

January 2022

Dear Client,

### Volatile sunflower market

The vegetable oils and seeds market continues to be full of constant twists.

Currently the market is driven by the news for worse than expected soybean crops in Southern America caused by extensive droughts, as well as still ongoing problems with production of palm oil in Asia due to Covid measures and lack of labor force.

Due to the big sunflower crops all over the Black Sea region, stocks of seeds are huge but farmers are still not selling. This year the percentage of farmers' unsold seeds is at an all-time high level. Gas and electricity are adding challenges for the processing business and can bring pressure to the farmers.

The Russian Federation has formally requested that NATO return to its 1997 positions (i.e. before the accession of Eastern European countries to EU). This implies the withdrawal of allied forces from **Bulgaria** and **Romania**.

A day later, Russian Deputy Defense Minister Alexander Fomin announced the start of "unplanned" military exercises next month in Belarus. These maneuvers will include the movement of military aircraft and air defense equipment on the territory of the former Soviet republic.

The operation was agreed between Presidents Lukashenko and Putin last month. This will allow the Russian and Belarusian armies to coordinate ground operations and air defense at the common borders.

The US administration has warned Belarus that by agreeing to deploy Russian troops on its territory for joint military exercises, they risk permanently ceding Minsk's sovereignty into Russian hands.

In any case, a possible escalation of tensions in the region would have serious consequences for the world trade, including a jump in oil and gas prices.

### **Bulgaria**

In the beginning of January prices dropped a bit and some of the farmers and traders decided to sell their production. However, following the last development of the vegetable oil market prices, they started to crawl up again and remain firm. Nevertheless, the market remains quiet.

## *Bakery*

Bulgarian dehullers cannot form a consolidated market strategy. Offer levels can vary within 100-130 EUR/MT each.

As a general rule – the smaller the producers the lower the prices they offer. However, they can offer only spot deals. Bigger producers keep higher prices, able to contract long-term spread position.

Reportedly, some packers do not fulfil their low-priced contracts and go into defaults.

Uncertainty, increasing production and logistics costs dominate the market and make dehullers choose the safety.

The demand is limited, buyers are still reluctant to buy for long term. They expect reduction in the prices and feel uncertain in demand side due to Covid restrictions. Business continues mainly on spot basis.

## *Inshells for human consumption*

Constant demand with firm prices.

Middle East switched to buying from Bulgaria since the freight rates from China are enormous. The turn might come in March/April, when the Argentine crop will be on the market. Recently, as advised, there were droughts there and the yields might be lower.

Bulgarian farmers prefer to grow more and more sunflower with high oil content (used for oil crushing, bakery and chips) and less confectionary sunflower for human consumption. The reason for that is the higher costs for the confectionary sunflower.

## **Moldova**

Moldovian market is firm with prices slightly increasing. About 70% of the local sunflowers are for oil production.

**Ukraine** announced the completion of harvest for season 2021 a month ago, and here are the official numbers for the Sunflower - 15.8 million tons from 6.44 million hectares (or 99% of the area) with a yield of 2.45 tons/ha.

In **Russia**, the result for the Sunflower is 15.3 million tons from 9.5 million hectares (or 98% of the area) with a yield of 1.61 tons/ha. Experts do not expect the continued appreciable rise in sunflower prices. The main factors remain the same: the end of the high harvest and a sharp decline in competition among buyers in the current season against the backdrop of a de facto export ban. An additional factor is the export duty spike on sunflower oil which is \$280.80/ton for January.

In both Ukraine and Russia, the main factor for the price are the farmers who are holding sales and trying to sell minimum amounts.

Meanwhile, Ukraine's stock is in surplus, and container export is slowing due to logistic problems.

## France

Market stable and quiet now. Not many offers. French farmers can sell easily and without any certification requirement for oil production.

The market is tired of the high price and the roller coaster the vegetable oil market has become in the last two years. Stable price and stable supply are the main requirements in addition to good weather and enough labor force.

Of course, we cannot exclude a scenario of extremely bad weather for the soy in America, lower than expected production of palm in Indonesia and Malaysia and continuous political tensions between Russia and Ukraine – this will mean new heights in the prices of the vegetable oils and seeds.

### Aldebaran's advice:

1. Cover your spot needs. Because of the geopolitical situation markets are volatile and unpredictable. It is not wise to take risks at the moment and play it speculative. Still we continue to be bullish short term and bearish mid-term.
2. Keep an eye on your mid-term needs. The trend will most probably switch to downside at some point but the exact moment remains uncertain. Some sources say this can be April-May.
3. When you cover long term, always make it with a trustworthy supplier.

### Aldebaran's stock/availability:

- 9.25MT Bulgarian sunflower bakery in 25kg paper bags.
- Full truckloads Bulgarian sunflower bakery in big bags or 25kg directly from origin.
- Full truckloads Bulgarian Badger striped sunflower inshells directly from origin. Packaging at buyer's request.
- Full truckloads Bulgarian black sunflower inshells directly from origin. Packaging at buyer's request.

Please contact us in case of a firm demand and we will offer you as per your needs - FCA NL/DDP/CFR basis, packaging as per your preferences.

Kindest regards,

Trade department: Paul, Nurcan, Ronald, Wim, Lyubka and Orestis

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