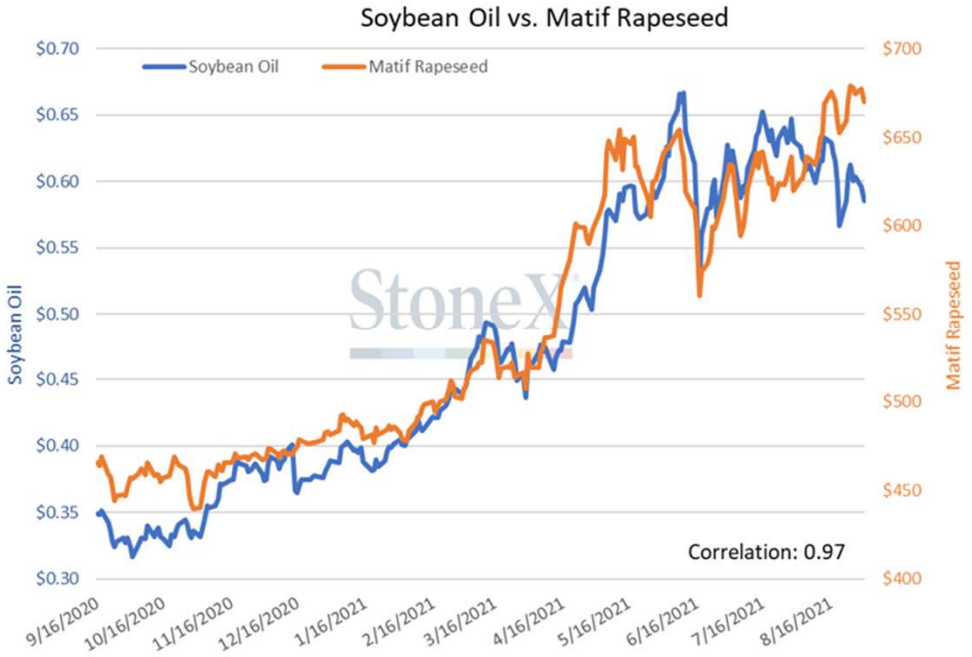


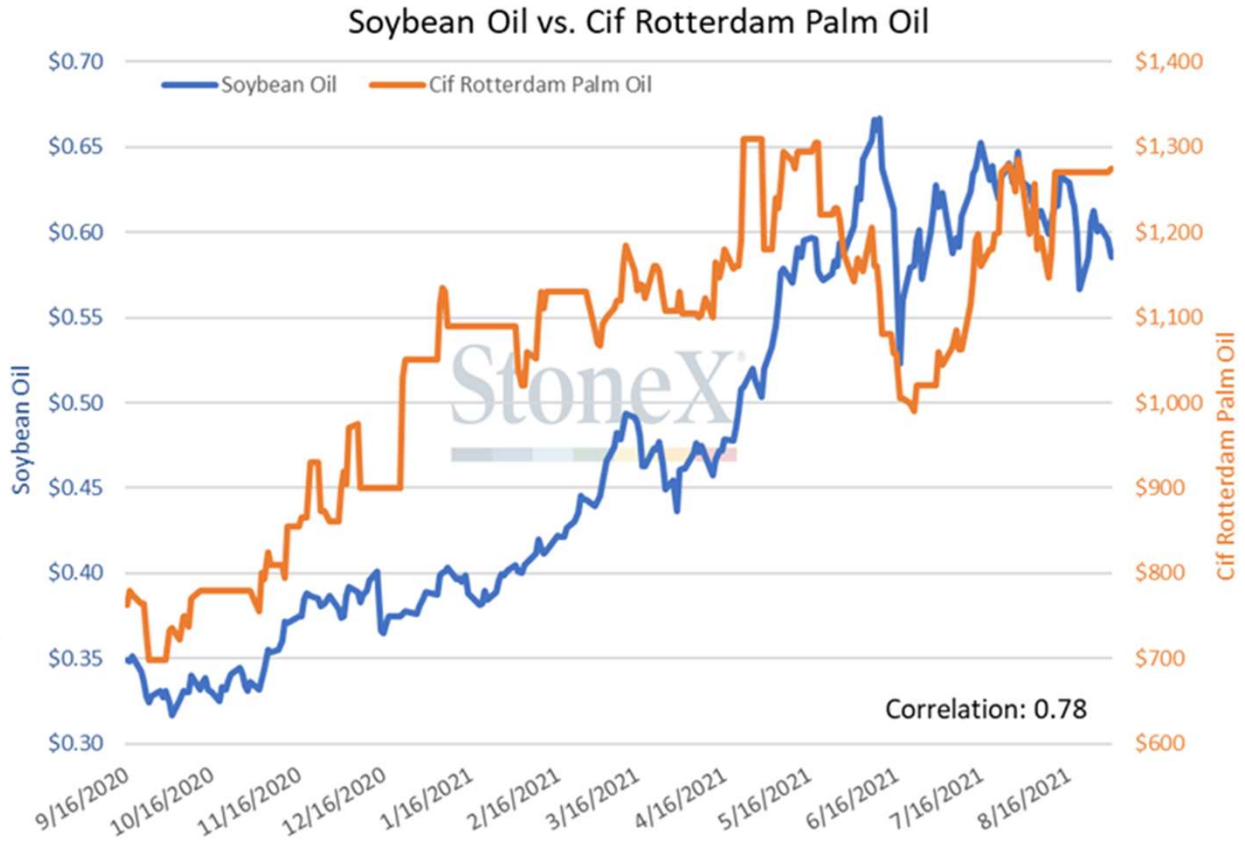
Source: Bloomberg



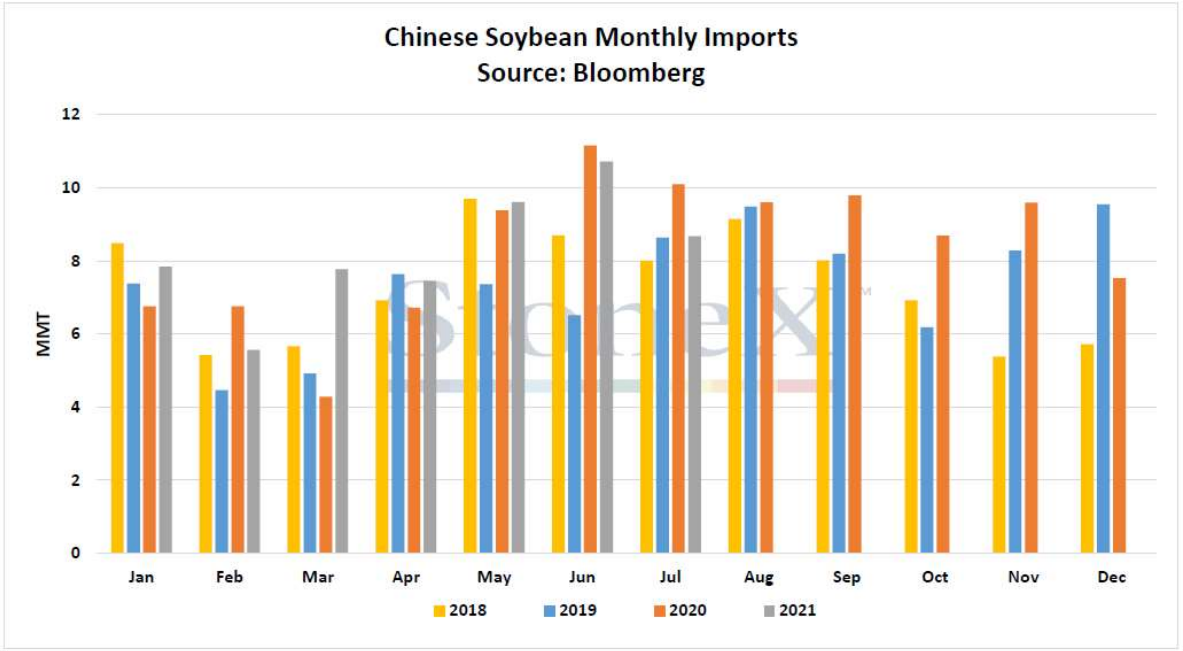


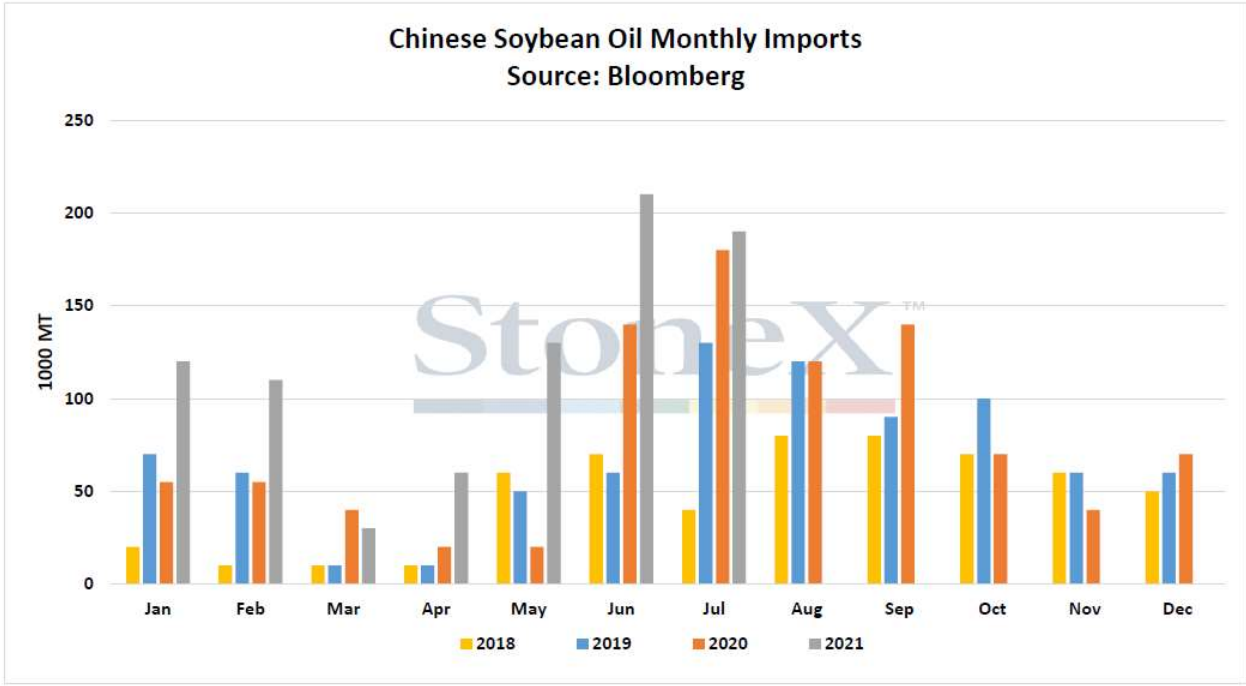
Source: Bloomberg

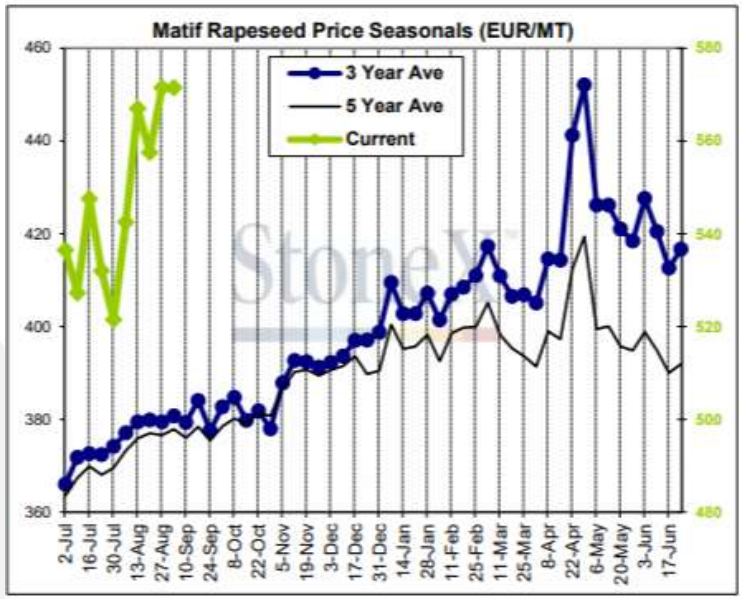




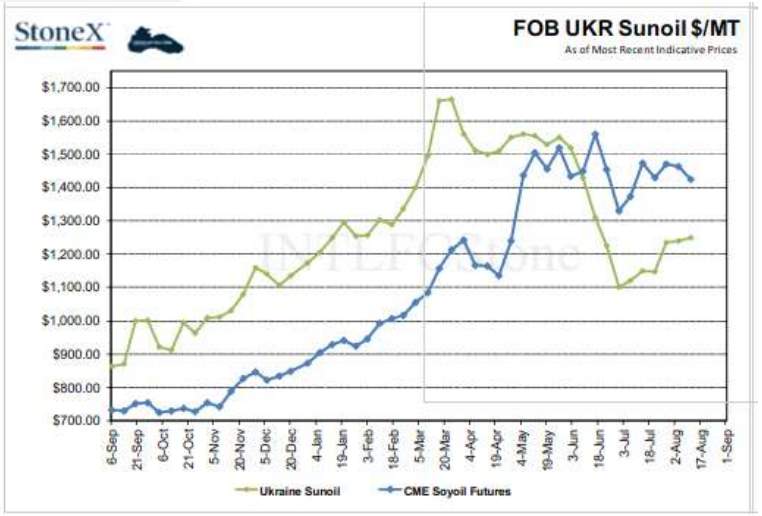
Source: Bloomberg

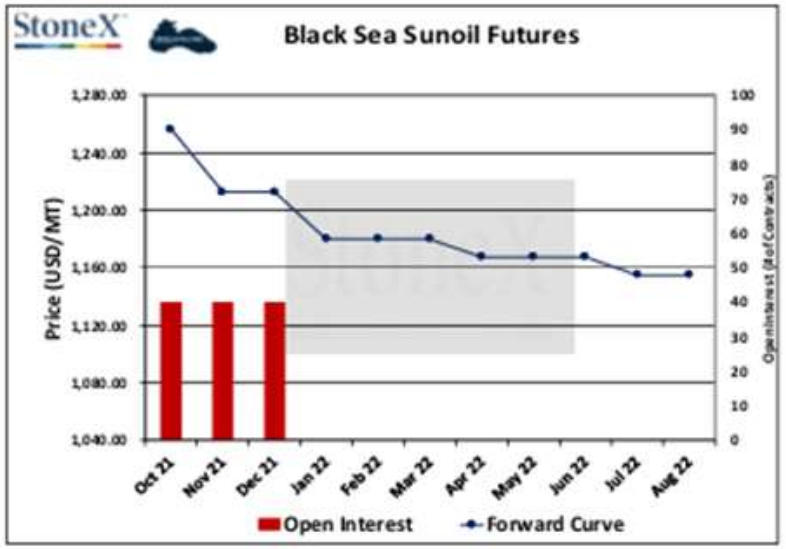

Chinese Soybean Monthly Imports
Source: Bloomberg
MMT
12
10
8
6
4
2
0
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2018
2019
2020
2021


Chinese Soybean Oil Monthly Imports
Source: Bloomberg
1000 MT
250
200
150
100
50
0
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2018
2019
2020
2021


Matif Rapeseed Price Seasonals (EUR/MT)
3 Year Ave
5 Year Ave
Current
460
440
420
400
380
360
580
560
540
520
500
480
2-Jul
16-Jul
30-Jul
13-Aug
27-Aug
10-Sep
24-Sep
8-Oct
22-Oct
5-Nov
19-Nov
3-Dec
17-Dec
31-Dec
14-Jan
28-Jan
11-Feb
25-Feb
11-Mar
25-Mar
8-Apr
22-Apr
6-May
20-May
3-Jun
17-Jun

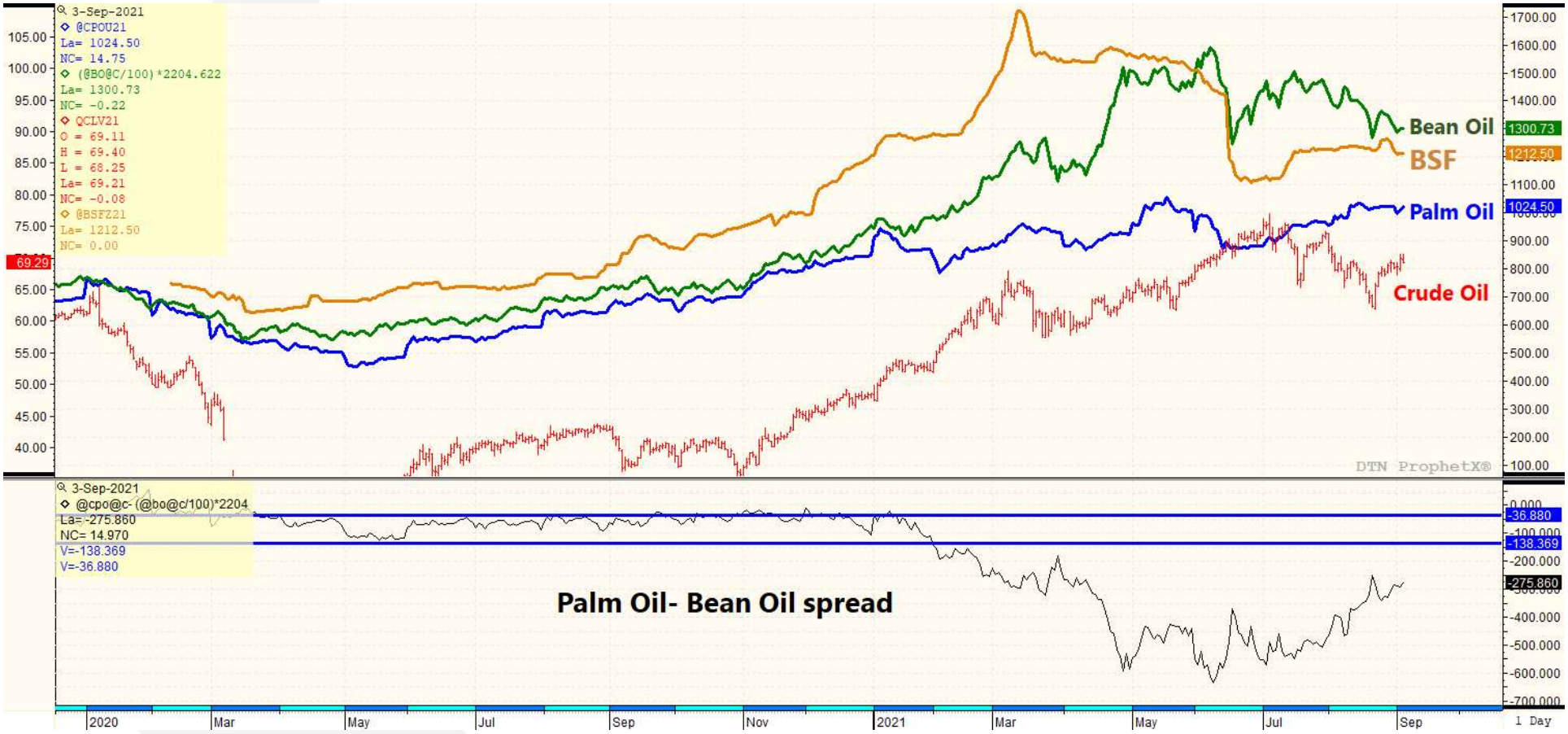

CBOT Soyoil Price Seasonals (cts/lb)
3 Year Ave
5 Year Ave
Current
34
33
32
31
30
29
28
27
75
70
65
60
55
50
45
40
35
30
2-Oct
16-Oct
30-Oct
13-Nov
27-Nov
11-Dec
25-Dec
8-Jan
22-Jan
5-Feb
19-Feb
5-Mar
19-Mar
2-Apr
16-Apr
30-Apr
14-May
28-May
11-Jun
25-Jun
9-Jul
23-Jul
6-Aug
20-Aug
3-Sep
17-Sep
1-Oct


StoneX
FOB UKR Sunoil $/MT
As of Most Recent Indicative Prices
$1,700.00
$1,600.00
$1,500.00
$1,400.00
$1,300.00
$1,200.00
$1,100.00
$1,000.00
$900.00
$800.00
$700.00
6-Sep
21-Sep
6-Oct
21-Oct
5-Nov
20-Nov
5-Dec
20-Dec
4-Jan
19-Jan
3-Feb
18-Feb
5-Mar
20-Mar
4-Apr
19-Apr
4-May
19-May
3-Jun
18-Jun
3-Jul
18-Jul
2-Aug
17-Aug
1-Sep
Ukraine Sunoil
CME Soyoil Futures


StoneX
Black Sea Sunoil Futures
Price (USD/MT)
1,280.00
1,240.00
1,200.00
1,160.00
1,120.00
1,080.00
1,040.00
100
90
80
70
60
50
40
30
20
10
0
Oct 21
Nov 21
Dec 21
Jan 22
Feb 22
Mar 22
Apr 22
May 22
Jun 22
Jul 22
Aug 22
Open Interest
Forward Curve

Bean Oil- we have met all objectives thus far..

Bean oil does lean rich…but does it matter?

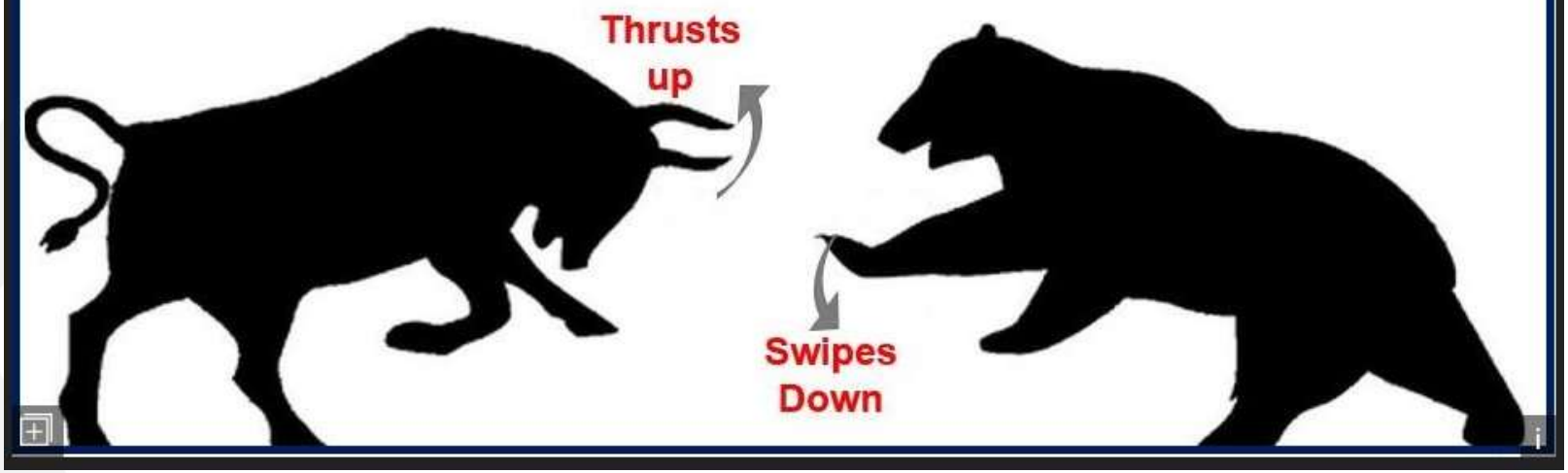


Source: Google

It’s a tricky balance…

.. But you get what you put into it… are current oilseed/oil prices cheap or expensive? How to determine this?

Bull & Bear



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